

# OpenVoiceNews U.K.

Transparent. Unbiased. Yours.

## HMRC Unveils New Digital PAYE Service in Major Tax Update

July 22, 2025

– Categories: *Finance*



HM Revenue and Customs (HMRC) has launched a new digital service to transform how over 35 million people in the United Kingdom interact with the Pay As You Earn (PAYE) system, as part of a broader shake-up of tax and customs administration. The changes, announced on July 21, are part of a wider transformation roadmap that includes more than 50 new measures set to modernise and streamline HMRC's operations by 2030.

At the heart of the announcement is the rollout of a fully digital PAYE interface, which will allow employees to directly manage their tax affairs online via their Personal Tax Account or

the HMRC mobile app. The new platform enables users to update details related to their income, tax allowances, reliefs, and expenses without relying on paper forms or lengthy phone calls.

According to HMRC, this initiative is expected to significantly reduce the need for postal correspondence, with a projected £50 million in cost savings. Officials say this is a step towards improving efficiency and ensuring more accurate, real-time taxpayer adjustments. JP Marks, HMRC's Chief Executive and First Permanent Secretary, said the goal is to offer "a first-class experience" through an automated, self-service system that helps users "get things right first time".

## Digital Transformation

The digital PAYE system is just one component of HMRC's ongoing Transformation Roadmap. Additional reforms are underway, including a new Digital Disclosure Service that allows users to rectify mistakes in previous filings more easily. The government also plans to overhaul how penalties are issued, moving towards what it calls "modernised behavioural penalties" to distinguish between honest mistakes and deliberate non-compliance.

Other key features of the roadmap include the digitisation of the Inheritance Tax process, expansion of SMS confirmations for Self Assessment appeals and complaints, and new online notification systems for routine HMRC communications. These changes are being introduced in phases, with full implementation targeted by the decade's end.

Technology, particularly Artificial Intelligence (AI), will also play a growing role in HMRC's future. The department intends to integrate AI to assist users in navigating its digital services, ensure up-to-date content and guidance, and support fraud detection during compliance checks.

The Treasury is positioning this drive as part of its ambition to create a more responsive and cost-effective tax authority. Exchequer Secretary to the Treasury James Murray MP said: "We are going further and faster to make HMRC fit for the 21st century... delivering taxpayer value for money by ensuring everyone pays their fair share."

Alongside digital upgrades, HMRC is also exploring new ways to strengthen enforcement. A new informant reward scheme will provide financial incentives for whistleblowers who expose serious tax avoidance and evasion, particularly in cases involving large

corporations, offshore accounts, and high-net-worth individuals. Compensation will be based on a percentage of the tax successfully recovered.

Though the government has long emphasised its commitment to digital reform, this latest announcement marks a significant shift towards reducing bureaucracy while enhancing compliance. If successful, the overhaul could set a new standard for how tax is administered in the UK, focusing on transparency, fairness, and ease of use for taxpayers.