

What to do about 500,000 missing companies

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My new report, [500,000 missing people: £16 billion of lost tax](#), highlights the fact that only one third of UK companies actually pay corporation tax and that I believe more than 500,000 may not do so each year when they have liability to do so. I have estimated the resulting [tax loss at £16 billion a year](#).

Now of course that's an estimate - and I accept that it's a point in a range - but however looked at the loss from this failure to regulate must cost considerably more than it cost to [run H M Revenue & Customs each year](#) - which is about £4.4 billion.

As I say in the report this makes clear the pressing need for more staff at H M Revenue & Customs and Companies House - both of whom completely bizarrely are facing redundancy programmes when regulation is so obviously failing and the law is not being upheld. But a little more action than that is needed, even though having enough people is a pre-requisite for anything to work. I make a total of 18 recommendations in the report of which the first five are:

- 1. All banks in the UK must report to both H M Revenue & Customs and Companies House if they open or close a bank account for a UK limited company. If this information is known by H M Revenue & Customs they will know which companies are really trading in the UK, meaning that accounts can be demanded from all those that are trading;*
- 2. No application for the striking off of a company which has a bank account should be accepted by the Registrar of Companies until it has received up to date accounts to support that application and is satisfied that H M Revenue & Customs has received all tax owing to it;*
- 3. It should be illegal for anyone in the UK to assist, directly or indirectly, a UK company to open a bank account with a bank outside the UK without that person who provides assistance having notified both H M Revenue & Customs and Companies House of the fact that they have done so, with full details of the account opened being supplied ;*
- 4. UK banks should be required to provide full and direct disclosure to H M Revenue &*

Customs of the bank statements of companies that fail to submit either their accounts to Companies House on time or their corporation tax return to H M Revenue & Customs on time. They should also be required to provide the full names and addresses of all those authorised to operate that account;

5. The tax liabilities of UK limited companies should become the personal responsibility and liability of their directors if their companies have failed to submit either their accounts to Companies House on time or their corporation tax return to H M Revenue & Customs on time, with this liability only being avoidable if all documents are filed and payment is made or if a proper liquidation of the company takes place with it being shown that the inability of the company to pay arose through no fault of the directors.

I can just imagine the squeals of protest. So let's be clear that:

- a) No one has to use a company - they can always trade in their own name, when they'd be personally liable;
- b) Companies are legal people - not natural ones. Legal people can, as the report notes, disappear with remarkable ease. Real people not so easily, thankfully. So we need special measures to find legal people - especially if they are at risk of doing a runner;
- c) It's vital we stop people offshoring bank accounts to get round this legislation - hence item (3);
- d) It's essential that H M Revenue & Customs and Companies House be made to police their obligations.

I think all small business that complies with the law and pays its tax would support these measures - and candidly, in this scenario they're the people who count. They're suffering unfair competition now - from companies who are not paying tax to claim what is in effect a subsidy to underline legitimate business. Government has a duty to stop that unfair competition. If H M Revenue & Customs and Companies House had the 'smoking gun' information on where each company banked then pursuit of those companies and their directors for non-compliance would become relatively easy to do.

And that's what we need - legislation that tackles tax evasion, ensures regulation is complied with, creates gainful and self-financing employment in law enforcement, creates a level playing field for business and helps stop cuts.

Now why would any government object to that?