

Why won't HM Revenue & Customs admit the scale of tax evasion?

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As the [Times notes](#):

Barristers and vets are expected to be the next professionals to come in for scrutiny after HM Revenue & Customs targeted doctors last week.

GPs and consultants, as well as dentists, who have failed to declare additional sources of income are being given the opportunity to come forward in return for a 90% discount on the usual penalties, under the Revenue's latest "amnesty", launched on Monday.

According to [HMRC the total direct tax gap](#) in the UK is just £25 billion a year. Of this tax evasion is not specified but at maximum it is claimed — assuming all inaccurate self assessment tax returns are evasion and not errors — to not exceed £14.4 billion.

That's a big number — but is just 5.3% at most of [all direct tax to be collected this year](#).

And that's utterly implausible. As [HMRC admit](#) (page 11) the average VAT gap over the last 7 years has been 13.7% of the gross sum that should have been collected.

VAT is charged on sales. If 13.7% of sales do not have VAT on them that's the top line that's not being declared. And it's very unlikely in that case that anything below the top line will be declared for tax if the top line is not i.e. the direct tax loss on PAYE on wages self employed profits and corporation tax on profits is also likely to have a tax gap of at least 13.7% of the gross sum due. Actually, it's likely to be higher still since small business is not liable to VAT — a fact allowed for in the VAT calculation and therefore the rate of loss amongst small unregistered businesses is likely to be even higher still.

So the overall direct tax loss is likely to be at least 13.7% of gross expected revenue — or about £42 billion. The loss on indirect tax would come in at more than £25 billion. Allow for some loss in 'other revenues' as well and the tax loss to evasion is in my estimate not less than £70 billion a year.

No wonder tackling the endemic crisis of tax evasion — even amongst the leading professions — is so important.

But in that case why won't HM Revenue & Customs admit the scale of the problem they're tackling?