

HMRC at breaking point - Treasury Select Committee says...

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[According to the Guardian:](#)

The Treasury select committee sees HM Revenue & Customs barely able to function, as a result of real-terms cuts to its budget every year since its formation.

I trust you will forgive me for saying "I told you so", many times over. [Start here.](#)

Working with [the TUC](#) and [PCS](#) I have warned this would happen. As I wrote in March 2010, for example, referring to a then new report on this issue:

I've written a [new report](#) under the above title on behalf of [PCS](#) — the union that represents more than 80% of HM Revenue & Customs' staff. As the executive summary says:

The UK has been in recession, and may well be in recession again soon. Through no fault of its own, the income of our government has collapsed whilst its obligations have increased. A gap between government income and expenditure of up to £175 billion a year has emerged as a result. This though is not a spending crisis: this is an income crisis.

This report argues that the scale of that income crisis is being increased as a result of policies being pursued by HMRC. Those policies were created before the onset of recession. They have two aims. The first is to cut over time the number of staff engaged by HMRC by 25,000 — 17,000 have already left. The second policy is to close many of the local tax offices from which HMRC used to undertake its work in local communities. Over 200 offices have either closed already, are about to close, or are under threat of closure. It is fair to say that all offices are under scrutiny. When the programme is complete some people in the UK will live more than 50 miles from their nearest tax office, making it impossible for many of them to turn to this natural source of help and advice when seeking to fulfil their obligation to pay tax. In addition, HMRC are about to press ahead with the closure or severe reduction of its drop-in enquiry centre facility, which has previously provided a local and immediate tax advice service for both

members of the public and tax professionals.

As this report also notes, too many people do not pay the tax due by them in the UK. HMRC have estimated the ‘tax gap’ in the UK — the difference between the tax they think is owed and the tax they actually assess — to be about £40 billion a year. We argue that this dramatically underestimates the total tax gap, particularly with regard to tax evasion.

To data previously published by the TUC which estimated total UK tax avoidance at £25 billion we now add an estimate of £70 billion for tax evaded within the UK. We can provide detailed and precise workings for this sum and also outline why the estimates of this sum produced by HMRC and the National Fraud Authority inevitably understate this figure.

When the total outstanding debts now owing to HMRC are added to these two sums, which when last estimated was £28 billion, we suggest the total tax gap in the UK is now likely to exceed £120 billion.

It is very obvious that the UK cannot afford this tax gap. It is equally obvious that if investment were made in additional resources for HMRC then this tax gap could and would be substantially reduced.

In arguing this we make the following points:

Recommendation 1: The basis for estimating tax avoidance should be revised to use a definition widely recognised in society and which correctly reflects areas of continuing policy concern as well as those abuses making use solely of artificial arrangements.

Recommendation 2: HM Revenue & Customs should be required to prepare estimates of evasion of direct taxes on a “top down” basis, as they do for indirect taxes.

Recommendation 3: HM Revenue & Customs should recognise that their existing bottom up methodology for calculating the tax gap for direct taxes will inevitably seriously under-estimate the size of that estimate.

Recommendation 4: HM Revenue & Customs should recommence publication of the many statistics on taxation produced by the former Inland Revenue which have ceased to be available since its demise, the lack of which make objective appraisal of the performance of the tax system hard to achieve.

Recommendation 5: HM Revenue & Customs should engage more staff to tackle tax avoidance and tax evasion.

Recommendation 6: HM Revenue & Customs must on occasion select cases for investigation without consideration of potential tax yield, and make clear that this happens to protect revenues from those on lower levels of earnings.

Recommendation 7: More staff should be engaged to scrutinise tax repayments before they take place.

Recommendation 8: More staff should be engaged to recover tax debt owing, and limits on sums to be pursued for collection should be lowered considerably.

Recommendation 9: The local office closure programme being pursued by HM Revenue & Customs should not just be stopped, it should be reversed. Tax must be seen to be collected in the community.

It is our firm belief that adopting these policies would highlight the true extent of the UK Tax Gap, provide the data needed to appraise progress in tackling it, and be cost effective methods of achieving that goal for all the reasons this report outlines.

I'll be featuring more of what I say in this report over the next day or so.

The key issue is a simple one though: why, at a time when we need every penny of tax revenue we can get are HM Revenue & Customs doing everything possible to increase inefficiency in the tax system.

That seems now to be true, but still the cuts at HMRC go on, still the warnings are ignored, and no doubt at all, the tax gap keeps increasing.

Why doesn't this government want to collect tax?