

## Time to face tax realities

Published: January 13, 2026, 5:23 am

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I have just got a transcript of a hearing before the House of Commons Public Administration Committee where Liam Byrne MP, Cabinet Office and HM Treasury was being cross examined by Labour MP Levin Hopkins, who asked:

*Q159 Kelvin Hopkins: That sits alongside the fact we have a weaker economy than Germany and a massive trade deficit with Europe and the rest of the world. Let us look again at revenues. The statistics that came originally from **Richard Murphy** and others suggest that tax avoidance loses us £25 billion a year; tax evasion loses us £70 billion a year; and uncollected tax amounts to £27 billion to £28 billion. Half of that is not collected by HMRC simply because it does not have the resource to chase it. The estimate of the tax gap is £125 billion a year. Obviously, we will not collect all of that, but if we just addressed the tax gap and went for, say, one fifth of it—£20 billion or £25 billion—that would solve all our problems. We also have tax relief on savings to the rich which amounts to £20 billion and £30 billion. If we cut back on some of that we would have a massive increase in income and solve all our problems, but we refuse to face up to it. We never talk about revenues; we always talk about spending. Is that not the solution to our problems?*

Mr Byrne: I strongly agree with your point about the tax gap. It is a constant job of work and in part is the reason we were so keen as part of the G20 accords to go further in closing tax havens. I believe that will remain an important feature of HMRC's policy reform work over the years to come. We have to be constantly on the look out for new ways to approach this. For example, the **TUC has proposed some general anti-avoidance principles** which warrant serious study, but on the point about tax reliefs for the well off what we have tried to do in introducing £19 billion of tax increases over the next three or four years is load over half of that new tax take on the top 5% of earners in the UK. That has been accomplished to some degree by the introduction of a new 50p rate, but in addition a lot of money comes in by way of the introduction of reform of pension relief. We have conducted a degree of rebalancing though perhaps not as much as I suspect you would like, but we have sought to introduce these new taxes in a fair way.

Q160 Kelvin Hopkins: I would like to go further than that. Apart from corporation tax, I am not talking of changing tax rates but about collecting the tax that could be collected and which would solve all our problems.

Mr Byrne: I agree that remains a problem.

Kelvin is, of course, referring to [\*\*The Missing Billions\*\*](#) and my [\*\*recent report for PCS\*\*](#). **My emphasis added, of course.**

**Liam Byrne refers to successive TUC requests for a General Anti-Avoidance Principle, I admit at least in part inspired by me.**

**And I am pleased to note Liam Byrne agrees both raise important issues. Someone is going to have to tackle both very soon.**