

Collect the evaded tax, avoid the cuts

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I [have the following on Comment is Free](#) this morning:

The Tax Justice Network has [published new research I have undertaken on its behalf](#). Using data sourced from the World Bank, CIA World Factbook, the Heritage Foundation and World Health Organisation this research — for the first time ever as far as we know — estimates tax evasion for 145 countries in the world covering 98% of world GDP between them.

The result is astonishing: between them these countries lose \$3.1 trillion to illegal tax evasion. That is more than 5% of their GDP. To put this in context, that's also 54.9% of those same countries total spending on healthcare.

The research will, however, be controversial. For example, the findings show that tax evaded in the UK might be £69.9bn a year. This is extraordinarily close, despite very different bases of calculation, to [my 2010 estimate for the Public and Commercial Services Union of £70bn](#), which HM Revenue & Customs and the government have always challenged. They say the figure is [only £35bn a year for the UK, including tax avoidance](#), which I additionally estimate [at £25bn](#).

It is important to highlight such differences of opinion. Across the world governments have paid too little attention to tax evasion, claiming the issue is smaller than it really is. They have done so because like the UK they only look at errors in the tax returns they receive, ignoring the fact that serious tax evaders are outside the system.

That negligence is now costing us dearly. For example, Italy is losing €183bn a year to tax evasion [in my estimate](#). Its total external debt is €1.9tn. If it had only suffered the UK's rate of evasion in the last decade then its deficit would be less than half that sum now. The same would also be true for Greece, and only slight less so for Spain. In other words, if tax evasion had been taken seriously and been tackled in these countries we would not have a crisis in the eurozone today.

Something similar could be said for the UK. The US has an evasion rate [about two thirds that of the UK](#). If we had reduced our tax evasion rate to US levels in the last decade we

might owe £200bn less in debt now. Alternatively, cuts of more than £20bn a year could be avoided in the UK economy now with our debt still being tackled at the current rate. That could prevent most of the current stress in the NHS; sixth formers would still have maintenance allowances and we might not be facing a national strike next week.

Most importantly though I believe that this reduction in tax evasion in the UK and elsewhere is possible. As the Tax Justice Network's new [Tackle Tax Havens website](#) shows, tax havens help serious tax evaders hide their crime. We could stop that by demanding that tax havens be transparent about the individuals, companies, trusts that use these places, starting with the UK's own tax havens and then moving on from there. The world's shadiest places and their users would then come under the scrutiny that's needed to make sure tax is paid.

We could change things at home too. Despite government claims that they are tackling this issue they're still planning to [cut 12,000 jobs at HM Revenue & Customs](#) over the next few years; job losses that will simply deny our tax authority the people needed to chase tax due by cheats in this country. That makes no sense. Twenty thousand new staff at HMRC could transform government finances and with it the state of our national economy. Tackling tax evasion is in the national interest and in the world's interest. Now we know just how much tax is evaded a new strategy for tackling the world's deficits is available.

We could stop the cuts: we can collect tax due instead. That way we all win.