

The NAO verdict is that HMRC is in denial about tax avo...

Published: January 14, 2026, 6:05 pm

I was out and about yesterday and so had little time to read or comment upon the [National Audit Office \(NAO\) report on HMRC and marketed tax avoidance schemes](#).

The summary looks like this. The NAO say:

Having introduced its disclosure regime in 2004, HMRC has made some important headway by closing legal loopholes and reducing the opportunities for avoidance. This changed the shape of the market, but has not prevented some promoters from continuing to sell highly contrived schemes to large numbers of taxpayers, depriving public finances of billions of pounds. There is little evidence that HMRC is making progress in addressing this problem and it must now be vigorous in seeking more effective counter-measures, proposing legislative change where necessary.

HMRC does not monitor the costs of its anti-avoidance work and has not yet identified how it will evaluate its overall anti-avoidance strategy. This reduces its ability to make informed decisions about where it should direct more effort, and how to best reduce the 41,000 open avoidance cases. HMRC cannot therefore demonstrate that its strategy to tackle marketed tax avoidance schemes provides value for money.

I am not surprised. There are many dimensions to this that are important.

First there is a considerable loss. I have, of course, [argued this consistently since 2008](#).

Second, nothing HMRC has done has stopped the marketing of these schemes, so far. Again, this has been a recurring theme of this blog.

Third, HMRC is not winning cases it can identify. That is, of course, because it does not have the necessary resources to do so, [as I have long argued](#).

Fourth, the HMRC data on the tax gap with all its inherent weaknesses [is something I have long highlighted](#). Inevitably as a result their management of tax avoidance is flawed: if you base your performance targets on numbers produced for propaganda purposes you are bound to fail.

Fifth, what is very obvious is that HMRC's response is just not good enough. The government's lame General Anti-Abuse Rule is a watered down version of Graham Aaranson's already weak general anti-avoidance rule. It will be hard to operate, will be outside HMRC control and will instead be in the hands of the very tax professionals it is targeting and will only attack the "most egregious schemes at best". A [General Anti-Tax Avoidance Principle Bill](#) is obviously needed instead. Only that has a chance of beating such abuse by looking at motive and not legal detail.

But finally, what this says is that HMRC is in denial on this issue, and that is most worrying of all. How can a body tasked with collecting tax be so clueless at its highest level about how to do just that?

We should be worried. Whilst HMRC fail the rest of us are suffering cuts. Let me assure you, treat this issue personally, because that's exactly the right way to think about it.