

Hartnett is right, and yet so, so wrong on the tax gap,...

Published: January 14, 2026, 3:55 pm

The [Telegraph reported yesterday that](#):

People who receive cash-in-hand payments for goods and services are harming the economy, according to HM Revenue & Customs (HMRC) most senior taxman Dave Hartnett.

Speaking to the Daily Telegraph, he criticised tradesmen and other workers who try to get out of paying tax by asking for their payment in cash and said there will be a crackdown to catch individuals who do so from April 2012 onwards.

Mr Hartnett claimed evading VAT or income tax is 'diddling' the economy and will lead to further cuts for things like hospitals and schools.

"Tax provides the funding to run the country: hospitals, schools and everything else. Every time someone pays cash in order not to pay VAT, the nation gets diddled," he remarked.

Of course Hartnett is right: [the tax gap](#), about which I have campaigned for years, and which I forced (via the TUC) onto HMRC's agenda and in turn into national debate, is of course a major factor in the management of the deficit. Given that the [gap is £120 billion](#) that has to be true. But let's be clear, welcome as Hartnett's recognition of this obvious fact is, he has ultimate responsibility for the fact that the gap is this big for two reasons. First of all, he's denied the size of the gap, persistently - and the propaganda his department put out under his direction about how small the gap supposedly is in his view has been used by him and his colleagues to leave this matter alone and to deny its significance. HMRC say the tax gap is just £35 billion right now ([see the table, here](#)). The numbers are grossly inaccurate for reasons I explain [here](#), [here](#) and [at length here](#). The consequence is obvious: too little attention has been paid to the issue and that is because HMRC worked persistently to hide its own incompetence to hide the fact. Second, using the incorrect data his department produced Hartnett justified reducing the staff in HMRC. The numbers will fall from 100,000 in 2005 to about 50,000 in 2015. And like it or not collecting criminals requires human activity to detect and prove the crime. Tax evasion is a crime and there aren't

enough people now employed to detect much of it - so the tax gap has grown. Hartnett is responsible for that. And we see the result in cuts in services, pensions, disability living allowances, education, health, defence and so much more. So sure, Hartnett's right - people should not pay in cash knowing the cash will not be declared to tax authorities. But the biggest culprit by far in the creation of the massive UK tax gap that threatens our public services is Hartnett himself - and he's just trying to deflect the truth by making the claims he's now seeking to make in valedictory effort to justify his actions.