

Why the tax gap is important - even if the Tories seem ...

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I was at a debate in parliament this morning organised by [the ARC union](#) - which represents senior staff at HM Revenue & Customs. The subject was the tax gap.

I admit I have never felt quite so much like the elephant in the room before. With about 100 people present all three politicians who spoke - David Gauke MP, the Treasury Secretary, Catherine McKinnell MP, his shadow and Stephen Williams MP for the LibDems - referred during their presentations to my work or 'Richard' without seeming to need to add a surname to aid identification - which was an odd experience. Boris I can understand, Richard I didn't expect.

But there are a number of serious reasons for making this point. The first is that it confirms what [Frances O'Grady said to the TUC on Sunday](#), which is that it was the TUC who broke the tax gap debate in the first instance with '[The Missing Billions](#)' which I wrote for them in 2008. Almost all the Revenues' reaction on this issue since then can be traced (via documents on the old Treasury website) to that work.

Second, it suggests that despite the considerable sums that the government has thrown at trying to dissuade people of that work (and they have) it remains highly relevant.

Third, it acknowledges the importance of continuing NGO work on this area (of which more tomorrow).

Fourth, it gave me the chance to speak on this vital issue on which all had acknowledged there was difference of opinion on the quantum of the UK tax gap.

When doing so I made, I hope, three key points.

The first of these is that it seems odd to have to continue to justify my work on this issue to the government and HMRC when the European Commission has now launched a campaign to [encourage the tax gap across Europe to be closed which is based on my work](#).

Second, like it or not, the UK tax gap estimate has to be wrong. It is impossible that the average reported tax gap for VAT from 2002/03 to 2011/12 from HMRC's own reports (who reported on VAT before any other tax) is 12.9% but the current reported tax evasion gap is just 3.2% (my calculations based on HMRC data). If 12.9% of the top line of UK plc (and let's be clear, a significant part of GDP is subject to VAT, or is potentially so) is not recorded for tax it is utterly implausible that the overall tax loss is just 3.2%. People don't pocket cash to avoid VAT and then put the sale on their income or corporation tax return, or apply PAYE to the staff paid in cash either. And this matters - because if you get the estimates wrong you do not allocate appropriate resources to tackling it - or, as importantly, to the right issues.

And in that case the government's failure to get tough on this issue - by, for example, willingly allowing Michel Meacher's [bill on transparency to be talked out in parliament last week](#) - is important. Although [David Cameron might think you can tackle the tax gap with vague undertakings](#) I don't. Only tough action, more people and better legislation giving HMRC the powers they need to tackle abuse will solve this issue.

Right now there is no sign that the government is going to do this. David Gauke's whole tone today suggested he does not believe in this issue - as Catherine McKinnell rightly pointed out - whilst the failure of the government to deliver on the General Anti-Tax Avoidance Principle Bill and now on Meacher's bill is sure sign they are only interested in tokenism and not real action.

As a result the tax gap is very firmly back on my agenda now. This issue has a long, long way to go.