

UK Tax Gap to widen

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[AccountingWEB](#) (behind firewall) has reported:

The Association of Revenue and Customs (ARC) - the union representing senior managers in HMRC - has told the Treasury sub-committee that proposed budget reductions could undermine HMRC's ability to identify, prioritise and prosecute those guilty of tax avoidance.

Graham Black, ARC president, said: "It is no coincidence that total revenues are falling at a time when HMRC has suffered significant staffing reductions.

"HMRC is made up of world-class tax professionals and the government must realise that we need to invest in HMRC and our staff, to claw back the money that should be helping to beat the deficit."

HMRC has already suffered staffing reductions, from 99,179 staff in 2004-05 to 68,037 in June 2010. The spending review announcement of a further 15% cut in expenditure will further erode staff capacity, and their ability to close the tax gap.

The government has pledged to invest £900 million in extra tax-gathering resources for HMRC. However, this is not additional money, but made up from savings made elsewhere in HMRC.

Terry Cook, former ARC president, also told the committee: "HMRC generates income for the government, and must be treated differently to other government spending departments. Cutting tax-gathering budgets will not save money; it will cost money. Tax avoidance will increase; revenues will diminish."

The latest estimate of the gross tax gap for 2008-09 shows that it has increased by £4 billion compared with the previous year, and stands at £42 billion. ARC believes that if £2bn of the estimated tax gap were to be recovered, it would provide valuable extra resources.

The ARC is affiliated to the Tax Justice Network.

I agree with their comments.