

# The tax gap will increase by not less than Â£3.8bn th...

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HMRC have been issuing massively misleading reports that the tax gap fell by £7bn last year.

It didn't, [and I have explained why here](#). Using their own, dodgy, methodology it fell by £1.3bn in real terms at most.

But that ignores another issue. The gap in cash terms fell last year by at least £2bn because of the cut in the VAT rate, and not because of HMRC effort.

But this year the VAT rate is 20%. So right now the VAT gap will have automatically risen on the basis of the same rate of crime by not less than £3.8bn. That follows like night does day as the VAT rate has risen from 15% in most of 2009/10 to 20% now.

And what is HMRC doing about this? It's cutting staff. It's closing tax offices. It's pulling staff off the front line that might address this problem.

£3.8bn is almost what it costs to run the whole of HMRC a year - and that whole sum is going to be lost because of the VAT rise, and apparently that gives no rise to a change in policy to recover this loss.

That is ludicrous. Who else would sit back and note they're bound to lose this much unless they take action and shrug their shoulders and say c'est la vie? Only Dave Hartnett, David Gauke and George Osborne, I guess.

I've suggested that increasing staff at HMRC by 20,000 would cost £1bn - and suitable staff are out there in the economy right now wanting this work - many of them sacked by HMRC in recent years. They could even pay a premium to lure trained people back. And the payback would be enormous. But no, the government won't take action.

Why not? Well you have to conclude that Hartnett & Co want the tax to be in the pockets of the cheats and crooks because they sure as heck aren't going about collecting it.

What a ludicrous and dangerous state of affairs that is where the state sits and looks at organised crime and does nothing.