

Only 33% of companies in the UK pay tax

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People only form companies for economic reasons. There really is no other reason to have one.

Despite that just one in three companies in the UK pay tax. The data is based on the year to March 2010. [All the details on how I got the data is in a report here](#). The facts are:

- a) There were about 2.6 million companies on the Register throughout most of that year.
- b) Of these about 500,000 claimed to be dormant.
- c) That leaves 2.1 million potentially taxable.
- d) But I guessed at least 180,000 of the companies likely to be formed that year would never trade and so would not owe tax.
- e) That left 1.92 million trading companies.
- f) H M Revenue & Customs asked for tax returns from 1.88 million companies. It looks like they got to the same place as me, working from different data.
- g) Unfortunately they only got 1.18 tax returns back (yes that's 63% near enough bothered to reply). Of those 915,000 paid tax (almost exactly 33% of the peak number of companies in existence during the year).
- h) That left (depending on whether you start from my number or their number for taxable companies) about 730,000 companies that should have submitted corporation tax returns that did not.
- i) I accept that some of those companies would have made a loss and owed no tax. Based on the ratio of loss making companies amongst those that did submit returns that would still leave 536,000 taxable companies that should have submitted returns

and did not.

- j) The average corporation tax paid by small companies in the year was about £10,000 (a remarkably consistent figure over time).
- k) That means that more than £5 billion of unpaid corporation tax a year probably arises for this reason: that is more than the entire cost of running H M Revenue & Customs a year.
- l) In addition it's logical to assume that if a company did not submit a corporation tax return they also failed to pay PAYE and VAT as well. Based on extrapolation of HMRC data these other taxes might have been £20,000 a company for that year.
- m) That means the total tax loss was, on this basis, maybe £16 billion.

That's more than the tax raised by increasing VAT this year.

And all that happens because H M Revenue & Customs is committed to cutting the number of people it employs at HMRC.

This is a choice: it is not a necessity.

By choice our politicians are leaving business unregulated.

By choice our politicians do not collect enormous sums in tax.

This issue could be tackled, cost effectively and easily. Some ways of doing so are included in Caroline Lucas' [Tax and Financial Transparency Bill](#), but ministers are showing no enthusiasm to even recognise this issue.

We need to ask: why is that?