

Full Fact on the tax gap

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The well known fact checking charity Full Fact [looked at claims on the UK tax gap yesterday](#). I opened the page with some trepidation. This was bound to be a Murphy v HMRC comparison. I am by far the most quoted alternative source of opinion to HMRC on the scale of the UK tax gap.

Their conclusion was:

So whose estimate is better?

It is hard to say, and no one can talk about a “true” figure with great confidence.

The International Monetary Fund (IMF) [reviewed](#) HMRC’s tax gap estimates in 2013.

[According](#) to the National Audit Office (NAO), the IMF’s review “concluded that HMRC produced one of the most comprehensive studies of the tax gap available internationally. It concluded that in general the methodologies HMRC used to estimate the tax gap were sound”.

However, the IMF “also recommended that HMRC improve its estimates of undetected non-compliance”, according to the NAO.

Ultimately, the NAO notes that “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”.

“Around two-thirds of the tax gap is estimated using established methodologies, with the remainder estimated using developing and experimental methodologies.”

HMRC does not know the level of uncertainty in 60% of its calculations, the NAO says.

HMRC’s [methodologies](#) are varied and change year-on-year, and differ from those of others like Mr Murphy. This is a big reason why we get such fluctuating estimates.

I was pleased with that conclusion. What it says is that HMRC does change its approach regularly, which is one reason why the answer always seems to be £35 billion, in my opinion. And it also points out that after years of work on this issue much of what HMRC does is pretty much guesswork when I do at least show all my workings. They also shatter the 'IMF approved what HMRC does' myth.

But that said, they're clear that there is no definitive answer as yet. I agree. That is why I am now working on new methodological approaches.