

# From tax avoidance to tax evasion: the new front for UK...

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We have been used to talking about tax avoidance as a focus for the UK Tax Justice campaign for a long time now. Companies like Google, Amazon and Starbucks have become well-known for the attention that they have received, and around the world these companies are now amongst the best known tax avoiders as a result. At the same time it has been UK tax justice campaigners, whether people like me, or in the trade union movement, or in UK NGOs, who have drawn tax abuse through tax havens to the world's attention, and as a result action on both tax avoidance and tax havens is now taking place.

But, as I've argued in my [new report for PCS](#), whilst tax avoidance is important, and may cost the UK up to £20 billion a year at present, this figure has fallen, in my estimate, since 2008, and there are signs that it may fall still further. No company wants to be the next Google and have their name all over the papers and there is absolutely no individual who wants to be linked, as Jimmy Carr and Gary Barlow have been, to tax avoidance arrangements. As a result I have some agreement with tax barrister Jolyon Maugham, who writing in the last day or so, [has said](#):

*On personal tax avoidance, in my opinion, the heavy lifting is done. ... I do not see scope for significant further receipts. On corporate tax avoidance, the ability of any Government to act is a function in large part of matters outside its control. We must await development and implementation of the OECD's BEPS project.*

Whilst the BEPS project is important it does not offer unbridled hope, but based on my belief that the risk climate regarding tax avoidance has changed, and the fact that falling tax rates have reduced the losses (as I noted [in my PCS report](#)) and the fact that, as Jolyon has argued, the GAAR (inadequate as it is) plus the ability to recover tax in dispute direct from bank accounts and the right to issue follow on orders to those who have used marketed tax avoidance schemes have all changed the prospects of tax collection success in this area. Whilst the need for vigilance on tax avoidance has not gone, and some whole areas (as outlined in [my PCS report](#)) have yet to be tackled, there is no doubt that the balance of risks has changed here. Put bluntly, campaigning has worked and legislation has followed in its wake. That's a cause for some

celebration, but no back pedalling.

On tax evasion however the situation is very different. I estimate the loss to evasion to be in excess of £80 billion a year. HMRC think it only just over £20 billion. We are poles apart. Jolyon Maugham, without endorsing my data, [says](#):

*The battleground, now, is moving to evasion.... Tackling evasion is inevitably manpower heavy and I cannot see how HMRC's capacity to close the tax gap in that field can have survived the significant cuts in HMRC staffing levels.*

Andrew Goodall, a journalist and (importantly in this context, a chartered tax adviser) has [tackled the same issue at AccountingWEB](#). There he reports the comments of Stuart Jones, a Lake District based chartered accountant, who I have long felt to be the sort of accountant every small business needs:

*Kendal-based chartered accountant Stuart Jones wrote: "I can only comment on the microbusiness sector but evasion is rife. A tax office in every large town meant that HMRC staff saw what was happening locally. Nowadays it's open house for evading VAT, income tax and national insurance contributions (while at the same time overclaiming tax credits) by being part of the cash economy. Businesses never register with HMRC, companies are struck off without any objections from HMRC, the list is endless."*

*Jones added: "Politicians must address HMRC staff levels immediately."*

*He told AccountingWEB today that HMRC "has all the tools to tackle evasion, but doesn't have the staff".*

I think Stuart is right. HMRC might have told AccountingWEB yesterday that my PCS tax gap estimate is "over-inflated, flawed and muddled" but the fact is that they face a fundamental credibility issue in doing so, which is that they estimate the tax gap on errors in the tax returns they get and I look for the evidence of the money that never gets near a tax return that is sent to them - which Stuart Jones suggests is commonplace.

I'm not saying we need to forget tax avoidance or offshore but as I have pointed out to quite a number of audiences now, next year HMRC will get more information from banks in Cayman, Jersey and the Isle of Man on the operations of companies owned by UK resident people in those places than they will get from Barclays, Lloyds, HSBC and Santander on the operations of companies owned by UK resident people in Norwich, Plymouth, Cardiff, Aberdeen and Derry. That is, to put it bluntly, completely ludicrous.

The battle for automatic information exchange, from banks, from estate agents, from companies themselves and from financial services providers has to shift to the home front now so that tax evaders get fewer places to hide here in the UK in future. And that

battle requires staff in HMRC and Companies House. Professionals in the tax profession can see that. PCS staff in HMRC know that - or they would not keep asking me to write reports for them. And yet HMRC and our politicians do not get the point. It's time they did. Because some of the steps I recommend have the power to transform our economy. And that's why we need to get on with tackling tax evasion, now.