

Public Accounts Committee says HMRC's lack of tr...

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I was going to write a blog this morning highlighting the concerns that the Public Accounts Committee have raised about HMRC's favourable tax service to the wealthy, that the PAC thinks extends to providing them with tax avoidance advice. And then I re-read the press release and decided that their own words did the job perfectly adequately. [So this is what they said](#) for those who want to know, because it probably won't be widely reported in full:

The Government must be tougher and clearer in its approach to taxing the very wealthy, the Committee of Public Accounts says today.

In a new Report, the Committee sets out measures to enable HM Revenue & Customs (HMRC) to improve tax collection and "give the public greater confidence that there is not one set of rules for the rich and another for everyone else".

It urges HMRC to be more transparent about its work, seek new powers where required and do more to tackle those involved in tax avoidance and evasion.

The Committee questions HMRC's strategy for dealing with the very wealthy, which suggests "they get help with their tax affairs that is not available to other taxpayers".

Since 2009 HMRC has operated a specialist unit to collect tax from high net worth individuals: people who have wealth of more than £20 million and who are each assigned a 'customer relationship manager' to administer their tax affairs.

The Committee expresses alarm that HMRC has around one-third of these individuals under enquiry at any one time and highlights the fact that "the amount of tax paid by this very wealthy group of individuals has actually fallen by £1 billion since the unit was set up".

It calls on HMRC to consider what further powers could help it improve its understanding of the very wealthy, and formally evaluate the effectiveness of the high net worth unit.

In particular, HMRC should assess what more it could do to deter very wealthy taxpayers from bending or breaking the law, highlighting changing behaviour that has seen avoidance “moving from off the peg marketed tax avoidance schemes to complex bespoke schemes”.

The Committee also concludes the taxation rules for ‘image rights’, for example in sport and the entertainment industry, are being exploited and calls on the Government to take urgent action to address this.

HMRC’s lack of transparency has eroded public trust in a fair tax system, says the Committee, which urges the authority to publish more information about its work generally and also explain “how income tax receipts have fallen by £1 billion for high net worth individuals while income tax paid overall has increased by £23 billion”.

Meg Hillier MP, Chair of the PAC, said today: “HMRC’s claims about the success of its strategy to deal with the very wealthy just don’t stack up.

“The tax take for this group of people has fallen by £1 billion since HMRC set up its dedicated unit. At the same time, income tax paid by everyone else has risen by £23 billion.

“Cosy terms such as ‘customer relationship manager’ and HMRC’s reluctance to be open add to the picture of arrangements that, while beyond the reach of ordinary taxpayers, are also ill-suited to the increasingly sophisticated methods the super-rich can use to reduce the tax they pay.

“If the public are to have faith in the tax system then it must be seen to have fairness at its heart. It also needs to work properly. In our view HMRC is failing on both counts.

“HMRC must play a stronger role in identifying tax measures which are not being used as Parliament intended and push harder for reform where the rules are open to abuse.

“It must be willing to engage in an honest and open assessment of its compliance activity and adapt its approach swiftly, making the case for new powers where it needs them.

“We were encouraged by the evidence HMRC’s senior management gave to the Committee on image rights and we look forward to news of meaningful action in this area.

“But this is just one part of an increasingly complex system and we will expect HMRC to respond positively to the full recommendations set out in our Report.”

The [full report is here](#).

And do remember that the PAC always publishes consensual, cross party, reports. This

is all parties saying this. And it is damning.