

It's time the government came clean on the tax gap

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I see [from Hansard](#) that David Gauke, the Financial Secretary to the Treasury, was discussing the tax gap in Parliament on Tuesday. Amongst the claims he made were that:

Since 2010, the percentage tax gap has stayed lower than at any point under the previous Labour Government, saving the country £4 billion.

And

In the last Parliament, HMRC's yield rose from £17 billion to £26 billion a year, and, as I have said, the tax gap as a percentage has been lower in every year under us than it was in any year under the Labour Government.

I have to say that in this aspect of parliamentary answers percentages are the evasive politician's favourite tool, so I think that claim can be dismissed. What remains baffling is David Gauke's apparent inability to see just how wrong his data might be.

The government claims that [the tax gap is £34 billion](#).

And then it claims that HMRC recover £26 billion a year.

Or to put it another way, £60 billion of tax abuse is attempted and 40% is recovered.

Is there anyone who thinks that remotely likely?

I don't, and for good reason. UK GDP is [near enough £1.7 trillion](#). The lowest plausible [estimate of our shadow economy is 9.7%](#) on a declining trend, which I think unlikely. Since almost all the shadow economy is ignored in GDP data that suggests real national income is in excess of £1,850 billion (I have allowed for a small part of the shadow economy being recorded). The income not recorded is, then, about £180 billion on which tax would be due at the overall national average rate of about 38%, or £69

billion.

That excludes evasion not in the shadow economy, like that on CGT and inheritance tax as well as, of course, the non-declaration of overseas income which would not be reflected in UK GDP. Those factors alone bring the data up [to my estimate in the mid £80 billions](#). And on top of that there is tax avoidance at £19 billion, which is not in the shadow economy, and tax not paid of maybe £16 billion a year if HMRC write offs before action is taken are included in the account, or coming on for £120 billion in all.

A recovery of £26 billion out of more than £100 billion I could possibly accept - except to say it could be so much better. But that rate of recovery out of anything less is absurd right now - as is HMRC's tax gap estimate.

Isn't it time David Gauke faced facts?

Several questions I'd ask in parliament follow on. They are:

- 1) When will HMRC's tax gap estimates be subject to independent economic audit to check their economic credibility?
- 2) When will HMRC's claim of tax recovered be subject to independent scrutiny to ensure that they are credible for the benefit of Parliament and the public at large?
- 3) Will the Minister concede that a review of HMRC as now demanded by a number of leading figures in the tax profession and civil society is now overdue and when will he agree to undertake it with a panel of independent experts including from unions and civil society being included in the task?
- 4) Isn't it time that we had an Office for Tax Responsibility, reporting to the Public Accounts Committee, to ensure that independent review of HMRC is undertaken on behalf of parliament so that this most critical department of government is held to account by this House in the way that would be appropriate?

I think David Gauke should be on notice with answers ready.