

Invest to close the Tax Gap

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The Association for Revenue & Customs - the part of the First Division Association union that represents senior managers at H M Revenue & Customs and that is affiliated to the Tax Justice Network has issued a press release today saying:

ARC calls for £260m HMRC investment to cut tax gap by £6bn

ARC — the Association of Revenue and Customs — has called for an investment in HM Revenue and Customs (HMRC) of £260 million to raise an additional £6 billion through closing the tax gap. ARC's proposal is contained in its Budget submission made today to HM Treasury.

ARC President Graham Black said: "We know there is an alternative to spending cuts and increased taxes: it is to ensure that everyone in the UK pays their fair share of taxes.

"This investment package promises spectacular returns. Any rational business would be asking how it could get in more of the revenues due, not how much further it can cut the costs of revenue collection. I urge the Government to make the rational choice and invest in HMRC's senior tax professionals."

ARC's £260 million investment proposal to produce additional revenues of almost £6 billion would fund an extra 250 senior tax professionals to tackle large business and corporate avoidance; 400 tax professionals to ensure compliance by employers; and 200 lawyers and legal support staff to bring cases in litigation to speedy resolution.

Additionally, the investment would allow increased support for senior tax professionals to enhance productivity; and more support for customers and their agents to encourage voluntary compliance.

Notes for editors

1. The Association of Revenue and Customs (ARC) is a union representing senior staff in HM Revenue and Customs, including tax inspectors, accountants, lawyers, managers and other leading professionals. ARC represents around 2,600 members in HMRC at grade 7 and above, and also trainees in grade 7 entry schemes. It is also a section of the FDA.
2. The FDA is the trade union and professional body representing 18,000 of the UK's senior civil and public servants. Our members include policy advisors, senior managers, tax inspectors, economists, statisticians, accountants, special advisers, government lawyers, diplomats, crown prosecutors and NHS managers.
3. The FDA (formerly the First Division Association) should be referred to simply as "The FDA" and can be described as "the senior public servants' union".

4. The tax gap

Each year businesses and individuals chose not to pay over £50 billion of taxes that are due. This is equivalent to £1,000 for every adult in the UK. At a time when every family in the UK is being asked to make significant sacrifices to reduce the budget deficit it cannot be right that some businesses and individuals chose not to pay their fair taxes.

5. HMRC tax professionals

ARC members brought in the lion's share of the £12 billion collected last year from businesses and individuals who chose not to pay their fair share. This is incredibly cost-effective work. An ARC member earning £50k can expect to bring in additional revenues of at least £1.5 million. This is enough to pay the salaries of 50 nurses or all the teachers in two medium sized schools.

6. Being Bold

The government announced an investment of £917 million in its spending review proposals last autumn. ARC welcomed this investment but believes it does not go nearly far enough. Even with this investment there will be cuts of over £2 billion over the SR period. The result is that areas that receive no investment are likely to see cuts of up to 25% in their funding. These areas include large business, employers, corporate tax avoidance and ghosts/moonlighters. The tax gap attributable to these areas is at least £20 billion. ARC believes the tax gap in these areas is certain to grow without additional investment.

I've got two quibbles: first that whilst ARC rejects H M Revenue & Customs' estimate of the tax gap it does not go far enough in recognising its true scale.

Second, if the tax gap is that big why not invest more?

Much more on this to come very soon.