

Funding the Future

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The Taxpayers' Alliance [have published a report this morning](#) in which they claim:

Over the last five financial years £27.4 billion of tax revenue has been lost by HMRC through remissions or write offs. That is over £1,000 per household lost in tax over the last five years, or more than £200 per year. £5.9 billion was lost in 2010-11. If this money was collected, it would be possible to cut more than 1 per cent off the standard rate of VAT. Over the period studied, £4.4 billion has been lost in Income Tax alone. The amount of Income Tax lost in 2010-11 was 52 per cent higher than in 2006-07.

As a result they claim:

A much simpler tax system could help to avoid errors of this scale in the future, and the deficit could be reduced more quickly. The 2020 Tax Commission is exploring ways to make taxes simpler and less burdensome on families and businesses, and will be publishing its final report and recommendations in Spring 2012.

I'm discussing this on Radio 5 this morning so let's just look at the claims.

First, almost all the remissions are on tax credits. So they're not part of the tax code. That's a benefit.

And 90% of the bad debt is due by companies that have gone bust. So there's not a hope of the Revenue getting the cash. I know that because the Revenue have said so.

Which leaves not a lot left over, almost all of which is due to the fact that the Revenue haven't got the resources to track people who move, or refuse to pay relatively small sums of tax which aren't worth taking to court.

So how much of this is due to complexity in the tax code? About the square root of not a lot I'd say.

The TPA really do need to learn a little about tax, business, insolvency and debt collecting. In other words if only they knew just a little about the real world of business they so claim to adore they'd really be a lot wiser.

Although maybe that's giving them just a little too much credit.