

Why Â£40 billion of tax evasion in the shadow economy...

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I [had this column on the Independent website yesterday](#):

It was just chance that I decided to publish [my new report](#) on the size of the UK's shadow economy and the resulting loss to the UK government from tax evasion on the same day that Credit Suisse pleaded guilty to a sample charge of helping its clients evade tax in the USA

Chance it may have been, but it was poignant too, for a very good reason. For a long time offshore banks have denied any involvement in tax evasion, or the scale of the abuse. Very slowly they are now coming to terms with the possibility. That contrasts their position with that of HM Revenue & Customs when it comes to the UK shadow economy and the tax gap.

[HMRC remain in complete denial](#) that there is an issue of the scale I have discovered, and on which I report today.

This difference of opinion between HMRC and me matters. First it matters because, almost absurdly, the only alternative views on the tax gap in the UK appear to come from HM Revenue & Customs and myself, as [too many debates](#) in parliament have shown. UK universities have, for example, almost entirely backed away from any research of any sort into this vital issue.

Second, the difference between my estimate of more than £40 billion and HMRC's of £10 billion matters because this is more than the sum that the government's austerity measures are meant to deliver. If the government has the tax gap wrong then austerity is not needed: closing the tax gap is, instead.

Third, this matters because this is an issue of social and economic justice. It's about social justice because if, as I suggest, both HM Revenue & Customs and Companies House, who are tasked with regulating the UK's companies but who very clearly do not, turn a blind eye to their obligations then lawlessness is being permitted in the UK economy. Failing to collect more than 270,000 tax returns from companies (as HMRC

do) and 340,000 sets of accounts (as Companies House do) is very obvious evidence of that failure.

But this is not just about a break down in law and order and the resulting required transparency and accountability of the corporate sector, important as that is (as Credit Suisse prove, in another way), it is also a telling indictment of the government's lack of understanding of the business sector. If, through its neglect, the government forces all the UK's honest smaller businesses to compete with businesses that HMRC and Companies House are failing to regulate then it inevitably follows that the government are giving an unfair economic advantage to the cheats who do not pay their tax.

No wonder as a result that the High Street is being decimated, bar the occasional fly-by-night pop up shop. And no wonder young people cannot find the jobs and apprenticeships they need with local employers when those honest enough to invest in jobs for those young people are likely to be competing against rogue traders who do not charge VAT on their sales and pays cash in hand wages.

Is this the sort of economy the government wants? That's the challenge that my tax gap data presents to them. It says this government is making the wrong choice on tax, on justice and the economy. Getting heavy on tax evasion and collection is, I suggest, the way to deliver economic prosperity to the UK. It's time our government — and most of all HMRC — said so, but there's no sign they're going to do so any time soon and we should all regret that fact.

PS I did not write the ghastly headline the Independent used