

# 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)**

Tax	Component <sup>1</sup>	Estimates (£ billion)			% Tax gap
		Point <sup>2</sup>	Lower	Upper	
<b>Indirect taxes<sup>3</sup></b>					
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	1.8	11%
Hand rolled tobacco duty		0.5	0.4	0.6	53%
Great Britain Diesel duty		0.5	0.0	0.8	4%
Great Britain Petrol duty <sup>4</sup>		0.0	0.0	0.0	0%
Northern Ireland Diesel duty <sup>5</sup>		0.1	0.1	0.2	34%
Northern Ireland Petrol duty <sup>6</sup>		0.0	0.0	0.0	15%
Other (Illustrative indicator) <sup>8</sup>		0.9	N/A	N/A	
<b>Total indirect taxes</b>		<b>15</b>	<b>N/A</b>	<b>N/A</b>	<b>10%</b>
<b>Direct Taxes</b>					
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 <sup>9</sup> income and capital gains by individuals who do not receive returns	0.3	N/A	N/A	
	Hidden economy (income from undeclared employment and self-employment) <sup>10</sup>	2.8	1.3	6.9	
	Inaccurate returns from small and medium sized employers (PAYE) <sup>11,12</sup>	0.4	0.2	0.5	
	Avoidance <sup>10</sup>	1.1	0.8	1.8	
	Non-payment	1.4	1.4	1.4	
	Other (Illustrative indicator) <sup>11</sup>	2.7	N/A	N/A	
	<b>Total Income Tax, NICS, Capital Gains Tax</b>	<b>15.8</b>	<b>N/A</b>	<b>N/A</b>	<b>6%</b>
	Inaccurate returns from Small and Medium sized businesses <sup>12</sup>	3.6	1.2	8.1	
	Avoidance by Very Large businesses <sup>13</sup>	3.1	N/A	N/A	
Corporation Tax	Other tax gap for Very Large businesses <sup>13</sup>	0.2	N/A	N/A	
	Avoidance by Large and SME businesses <sup>10,12</sup>	0.3	0.2	0.4	
	Non-payment	0.4	0.4	0.4	
	Other (Illustrative indicator) <sup>14</sup>	1.3	N/A	N/A	
	<b>Total Corporation Tax</b>	<b>8.9</b>	<b>N/A</b>	<b>N/A</b>	<b>16%</b>
Cross-tax avoidance	Cross tax and stamp duty land tax avoidance <sup>10</sup>	0.2	0.1	0.3	
Other (Illustrative indicator) <sup>15</sup>		1.6	N/A	N/A	
<b>Total direct taxes</b>		<b>25</b>	<b>N/A</b>	<b>N/A</b>	<b>8%</b>
<b>Total HMRC Tax Gap</b>		<b>40</b>	<b>N/A</b>	<b>N/A</b>	<b>8%</b>

And

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

Tax	Component <sup>1</sup>	Estimates (£ billion)			Percentage tax gap <sup>2</sup>
		Point <sup>3</sup>	Lower	Upper	
<b>Indirect taxes<sup>4</sup></b>					
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 <sup>5</sup>	0	N/A	N/A		0%
Northern Ireland Diesel duty <sup>6</sup>	0.1	N/A	N/A		28%
Northern Ireland Petrol duty <sup>5,6</sup>	0.02	N/A	N/A		9%
Other indirect taxes <sup>7</sup>	0.9	N/A	N/A		6.1%
<b>Total indirect taxes</b>	<b>19.0</b>	<b>N/A</b>	<b>N/A</b>		<b>12.8%</b>
<b>Direct taxes</b>					
Income Tax, National Insurance Contributions, Capital Gains Tax	Inaccurate self assessment returns from individuals (excluding large partnerships <sup>8</sup> )	5.8	2.6	10.8	
	Inaccurate self assessment returns from large partnerships <sup>9</sup>	0.8	0.7	0.9	
	Inaccurate returns from small and medium-sized employers (PAYE) <sup>10</sup>	1.2	1.1	1.2	
	Inaccurate returns from large employers (PAYE)	2.0	1.3	2.7	
	Avoidance <sup>10</sup>	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 <sup>11</sup>	1.3	0.3	3.9	
	Moonlighters <sup>12</sup>	1.8	1.2	3.6	
	<b>Total</b>	<b>14.5</b>	<b>N/A</b>	<b>N/A</b>	<b>5.4%</b>
	Businesses managed by the Large Business Service	3.1	N/A	N/A	
Corporation Tax	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	
	<b>Total</b>	<b>6.9</b>	<b>N/A</b>	<b>N/A</b>	<b>13.9%</b>
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	
	<b>Total</b>	<b>1.0</b>	<b>N/A</b>	<b>N/A</b>	<b>7.2%</b>
<b>Total direct taxes</b>		<b>22.5</b>	<b>N/A</b>	<b>N/A</b>	<b>6.8%</b>
<b>Total tax gap</b>		<b>42</b>	<b>N/A</b>	<b>N/A</b>	<b>8.6%</b>
<b>Total tax gap</b>	Rounded to nearest £5 billion	<b>40</b>	<b>N/A</b>	<b>N/A</b>	

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.