

If HMRC bad debt is Â£10.9 billion their estimate of ...

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It's been revealed that the [UK's national accounts for 2009-10 include tax bad debt of £10.9 billion](#).

I found this interesting. That's because, as regular readers will know, I've been writing about the 'tax gap' since 2006, and pretty much forced this issue onto HMRC's agenda in 2008, as government papers at the time showed. The tax gap is made up of three parts. The first is tax avoidance (£25 billion in my estimate), the second tax evasion (£70 billion in my estimate) and the third tax paid late (£25 million according to HMRC of which they have said about £4 billion a year has been written off on average in previous years. This definition of the gap is not mine by the way: HMRC agree with it, except they ignore tax paid late and recovered in their numeric calculations despite including [it in their definitions](#).

But if they do include bad debt of £10.9 billion then [their latest estimates of the tax gap](#) - supposedly for the same year, 2009-10 are even more wildly inaccurate than we thought, because they claim that in total the tax gap is just £35 billion that year. That would mean there was just £24 billion of tax avoided and evaded, and [yet as I have shown using World Bank figures for the UK shadow economy](#), it's implausible that we have a tax evasion gap of less than £70 billion (which so happens to agree with my estimate of the same gap based largely on VAT data). If the HMRC claim on the total tax gap were right tax evasion would be little more than £20 billion - and that's just 3.6% of total overall tax revenues.

No country on earth has a tax evasion rate as low as that. Switzerland is supposedly the cleanest domestic economy on earth and has a shadow economy of 8.5%.

So what this data says is that not only do the national accounts have some surprises in them, but HMRC are lying about the scale of the tax gap. Sorry to use such language, but on this occasion it seems appropriate (and they can always sue me if they wish). But I don't think they will. What this data reveals is that not only have they not previously told the truth on the scale of bad debts HMRC has been suffering, they've also been disguising that data in the figures on the tax gap they have been

producing. [As I've said all along.](#)