

Funding the Future

HMRC keep restating the tax gap - and that's dishonesty...

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I thought it worth posting some comparable data on the tax gap.

This is how HMRC [is saying today that it has moved over time](#):

And this is how they say it is made up today:

Note the bottom right figure of £34 billion agrees with the table above.

Now lets look at earlier tables as first published for 2007/08 and 2008/09 (I have these on this blog: HMRC now hide the originals):

Table 1.1: Tax Gaps for HMRC administered taxes – revenue losses 2007-08 (£bn)

EDIT

Tax	Component ¹	Point ²	Estimates (£ billion)		% Tax gap
			Lower	Upper	
Indirect taxes ³					
Value Added Tax (VAT)		11.5	N/A	N/A	12%
Spirits duty		0.1	0.0	0.2	5%
Cigarette duty		1.0	0.4	1.6	11%
Hand rolled tobacco duty		0.5	0.4	0.6	53%
Great Britain Diesel duty		0.5	0.0	0.9	4%
Great Britain Petrol duty ⁴		0.0	0.0	0.0	0%
Northern Ireland Diesel duty ⁵		0.1	0.1	0.2	34%
Northern Ireland Petrol duty ⁴		0.0	0.0	0.0	15%
Other (illustrative indicator) ⁶		0.9	N/A	N/A	
Total indirect taxes		15	N/A	N/A	10%
Direct Taxes					
Income tax, National Insurance Contributions (NICS), Capital Gains Tax	Inaccurate self-assessment returns from individuals	7.2	3.3	13.4	
	Non-declaration of unearned ⁷ income and capital gains by individuals who do not receive returns	0.3	N/A	N/A	
	Hidden economy (income from un-declared employment and self-employment) ⁸	2.8	1.3	6.9	
	Inaccurate returns from small and medium sized employers (PAYE) ^{4,9}	0.4	0.2	0.5	
	Avoidance ¹⁰	1.1	0.8	1.6	
	Non-payment	1.4	1.4	1.4	
	Other (illustrative indicator) ¹¹	2.7	N/A	N/A	
	Total Income Tax, NICS, Capital Gains Tax	15.8	N/A	N/A	6%
	Corporation Tax	Inaccurate returns from Small and Medium sized businesses ¹²	3.6	1.2	8.1
Avoidance by Very Large businesses ¹³		3.1	N/A	N/A	
Other tax gap for Very Large businesses ¹³		0.2	N/A	N/A	
Avoidance by Large and SME businesses ^{13,12}		0.3	0.2	0.4	
Non-payment		0.4	0.4	0.4	
Other (illustrative indicator) ¹⁴		1.3	N/A	N/A	
	Total Corporation Tax	8.9	N/A	N/A	16%
Cross-tax avoidance	Cross tax and stamp duty land tax avoidance ¹⁰	0.2	0.1	0.3	
Other (illustrative indicator) ¹⁵		1.6	N/A	N/A	
Total direct taxes		25	N/A	N/A	8%
Total HMRC Tax Gap		40	N/A	N/A	8%

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And

Table 1.1: Tax Gaps for HMRC administered taxes – 2008-09 (£ billion)

Tax	Component ¹	Estimates (£ billion)			Percentage tax gap ²
		Point ³	Lower	Upper	
Indirect taxes ⁴					
	Value Added Tax (VAT)	15.2	N/A	N/A	16.0%
	Spirits duty	0.04	0	0.2	2%
	Beer duty	0.4	N/A	N/A	11%
	Cigarette duty	1.1	0.4	1.8	11%
	Hand rolled tobacco duty	0.6	0.5	0.7	49%
	Great Britain Diesel duty	0.6	N/A	N/A	4%
	Great Britain Petrol duty ⁵	0	N/A	N/A	0%
	Northern Ireland Diesel duty ⁶	0.1	N/A	N/A	28%
	Northern Ireland Petrol duty ^{5,6}	0.02	N/A	N/A	9%
	Other indirect taxes ⁷	0.9	N/A	N/A	6.1%
Total indirect taxes		19.0	N/A	N/A	12.8%
Direct taxes					
Income Tax, National Insurance Contributions, Capital Gains Tax	Inaccurate self assessment returns from individuals (excluding large partnerships) ⁸	5.8	2.6	10.8	
	Inaccurate self assessment returns from large partnerships ⁸	0.8	0.7	0.9	
	Inaccurate returns from small and medium-sized employers (PAYE) ⁹	1.2	1.1	1.2	
	Inaccurate returns from large employers (PAYE)	2.0	1.3	2.7	
	Avoidance ¹⁰	1.4	1.0	2.1	
	Non-declaration of income and capital gains by individuals who do not receive returns	0.3	N/A	N/A	
	Ghosts ¹¹	1.3	0.3	3.9	
	Moonlighters ¹²	1.8	1.2	3.6	
	Total	14.5	N/A	N/A	5.4%
	Corporation Tax	Businesses managed by the Large Business Service	3.1	N/A	N/A
Avoidance		2.9	N/A	N/A	
Technical issues		0.2	N/A	N/A	
Large and Complex businesses		1.2	N/A	N/A	
Small and medium-sized businesses		2.6	1.2	5.1	
	Total	6.9	N/A	N/A	13.9%
Other direct taxes	Inheritance Tax	0.1	-	0.4	
	Stamp Duties	0.8	0.4	1.6	
	Petroleum Revenue Tax	0.2	N/A	N/A	
	Total	1.0	N/A	N/A	7.2%
Total direct taxes		22.5	N/A	N/A	6.8%
Total tax gap		42	N/A	N/A	8.6%
Total tax gap		Rounded to nearest £5 billion			
		40	N/A	N/A	

So, note that the 2007/08 total was £40 billion and that for 2008/09 was £42 billion.

But now those figures have been restated. Now they are £38 billion and £36 billion respectively, even reversing the trend in the data.

This is supposedly due to changed methodologies. Now I have no problem with improving methodology, we all do that. But to restate and to not make clear the degree to which you have done it is just lying about the state of understanding at the time the work was originally done and that I consider wholly unacceptable - as it is in accounting practice for precisely that reason. But HMRC think they can get away with it.

Candidly, that's just not good enough from an authority where honesty, transparency and consistency are the required standards for conduct.

On this basis today's published data is just a straightforward misrepresentation of the truth. Call it a lie if you like.