

How much of the tax gap is collectable?

Published: January 13, 2026, 2:43 am

Jolyon Maugham [has returned to the issue of the tax gap](#), and Jeremy Corbyn's championing of the issue. In doing so he says three things:

- 1) Jeremy Corbyn [says the tax gap is £120 billion](#)
- 2) In that case it is reasonable for [the Times and others](#) to surmise that he thinks that sum is recoverable
- 3) He cannot find me ever stating that only £20 billion is actually recoverable.

I actually think the last claim is key. As Jolyon puts it:

Richard and I are friends. But he is a prolific commentator and I do not manage to read all that he writes. So although I have no recollection of any previous work of his calculating a return of £20bn for an investment of £1bn it is possible that I have missed it. I invite Richard to direct me to those calculations. It would be a pity for the country if the Labour Party was invited to choose its leader and commit to a search for that fabled City on the basis of a finger in the air.

We are indeed friends. And I do write a lot. But in this case the analysis really wasn't hard to find. I [wrote a report on the tax gap](#) which resulted in the £120 billion estimate. Search it for the term £20 billion and there it is on page 70, in a conclusion to several pages of discussion on the potential yield from extra investment in HMRC:

In combination these investments will require more spending than the £300 million ARC think is necessary at present, which they think will deliver extra revenue in excess of £8 billion a year with a yield of £26 for every £1 invested. It is, of course, unlikely that the noted rate of return could be maintained on all additional investment; that would be unrealistic. But, even taking this into account it is likely that if instead of imposing cuts on HMRC an additional £1 billion over and above that indicated to be appropriate by ARC was to be spent, bringing total annual spending to about £5 billion, then the potential total yield to HMRC from tackling both tax evasion and tax avoidance would increase significantly and might easily exceed £20 billion per annum, including the sum

already estimated by ARC. In that case the rate of return on the additional £1 billion proposed would still be about £12 for every £1 invested. It is hard to believe that almost any organisation, anywhere, would refuse to consider such a yield. It is also worth noting that costs on this basis would be still be somewhat lower for HMRC as a whole than they were, after inflation is taken into account, when it was first created.

Note [I reference a report from ARC](#) - the union representing the top 2,500 or so staff at HMRC - in making my estimate. They provided detailed working on how extra investment in their staff grade could yield £8 billion of tax. I don't believe they are the only productive members of HMRC: I am sure ARC don't either. I wisely assumed the yield on investment declines with lower grade staff and as the quantum increases.

The point is the estimates are published, reasoning has been provided, it's actually by HMRC staff in large part (remember PCS published my report and did not do so lightly) and candidly I think it fair if, as I am quite sure, [my tax gap estimate provides a vastly better logic on the size of the tax gap](#) than HMRC have delivered.

So let me add three further things. First, despite what Jolyon says I do believe a) the tax gap is £120 billion and b) £20 billion is collectable.

Second, I do not agree with Jolyon when he says:

But sensibly estimating a theoretical yield from some theoretical extra investment? That's a bit tough for me. But the fact that, as I pointed out [here](#), the Tax Gap has remained stable in absolute terms (fallen in percentage terms) despite the cut in staff numbers does not suggest that there are huge net yields in store from raising investment.

This is I guess why Jolyon is a tax QC and I had a career as a practicing and commercial accountant before focussing on political economy: estimating theoretical yields on theoretical extra investment is what people do out there every day Jolyon, it is the basic building block of business decision making. Of course such estimates are always subject to margins of error, and no one should deny that (the £20 billion yield may, after all, be too low given the range of measures I have suggested to tackle the tax gap, most of which I doubt Jolyon has also read) but because (and this is my third point) HMRC have changed the tax gap methodology to show it is declining (which is a matter of fact) and uses such a narrow view of things like debt and avoidance that large issues are simply excluded from their tax gap estimate (as the NAO has admitted) does not mean that there is no yield out there to be had. There is, and Jeremy Corbyn is right to say so.

Others please note.