

Can HMRC really say my work on the tax gap is 'dangerous'?

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I've [just re-published HMRC's new commentary](#) on my work on the Tax Gap, published by the Treasury Select Committee.

I suspect no one will be surprised to hear that I do not agree with HMRC's analysis. What worries me most though is that they are not even attempting an objective analysis. [In a long paragraph that proceeds their analysis](#) they say they think they have good reason to comment on my work. That paragraph is especially telling, and I comment on it as follows, in each case quoting the original text and then my analysis of it:

Finally we have to be aware that because the concept of a tax gap is of public interest others will calculate a total. The external work has tended to produce estimates that we think are misleadingly high. (See the annex for a detailed discussion of why we are convinced that our estimate of around £35bn is much more accurate than the Tax Research UK estimate of £120bn).

It's nice of the Revenue to acknowledge that my work is the de facto alternative to their own; to say it is misleading is a deeply subjective statement implying intent. I have no intention of misleading anyone. My work is offered in good faith to correct very clear errors that I have persistently noted in HMRC's own work. Both our figures are estimates, of course. It is inappropriate to describe one as misleading.

We think that these estimates could be dangerous if not countered by HMRC's published estimates.

Respectfully, now we're moving into the realms of fantasy. To say that it is dangerous to have alternative tax estimates in existence undermines HMRC's credibility. This is misleading. They justify this saying:

Partly because they give a misleading view of HMRC's effectiveness and the amount of uncollected revenues.

Part of the purpose of my work is to argue that HMRC is ineffective. I do not deny that.

But then, it is, as a matter of fact ineffective. Because of my work HMRC have had to admit that fact: they never published comprehensive tax gap estimates before I did so. Second, HMRC is ineffective because its senior management have decided to make it their objective to half the number of staff in HMRC in a decade from near enough 100,000 in 2005 to a planned total of just over 50,000 in 2015. Over 30,000 people have already gone. And the simple fact is that you can't close the tax gap without people to check accounts, visit missing traders, pursue uncollected tax and handle investigations. Those people are no longer at HMRC, which is why they're having to resort to doing deals to get tax in from large companies, and simply ignore the fact that in wide areas of their work they are wholly ineffective. On statistic will suffice for now. [As my research has shown](#), in 2009-10 HMRC asked 1,796,000 companies (out of 2.8 million that existed) to submit tax returns. Only 1,183,000 did submit a return. That means 34% of companies asked to submit a tax return did not do so whilst only 42% of all companies actually submitted a return. If that's HMRC being effective their standards of assessment for effectiveness are pitifully low. And that's why I suggest they're not collecting tax.

They have another reason for thinking my work dangerous though:

But also because [Tax Research UK's estimates] encourage the perception that deliberate non-compliance in the UK is the norm-a perception which could encourage further non-compliance.

Hang on - that's saying whatever the truth is they want to publish as low a number as possible to pretend that HMRC is doing just fine and people aren't fiddling whatever the truth might be. That's little short of an admission that what they are putting out is simply propaganda and is not an attempt at creating a true and fair picture of the problem (something which, unfortunately, their inconsistent choice of methodologies only confirms to be the case).

Is non-compliance the norm? Well I'd suggest 34% of companies ignoring a request to submit a tax return is just that.

And when it comes to the self employed, [this table from their latest tax gap publication is pretty damning:](#)

Near enough half of all self assessment tax returns are wrong according to HMRC. If that is not non-compliance as a norm I do not know what is. Their claim looks very threadbare, if I am kind to it, despite which they say:

We are confident that deliberate non-compliance is far from the norm-and that it is important to demonstrate this by publishing our own estimate of the total tax gap.

I'm sorry - but making misleading claims undermines the whole credibility of that

estimate - and as this analysis of just one paragraph shows, HMRC's work is misleading, and I would contend mine is not.

But I will come back to this in more detail on other issues, soon.