

David Gauke needs to put Â£1 billion in contingent li...

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HMRC issued a breathy press release overnight saying:

HMRC has collected £1 billion in tax payments from users of tax avoidance schemes as a result of the government's new rules to collect disputed tax upfront, the Financial Secretary to the Treasury, David Gauke, announced today.

Well, maybe they have got £1 billion of cash in, and I will not complain about that.

But the accounting logic of this looks to be a little uncertain to me. As the release also says:

The Government introduced Accelerated Payments last year to radically change the economics of avoidance. Under these rules, disputed tax is paid up front by avoidance scheme users.

The money is now in the government's hands and not in the hands of the avoider. That may be good news, but what is clear is that as yet the ownership of the money is unclear.

HMRC has a good track record on beating avoidance at present - and again that is good news. But, and I think this important, the key words here are 'up front'. And 'up front' payments are not income. They are liabilities until the right to enjoy the money is proven.

It's a fundamental mistake to confuse cash with income. David Gauke is making it. A little more caution, and a little more effort to resolve the avoidance dispute might be wise. Until that is done this 'income' looks like a contingent liability to me.