

HMRC get the tax gap wrong. The Public Accounts Committ.

Published: January 13, 2026, 4:01 am

The [following comes from this morning's Public Accounts Committee report on HMRC](#):

Each year HMRC publishes its estimate of the tax gap to set out the difference between the amount of tax it collects and the amount that should be collected according to its interpretation of the intention of Parliament in setting tax law (the theoretical liability). HMRC's most recent estimate of the tax gap, for 2011-12, is £35 billion, a £1 billion increase on 2010-11, although the tax gap as a proportion of the theoretical tax liability decreased slightly from 7.1% to 7.0%.

HMRC's calculation of the tax gap does not include an assessment of the amount of tax lost through tax avoidance, therefore it represents only a fraction of the amount that the public might expect to be payable.

I have, of course, been saying this for years. It is, I admit, pleasing to have it noted publicly.

The challenge now for HMRC is how to respond. The PAC are, in very many ways, the representation of the people to whom they are supposed to report - that is parliament and through parliament, us. Parliament has now said their reporting of the tax gap is not fit for purpose. If they do not change it will they be in contempt of parliament?

I can't see this one going away.

I certainly intend to make sure it does not.