

## CBI tax misinformation - the tax gap is nothing like as...

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The gross misstatements by the CBI in its presentations, reports and speeches on tax last week just keep coming.

Take [this claim by John Cridland](#):

*The 'tax gap' between what should be collected and what actually is has been shrinking in recent years, and only £1.2bn of it is attributable to corporation tax paid by the largest companies.*

The shrinkage, as he should well know, is almost entirely down to the cut in the VAT rate for a limited period in 2009. [As HMRC themselves said](#):

*This decrease is mainly due to reduction in the VAT gap since 2008-09 following the reduction in the standard rate of VAT from 17.5 per cent to 15 per cent between 1st December 2008 and 31st December 2009.*

The gap will rise dramatically this year since the VAT rate has now risen from 15% to 20%. Cridland recognises neither of these things, suggesting something quite different is going on - which is that the gap is reducing due to increased compliance. That is completely untrue.

And as for the £1.2 billion of the gap due to companies - how does he reconcile that with the [Mail on Sunday's](#) finding that, on the basis of entirely reasonable methodology it looks likely that just five big US companies also active in the UK avoid £666 million in tax?

Cridland is desperately seeking to take comfort from HMRC's incredibly low estimate of the tax gap at a time when it's whole credibility has been shot through, on all taxes. But he won't have that, saying:

*The tax gap itself is far from a perfect measure, including as it does both hard numbers on known liabilities and soft numbers which are just based on initial estimates of what*

*the HMRC has decided might be due.*

*The gap does include abusive tax arrangements. But it also includes honest disagreements over interpretations of tax law. Determining taxable profits is not a precise science, and there will often — and in perfectly good faith — be differences in what a company believes it owes and what the HMRC view is.*

I have to agree that the tax gap is not a precise measure - but the evidence is overwhelming that it massively understates liabilities and yet the CBI wants to pretend in the face of all the evidence that it is otherwise.

If this is, [according to some, a CBI fightback](#) then they've chosen the wrong weapons to fight with. And it's a fightback they're bound to lose in that case.