

Funding the Future

H M Revenue & Customs is failing to collect tax penalti...

Published: January 13, 2026, 5:44 am

There's a story this morning in the press about [H M Revenue & Customs' failure to collect tax due from](#) those with whom it agreed deferred payment plans.

The tax gap has increased by £650 million as a result. This was, of course, inevitable.

However, the failure to collect tax and other sums due at HMRC is routine. It happens everyday because there are simply far too few people employed to collect the money owing. Take an example [I researched recently](#) relating to companies.

This table shows the number of corporation tax returns requested by HMRC each year:

Tax year	Number submitting a return on time	Number submitting a return after the close of the time limit for doing so	Total returns submitted by November 2010	Proportion of returns submitted on time	Total proportion submitting a return	Proportion of companies on the Register submitting a return
2007-08	1,390,000	184,000	1,574,000	72.2%	81.8%	58.6%
2008-09	1,402,000	98,000	1,500,000	71.5%	76.5%	55.1%
2009-10	1,162,000	21,000	1,183,000	64.7%	65.9%	45.7%

There is an abysmal, and declining rate of requests for and submission of tax returns. In 2009-10 just 64.7% of companies had submitted the returns due in that year by November 2010.

There are penalties due for late submissions of returns. Parliamentary questions showed how abysmal is the Revenue's record in handling these:

Corporation tax penalties for late filing charged in year	Amount discharged on appeal	Net due	Outstanding unpaid at end of year	Amount paid estimated	Proportion of penalties waived
£m	£m	£m	£m	£m	
2006-07	191.1	91.4	99.7	237.3	n/a 47.8%
2007-08	232.2	51.6	180.6	338.7	79.2 22.2%
2008-09	207.7	198.7	9.0	248.5	99.2 95.7%
2009-10	327.6	225.9	101.7	228.1	122.1 69.0%

As is very clear when the unpaid sum due at the end of the year is compared with the net sum due (calculated after massive waivers) is that well over two years of penalties are due at all times.

This makes a mockery of the whole system of HMRC penalties: they might be imposed but they simply are not being paid.

This is a sure sign of a tax system that is out of control: out of control because [the government will not give HMRC the resources needed to manage it.](#)

This is a choice by this, and previous, governments. It's an appalling choice; the wrong choice; a choice that means the rule of law is not being upheld, public services are being cut, our society is being undermined and honest business is acting at a disadvantage to those who cheat.

It's time HMRC was told to manage our tax system, to enforce our law and to collect what is owing to ensure that there is a level playing field in this country, so that the honest can be sure they are being treated better than the dishonest, to make sure we are all in this together. And as importantly, to protect our services whilst repaying our deficit - something this government is clearly not intent on doing.

Now why is that?