

Tax evasion is not the exclusive preserve of large comp...

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According to the [Guardian](#) Jeremy Corbyn said this on Friday:

We believe that the real divide in our society is not between people who voted yes or no for independence. And it's not between people who voted to remain or to leave the EU. The real divide is between the many, who do the work, create the wealth and pay their taxes, and the few, who set the rules, reap the rewards and dodge their taxes. So let me spell it out: our mission is to back the working class in all its diversity.

I regret to say that Corbyn is wrong about this. Of course there is a class divide in the UK. That is indisputable. But it is completely untrue to say that what differentiates the classes is tax dodging. That, I have to say, is a universal fact of life.

I am not disputing that there may be a difference in the ways that the classes dodge taxes. Contrary to popular perception, I would suggest that large companies evade very little tax. They do avoid it, of course. I am not for a minute suggesting otherwise. That's true.

This pattern of behaviour may also, very largely, be true of the wealthy in the UK i.e. they too largely avoid rather than evade tax, with a focus on taxes on capital in their cases. This is more contentious. I am aware that Gabriel Zucman has suggested that [much of tax evasion may be by the top 1% of earners](#), but I am by no means convinced of many of Zucman's stats, including his very selective estimation of the sums recorded in tax havens that might give rise to evasion, so I am very far from convinced. That is largely because of his methodology, which is based at least in part of extrapolation of the outcome of tax audits. These do, of course, focus most heavily on cases where the yield is likely to be highest: for once I would suggest there may be over-sampling of the wealthy in this case. In any case, even he has to conclude that evasion is not the sole preserve of the wealthiest.

And my own research, which is much more broadly based, makes clear that has to be true. When preparing my latest estimates of the [EU tax gap for the EU Parliament's Socialist and Democrats Group](#) I looked at data on the shadow economy, including data from the European Commission on unpaid VAT. My estimate was that EU

wide tax evasion might amount to about £825 billion a year. Of this maybe about £87 billion (more than £70 billion, depending on the exchange rate chosen) is in the UK. This contrasts with the [HMRC estimate](#) of £33.4 bn, of which £26.4 bn at most could be described as evasion and just £7bn as avoidance. As I have long argued, HMRC are in denial about the true scale of this issue, largely because they too rely on extrapolation of tax return audits and not data for the economy as a whole, and the cheats ([which will very often be companies registered in the UK without any evidence of their owners being recorded](#)) simply do not appear in the HMRC system.

But let's be clear: if, as I think, at least 10% of the UK economy is unrecorded (and this is what all peer-reviewed evidence suggests) and much of this is identified by non-recording consumption, then this cannot be done by the wealthy alone. They are wealthy, but they could not fail to record so much of what they spend without the active connivance of hundreds of thousands and quite likely millions of others who are in receipt of that spending and who would not declare it to HMRC. More plausibly, the non-recorded spend and non-recorded income is spread right across the economy and anyone with eyes to see and ears to hear knows that to be true. The builder, cleaner, coach, and trader taking unrecorded cash are all part of this problem, as are countless others. They are not wealthy. Many, I know, may just be trying to make ends meet. But they all break the law. And they all contribute to the tax gap. And they all undermine a fair tax system, and honest taxpayers.

Unless Labour acknowledges this it will allocate resources to the wrong issues when seeking tax justice.

And it will not direct enough resources to HMRC to put matters right.

It will also not ask the right questions about how to correct the income distribution.

And for those reasons I found the claim made disappointing.

This was headline-grabbing with a false claim. That is really not wise. At least, it's not in my opinion. And I am willing to say so.

Many would like to think the problem of tax justice solely relates to abuse by large companies and the wealthy, and mainly relates to tax havens. It does not. Those are issues, of course, but to be honest they are not the big issues anymore. My data and HMRC's data suggests the problem is largely domestic and relates to evasion and not avoidance.

It's time for tax justice to say so too.