

The FT says HMRC's tax gap report is a work of fiction

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I've [just commented](#) on the ludicrous nature of the HMRC estimate of tax evasion included [in this year's tax gap](#).

I'm pleased to note that I'm not the only person who's formed this view. [The FT's just reported:](#)

And so to HMRC to examine the UK's “[tax gap](#)” – the difference between tax actually collected and the tax that could theoretically be collected.

The ‘gap’ in Britain is put at £32bn.

It's an intriguing document, if only because a casual leaf through the 47 pages gives the awkward impression that this is one long exercise in random guesswork. Sure, the approach is pseudo-scientific, but it reads like an appendix supporting a departmental budget submission rather than an accurate portrait of tax avoidance and evasion.

Actually, if you plough through to Chapter 6 you learn that the HMRC people cheerfully admit as much.

As they add:

If you are wondering about the reference to “ghosts,” these are people who work in the UK but who pay no tax at all and whose existence is (a known) unknown to the authorities...

Ghosts’ are individuals who receive income from employment or self-employment but are not known to HMRC because they and/or their employers fail to declare their earnings. Ghosts are not accurately recorded by any government agency or survey and therefore any estimate as to their number or the consequential loss of duty is approximate.

See? Complete guesswork.

I think that concludes debate: this work is utterly discredited.