

HMRC is failing to collect tax from the very wealthiest...

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Pinsent Masons, the lawyers who double as HMRC's PR agency, have issued a press release this morning (no link as yet, sorry) saying:

The amount of extra tax collected by HMRC in its new campaign against tax avoidance by the "mass affluent" has jumped by 60% in the last year says Pinsent Masons, the international law firm.

According to data provided by HMRC to Pinsent Masons, HMRC's "Affluent Unit" collected £137.2 million in additional tax from investigations in 2013/14, up from £85.7 million in 2012/13.

HMRC opened the "Affluent Unit" in 2011 in order to target a far wider high group of taxpayers whose income means they are not considered wealthy enough to be scrutinised by HMRC's High Net Worth Unit.

HMRC's Affluent Unit now investigates the tax affairs of UK residents with an annual income of over £150,000 or wealth of over £1 million which makes up around 500,000 taxpayers in the UK.

All of this sounds like good news until you look at some basic facts.

First, [HMRC say](#) the tax gap is £34 billion of which £14.2 billion relates to income tax, national insurance and CGT paid by individuals.

Then take into account the fact that [HMRC think :](#) that the top decile of taxpayers pay 55% of all income taxes, and that the top 1% (a smaller group at a little over 300,000 people than those being considered here) pay 27.4% of all tax.

The remember that [total income tax liabilities in 2014/15 :](#) should be £167 billion (and were only a little less in earlier years).

And then appreciate that this then implies that the group being sampled here may pay, even having eliminated the ultra wealthy, one quarter of all income taxes or maybe £40

billion or so a year.

And HMRC collect from them just £137.2 million, or at most 0.34% of the tax that they owe, as a result of investigations.

But, as a whole HMRC claims that its compliance activity [recovers £23.9 billion a year](#) compared to [£579.1 billion of tax paid in 2013/14](#).

So the average rate of HMRC recovery is supposedly (although I have doubts about this, but I am using consistent HMRC data here to avoid arguments on that issue) 4.13% of taxes as a whole as a result of compliance activity and yet just 0.34% is collected from the affluent.

There are three possible interpretations to this.

The first is that HMRC just make large parts of this data up to suit whatever PR purpose they have in mind. There are, I am afraid good reasons for thinking that to be true.

The second is that HMRC is really very bad indeed at investigating the affairs of the affluent even though it is well known that this is a group particularly prone to tax avoidance and who have been targeted for this reason on a number of occasions.

The third, and most likely, is that HMRC know there is a problem here and just do not have the resources to deal with it.

Whichever option is true what this data proves is that HMRC's performance in tackling tax abuse by the wealthy is woeful, and that needs to change if any government is to be successful in closing the deficit.

And what this data also proves is that someone needs to ask why HMRC are less than 10% as efficient at collecting tax from the wealthy than they claim to be in general.

Perhaps if HMRC bragged less through their favourite firm of lawyers and did a little more it might help. As it is, the one thing they seem to be good at is getting PR for statistics that do not stand up to scrutiny.