

Tackling tax evasion in the hidden economy

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It is time to return to my [theme of tackling tax avoidance and evasion in the UK](#). These are three more ideas on ways to tackle tax evasion in the UK:

* **Regulating the digital economy**

Much attention is being given to the need to better regulate the digital economy to make sure that large companies, such as Google and Amazon, pay the right amount of tax in the UK. They are not, however, the only companies to abuse the sales opportunities available on the Internet. Many individuals now undertake trade through this medium without necessarily paying the resulting taxes owed to HMRC.

As a result there should be an obligation placed upon the following organisations to supply information to HMRC on any person who has an account from which they appear to be trading, with full account of information and details of annual receipts being disclosed at least once a year:

- * Paypal
- * eBay
- * Amazon
- * Visa
- * Mastercard

If this information was supplied then the chance that people might undertake illicit trade on the Internet would be significantly reduced because they would know that their chance of being identified would have significantly increased.

The cost of supplying this information would be very low since it must be available to any of these organisations as a matter of course as a result the conduct of their business.

* **Tackling hidden self employment**

Not all trade in the UK shadow economy is undertaken using limited companies or through the internet. A great deal is also undertaken by individuals who do not declare their self-employment, or their second employment. It is commonly assumed that much of this illicit activity will involve cash, but that need not necessarily be the case: many of the proceeds of these activities may be banked by those undertaking them and still not be declared to HMRC.

In that case it is vital that UK banks be required to supply reports to HMRC on all those people who they think might be receiving self-employed earnings. There will, of course, be some uncertainty on this issue, but those in receipt of benefit are easily identified, and likewise those who are in regular employment tend to have a very persistent and repetitive patterns of lodgement of money from their employers. It is those with erratic deposits in their bank accounts of varying amounts on whom information might be required by HMRC to check whether or not they are declaring a potential self-employed source of income, or not. It would not be for the banks to decide whether there was such an income; it would be for them to declare the possibility and for HMRC to use the data.

* **Tackling hidden capital gains**

It is likely that there is significant under declared capital gains tax in the UK, whether resulting from the sale of buy to let properties or from the activities of those trading in shares who do not declare that fact. Automatic information exchange is also suitable for tackling these abuses.

It should be made a legal requirement that all persons conveyancing domestic property who cannot be satisfied that it has genuinely been used as a person's main domestic residence must report that suspicion, and the identity of the person who is making the sale, to HMRC.

There should also be a legal obligation that any person assisting another UK based individual or company to buy or sell shares should report the fact that they are aware that the person is undertaking such trades to HMRC and they should be required to supply details of any account that they might maintain for them to HMRC at least once a year.

As with all the preceding recommendations, the focus is upon creating automatic information supply to HMRC to provide a deterrent effect to those considering evading their obligation to declare their tax liabilities.