

The EU's â,-1 trillion lost to tax evasion

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It's only a month ago [that the UK government sent a report](#) to parliament saying very specifically that my work on the tax gap was dangerous and misleading. They did, amongst other things, challenge my work on the European tax gap, which they said was seriously wrong.

In [that work](#) I said that the EU shadow economy was likely to exceed â,-2.2 trillion and that tax lost likely exceeded â,-1 trillion as a result.

This week the [European Commission](#) has issued a report saying:

What is the scale of tax evasion and fraud in the EU?

Given the very nature of tax evasion and fraud, it is very difficult to put a precise figure on them. Nonetheless, the size of the shadow economy is estimated to be nearly one fifth of GDP on average across Member States, representing nearly â,-2 trillion in total.. Some studies estimate the level of tax evasion and avoidance in Europe to be around â,-1 trillion, and recent reports also suggest that tens of billions of euros are off-shore, unreported and untaxed.

Now I won't go so far as to say they are saying I'm right: but their calculation of the size of the shadow economy uses my methodology - the exact methodology that the Treasury condemned.

And they clearly think my tax loss estimate has some merit.

What is certain is that it's shaping the debate in Europe. In which case the real question is why is the [Treasury in such firm denial here?](#)