

If HMRC are so good at collecting corporation tax why d...

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Over a number of months Carline Lucas MP has asked a series of parliamentary questions seeking to secure information regarding the penalties paid by companies that fail to file their corporation tax returns on time. The questions, some of which were repeated in slightly varying forms to seek to seek elaboration, and the answers supplied, [are recorded in a PDF here](#).

The best interpretation of the answers secured from David Gauke, the Exchequer Secretary, was as follows:

An average of 272,000 companies a year were penalised for late submission of corporation tax returns during the four year period surveyed, although this was on a sharply downward trend, which is the result, according to the Exchequer Secretary of "HMRC improv[ing] the way they identify companies that are asked to file a return so that returns are not requested from companies that are not active" although no evidence has been provided to support this claim.

During the tax year 2009-10 an exceptional value of old debt appears to have been cleared from the HMRC debt ledgers although David Gauke says "HMRC does not 'waive' penalties," claiming instead "that every penalty imposed is either paid, pursued for payment, discharged on successful appeal, or remitted as an uncollectible debt". Again, the evidence does not support this claim.

Taking into account the figures he has provided for debt, penalties imposed, cash paid and bad debt written off the amount that must have been waived each year to make the system balance must have been as high as £260 million; a figure in excess of the penalties imposed in any year.

It is impossible to believe that the write off of this sum resulted from appeals from companies who were so bad at corresponding with HMRC that they had already neglected to submit their corporation tax returns: it is obvious that HMRC do waive

corporation tax penalties despite the Exchequer Secretary's claim to the contrary. The sums in question have fallen but still amounted to over £70 million in each of the last two tax years.

When this sum for penalties written off is combined with the amount of bad debt relating to these penalties each year the total sum lost over the four years comes to £945.4 million— or 99.9% of all corporation tax penalties imposed over that same period, a sum calculated by dividing £945.4m divided by the total of £946 million in penalties charged.

And even after that staggering loss £140 million of penalties were still owing at 31 March 2013 —a figure bigger than the total tax penalties charged in the previous year, suggesting there was significant more loss to come.

What is very obvious is that for the sake of proper systems, procedures and sufficient staff HMRC is losing millions of pounds a year when at the same time it is doing its very best to reduce its staffing of people capable of pursuing this debt as fast as it possibly can.

Its interesting to think what could have been done with that lost £1 billion. It is also very easy to see if this happens how a significant part of the loss I detail [in my new report 'In the Shade might occur'](#). The management of HMRC obviously have not and have instead spent their time [telling the Guardian](#), as they did yesterday, that:

We are extremely good at identifying companies which need to send in a tax return, pursuing overdue returns and generally protecting tax payable when a return doesn't appear.

The only reasonable response to that claim in the light of the evidence is that it's seriously wide of the mark when it comes to factual accuracy because if you can't get the penalty you also have not got the tax return. ([See also, here](#)).

It really would help if we had a tax authority that gave straight answers to questions in this country. [It would be the first step in tackling the tax gap](#).