

The tax gap - HMRC puts out another work of fiction sug...

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HMRC issued the following press release today:

The tax gap is the difference between the tax in theory that should be collected by HMRC and what actually is collected. At its formation in 2005 HMRC committed to reduce this gap.

In its 2010 Spending Review the Government made £917 million available to HMRC to tackle the tax gap and raise additional revenues of £7 billion a year by 2014-15.

The figures released today show the tax gap for 2009-10 is estimated to be 7.9 per cent of liabilities, around £35 billion, and is slightly down from 2008-09, when it was 8.1 per cent of liabilities. This is at the lower end of the range of countries who publish their tax gaps.

Dave Hartnett, HMRC Permanent Secretary for Tax said:

"The tax gap is the result of a wide range of behaviours and the challenges are constantly changing, but these figures show we are continuing to tackle non-compliance. The tax gap has reduced from 8.5% of total liabilities in 2004/05 to 7.9% in 2009/10 and we have almost doubled compliance revenues since 2005 to £14bn

I cut out guff by David Gauke but kept in Hartnett's quote, not least because by doing deals with Vodafone and others with appropriate authority few have contributed more to increasing the tax gap than he has.

PCS rightly responded to this press release saying:

Missing tax massively underestimated by HMRC

The amount of tax lost to our public finances every year is more than three times the government's estimate, the Public and Commercial Services union says.

Today's claim by HM Revenue and Customs that there is a GBP 35 billion tax gap - money lost through tax evasion, avoidance and not being collected - massively underestimates the problem. The union, whose own research puts the tax gap at around GBP 120 billion, has cast serious doubts on HMRC's methodology and says the department has refused to share details of the model it uses to estimate its figures.

This follows a re-announcement by chief secretary to the Treasury Danny Alexander at the Liberal Democrats conference earlier this week that an additional 2,250 HMRC staff will move into new anti-evasion and avoidance jobs. He also pointed to government plans to invest over GBP 900 million in HMRC, which the Treasury agreed last year to help tackle £7 billion in lost revenue before 2015.

Even with this, the government's spending cuts mean HMRC will lose GBP 2.1 billion and around 10,000 jobs by 2015.

These come on top of 30,000 jobs that have been cut since the creation of HMRC in 2005.

Mr Alexander's speech came just days after more HMRC office closures were announced, including the tax office in Wick, in his own backyard.

PCS general secretary Mark Serwotka said: "By any measure, £35 billion is a lot of money and it ought to be chased. But we estimate the real figure is more than three times that, and cuts in HMRC are leaving the department unable to cope." Instead of cutting jobs and offices, ministers should invest to rigorously pursue the tens of billions of pounds in tax lost through the use of tax havens and evasion and avoidance tactics by big corporations and the very wealthy."

The PCS data was, of course, [calculated by me](#).

Why HMRC have their data is wrong [is explained by me here](#).

And I stand by the fact that the HMRC estimate of the tax gap is complete misinformation based on statistical methods so bad they should be profoundly ashamed of them.

And in the meantime HMRC are still sacking staff who could tackle the issue. Which means the choice has been made to leave money in the hands of the tax crooks and tax cheats rather than to collect it to close the deficit, invest in job creation, stop cuts in pensions, benefits, the NHS and schools and in the armed forces.

That's the wrong c

