

# What are the lessons for HMRC from the DVLA tax disc de...

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The FT [has reported this morning](#) that:

*The decision to scrap paper tax discs from British cars cost the government more than £400m in its first year, in another expensive experiment in moving bureaucracy online.*

As the article notes:

*In the 12 months that followed the move, from October 2014 to September 2015, the DVLA collected £5.71bn in vehicle excise duty, some £412m lower than in the previous 12 months. Vehicle tax revenue figures obtained by the Financial Times with a freedom of information request show tax revenues plunging following the abolition of the 93-year-old paper tax disc system in October 2014.*

So, a change that cost £1 and which was intended to save £10m in administrative costs has actually in net terms cost £400 million. In fairness, the DVLA claim that some of this is due to the introduction of a monthly direct debit option but it seems that few are convinced by that.

This is worrying then, but not just because of the potential lost revenue on an incredibly simple tax. The implications for HMRC, where the same logic of digitising everything for the sake of saving admin costs, has to be considered.

What the DVLA experience proves is that this is a false economy. Firstly, paper still works: people need tangible reminders of their obligations. I hardly think this to be rocket science, especially given the ease of missing electronic communications amongst the plethora of data many people are now bombarded with.

Second, evasion goes up with digital systems and a smaller investment in staff. Again, this is hardly rocket science: just about anyone would reach this conclusion without expending a lot of effort.

Third, and here I extrapolate, if this is true of such a simple tax then what is the likelihood of an even higher failure rate in the more complex environment HMRC

manages, where non-compliance rates are already very high (maybe 20% of all corporation tax returns are not submitted at present, with almost no follow up happening, for example)? I'd suggest that they are very high indeed.

Or to put it another way, the absurd idea that costs must be saved, come what may, in revenue raising departments can only ever be accompanied by considerable risk of massive tax loss to the government.

If there was anyone with any sense on the Board of HMRC the warning from the DVLA should be enough to suggest that now is the time for them to go back to ministers and say the move to a wholly digital, and remote, tax system staffed by many fewer people than at present should be stopped. But I will not hold my breath: when HMRC's senior management match their objectives to those of ministers determined to shrink the size of government, whatever the cost, I am not expecting any such response. And we will all pay the price for that incompetence.