

# Funding the Future

Article URL

Published: January 12, 2026, 6:59 pm

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Law firm Pinsent Masons, who appear on occasion to double as HMRC's PR agency, [have been doing so digging into HMRC's data on the yield from tax investigations](#). As they note as a result:

*HMRC recovered an additional £97 for every £1 spent on new staff for its large business compliance service last year. Units responsible for investigating individual high net worth taxpayers and small businesses also reported significant increases in tax take, according to the figures.*

The claim is based on HMRC's suggestion that they secured £5.9bn in extra tax from investigations into large businesses for expenditure on compliance staff of just £61 million.

The suggestion is also made that local compliance units, which handle smaller businesses, and the high net worth unit, which is responsible for the tax affairs of wealthy individuals, collected an additional £18 for every £1 spent in 2013/14.

Now [I have to be honest and say I have real doubts](#) about HMRC's claimed recoveries from their compliance work, which extend well beyond cash settlements into projected future savings, where subjectivity is an issue and where the NAO has found errors in past claims by HMRC, but for once let me take HMRC's own claims at face value. In that case three questions arise.

The first is why HMRC are not investing more in this process. Despite claims to be increasing compliance investment I am aware that HMRC's own staff do not share the view that this is happening.

The second is why HMRC are not training more people for this activity, which is largely undertaken by a cohort of older tax inspectors, many of whom are approaching retirement.

And third, there is the obvious question as to why more is not being spent on securing the front line data, especially on SMEs and other small businesses, to identify the best targets. It is readily apparent from the fact that many hundreds of thousands of small companies are allowed to get away with not submitting tax returns each year that this

is not the case.

All such perceptions lend support to my view that HMRC is not being properly managed and its performance is not being properly appraised. Without a minister responsible for the department there is also a lack of accountability for the department. It's my view that we need an Office for Tax Responsibility to properly hold HMRC to account for its work. When the potential yield is so high, and the current investment in it so pitifully small, that would make complete sense. After all, if £61 million can supposedly raise £5.9 billion what could £120 million do? Not another £5.9 billion for sure, but by itself no other action could reduce the deficit more cost effectively or provide better benefit for society. The time for change at HMRC has arrived.