

Funding the Future

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HMRC has issued a '[fact sheet](#)' on why they are good at dealing with multinational corporations.

There is a problem with it. Most of it is made up. So, without further ado, here let me look at the claims and what's wrong with them:

Since April 2010, through an intense focus on compliance, HMRC has:

- * *secured more than £100 billion of compliance revenues from all sources — money that would have been lost without HMRC's intervention; £38 billion of this was from large business compliance work*
- * *reduced the Corporation Tax 'gap' — the tax which is due but is not paid — from 9.3% (2010 to 2011) to 6.7% (2013 to 2014) of tax liabilities*
- * *won more than 80% of tax avoidance cases in tax tribunals*
- * *secured almost £3.2 billion in additional tax from challenging transfer pricing arrangements of multinational companies*

Where to start? First, in 2014 The [National Audit Office](#) said this on the claimed compliance yield:

We also consider that HMRC should have been more transparent in reporting its compliance yield and describing what it included. In past years it has not made it clear enough that only some of the yields are in-year revenue benefits, or that there are uncertainties in the data. Unlike other areas of its reporting, such as on the tax gap, HMRC has not produced sufficient detail describing its methodology and approach.

And even so, [they got it wrong](#). There [is more on this here](#).

Then to the tax gap, of which the [NAO made clear in the summer of 2015](#) that 40% was on methodology so weak HMRC could not establish the risk in their own estimates and 23% is just 'illustrative estimates' - of they make it up. In summary they said: *The tax gap is inherently difficult to estimate and HMRC acknowledges that no estimate of the tax gap can be definitive and that its estimates carry a degree of uncertainty.* Not a good basis for claim then. Yes they win 80% of the time. Because they don't take on the likes of Google. And I have no way of knowing if £3.2 billion is correct, but just think of this in the context of global trade and total yield of more than £200 million and ask the obvious question, which is, are you sure that's enough? HMRC then went on to

claim a whole raft of new initiatives are also making a difference, as follows:

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introduced the Diverted Profits Tax (DPT). This measure came into effect in April 2015 to address the contrived diversion of profits out of the country, so that multinationals pay tax on profits that would otherwise escape UK tax. DPT is designed to change companies' behaviour so they pay more corporation tax on their UK profits rather than risk paying a higher rate of DPT. It is anticipated to yield £1.35 billion between 2015 and 2019

The slight problem is it was intended to apply to Google. It has not.

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played a leading role in the OECD-G20 project to reform the international corporate tax system, to address aggressive tax planning and close loopholes

Coat tailed and window dressed is how I would put it from seeing HMRC in action on the ground in Paris. Never once did I see a lead.

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reinvested £800 million in HMRC for additional work to tackle non-compliance in the tax system

Oh come on: this was window dressing cuts reversals. No one was deceived.

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introduced the General Anti-Abuse Rule (GAAR) to tackle abusive tax avoidance schemes that might otherwise succeed under existing legislation. The GAAR is expected to protect £235 million in revenues before the year 2017 to 2018

It has never been used. £235 million could be zero for all we know: stop lying,

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given HMRC the power to collect disputed tax upfront through Accelerated Payment Notices, removing the benefit of dragging out disputes. HMRC has collected more than £2 billion from avoidance scheme users using this power

That was not aimed at multinationals. And it has not solved a single dispute as yet.

In 2016, the government has continued to toughen its approach to big business tax compliance, including proposals in [Finance Bill 2016](#) to:

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introduce a legal requirement for large businesses to publish an annual tax strategy relating to UK activities

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introduce a new Special Measures approach, targeted at the very small number of large

businesses with an ongoing history of aggressive tax planning, which present a significant and continuing risk to the Exchequer

Let's be blunt, the second of these measures will, like the GAAR and DPT, probably not be used.

And as for the first, it's feeble in comparison with what is needed, and ONLY addresses UK issues when the concern is in multinational activity.

All in all, the claims are complete nonsense.

I really do wish we had a tax authority that would tell the truth about what the issues are.