

Funding the Future

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Published: January 12, 2026, 6:24 pm

I'm going to repeat the HMRC tax gap table just published:

**Table 1.1: Tax Gaps for HMRC administered taxes – 2008-09 and 2009-10
 (£ billion)**

Tax	Component	Point estimates (£ billion) ^{1,2,4}		Percentage tax gap ³	
		2008-09	2009-10	2008-09	2009-10
Indirect taxes⁵					
Value Added Tax (VAT)		14.6	11.4	15.5%	13.8%
Spirits duty		0.1	0.1	2%	3.4%
Beer duty		0.4	0.6	10%	14%
Cigarette duty		1.4	1.1	13%	10%
Hand rolling tobacco duty		0.6	0.6	50%	46%
Great Britain diesel duty		0.7	0.5	5%	4%
Great Britain petrol duty ⁶		0.0	0.0	0%	0%
Northern Ireland diesel duty ⁷		0.1	0.1	27%	12%
Northern Ireland petrol duty ^{6,7}		0.0	-	16%	-
Other indirect taxes ⁸		1.0	0.8	7%	6.0%
Total indirect taxes		18.9	15.1	12.7%	10.9%
Direct taxes					
Income Tax, National Insurance Contributions, Capital Gains Tax	Inaccurate self assessment returns from individuals (excluding large partnerships ⁹)	5.6	5.8		
	Business taxpayers	5.0	5.1		
	Non-business taxpayers	0.6	0.8		
	Inaccurate self assessment returns from large partnerships ⁹	0.8	0.9		
	Inaccurate returns from small and medium-sized employers (PAYE) ¹⁰	0.6	0.9		
	Inaccurate returns from large employers (PAYE)	2.0	2.0		
	Avoidance	1.4	1.5		
	Non-declaration of income and capital gains by individuals who do not receive returns	0.3	0.3		
	Ghosts ¹¹	1.3	1.3		
	Moonlighters ¹²	1.8	1.8		
Total		13.9	14.5	5.2%	5.8%
Corporation Tax	Businesses managed by the Large Business Service	1.3	1.2		
	Avoidance	1.1	1.0		
	Technical issues	0.2	0.2		
	Large and complex businesses	0.9	0.9		
	Small and medium-sized businesses	2.7	2.7		
Total		5.0	4.8	10.3%	11.7%
Other direct taxes	Inheritance Tax	0.1	0.05		
	Stamp Duties ¹³	0.8	0.5		
	Stamp Duty Land Tax	N/A	0.2		
	Shares Stamp Duty	N/A	0.3		
	Petroleum Revenue Tax	0.05	0.02		
Total		0.9	0.6	6.5%	4.9%
Total direct taxes		19.8	19.8	6.0%	6.5%
Total tax gap		39	35	8.1%	7.9%

Let's look at the direct tax gaps - I've already explained that much the VAT gap is down to a change in tax rates.

Now let's look at the direct tax gaps. As is very clear, with the exception of stamp duties these have all risen. And this is despite falling incomes and profits.

This is inevitable. Even given the wholly inadequate basis of calculation the Revenue use for these gaps which ludicrously understates them (to make their performance look better) tax gaps will always rise in recessions: that's because people can't make ends meet and so seek to abuse more. This trend will get much worse.

But despite that the Revenue are cutting staff across the board who can deal with this - meaning money is simply being given away by HMRC. How ludicrous is that?

And how wrong is their message that the tax gap is being dealt with in that case?