

# Don't be confused by reports that tax abuse by the wealthy...

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The [National Audit Office issued a report yesterday](#) that suggested that one in three of the richest people in Britain is under investigation by HM Revenue & Customs with the total tax subject to enquiry amounting to £1.9bn. Headlines have followed.

There are issues to raise here. First, the fact that there has been only one prosecution resulting from investigations of the UK's super rich is staggering: it is very clear that there have been significant numbers of tax haven abuse investigations that have been settled by cosy deals sanctioned during the Hartnett era at HMRC that have left the impression that for tax purposes there is one rule for the rich and other for everyone else. This has been deeply damaging for the reputation of HMRC; for the perception of its willingness to act even-handedly, but most importantly for failing to provide a necessary deterrent. This remains a glaring failure in HMRC policy, because with statistics as stark as this and evidence of wrong doing as apparently available as it has been on tax haven abuse this failure can only be explained by policy.

Second, this gives a lie to the suggestion that many of the investigations are on issues of legal interpretation: this is the 'polite' form of tax avoidance that HMRC suggests does not imply intentional wrong doing but mere technical difficulty in agreeing what is owing. I do not accept the explanation. Of course such issues can arise, and have in my own career as a tax adviser, but when they arise in the case of one in three taxpayers there are two possibilities. One is that UK tax advisers are so bad on interpreting on UK law that one third of their high net worth clients have got the law wrong despite buying advice (and we can be sure all the people subject to this investigation are 'well' advised) or alternatively that the advice in question deliberately steered them into grey areas of the law. I strongly suspect the latter is the case and that the exploitation of uncertainty is deliberate. In that case attaching polite euphemisms to it is unacceptable.

Third, let's be clear that £1.9 billion is not going to be recovered: the actual sums paid are likely to be a lot less than that. And in the context of a total tax gap that HMRC say is £36 billion and which I think may be £120 billion because years after starting to supposedly measure such tax gaps HMRC still make up many of the figures relating to

tax evasion and call them 'illustrative estimates' a figure for £2 billion is really quite small. I am not saying that such issues should not be addressed: they clearly should be. But if the issue is serious enough to require its own unit it also needs penalties to match, including naming and shaming as a matter of course (a power available to HMRC but never seemingly used in these cases for reasons that need to be asked and which again indicate the presence of a policy decision), plus prosecutions.

And what the focus on the issue also suggests is that the much bigger tax gap problems, not caused by high net worth individuals, but where their abusive behaviour might influence that of others, is also overdue. The simple fact is that the tax gap persists (and is much bigger than HMRC suggest) because of a policy decision not to close it. This is achieved by denying HMRC resources. The aim is to deny the government tax revenues. The ideological reason for that is to support a shrinkage in government services. The aim of that is to encourage the transfer of the mechanisms of state to the private sector, as is being seen in education, health and so many areas. And, of course, the goal is to also deny essential public services as well, as is happening.

Reports, such as the one I note from the NAO, have to be seen in this context. They imply something is being done. Don't be deceived. Not much is happening when so much more could be done to address this issue to national benefit. And that is by choice, at cost to most of us, at benefit to the abusers and most of all at the cost of diminution of the state.