

Reforming the tax gap calculation is long overdue, but ...

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I missed this in [The Mail on Sunday](#) last weekend:

The Government's claim that £31billion of taxes go uncollected each year is based on a misleading algorithm created for the American tax system, it can be revealed.

Revenue & Customs is now working on major changes to the calculation which could see the figures altered radically — up or down.

The potential revision to Britain's so-called tax gap — the difference between the amount owed to the Revenue and the sum collected — comes as Chancellor Rishi Sunak works on possible tax rises to balance the books in his next Budget.

He told Tory MPs last week that any increases would not be a 'horror show with no end in sight'.

The tax gap results from firms and individuals avoiding or evading the taxes they should pay.

A key aspect of calculating the figure is the use of software developed by America's Internal Revenue Service. The algorithm calculates the difference between what the very best auditor would be able to find and what an average auditor would reclaim.

Now, the Revenue is working on a system that will ditch the algorithm and replace it with expert opinion.

After all the years in which I have said that the tax gap calculation misses data because tax returns are not required from all taxpayers and a majority of companies (quite bizarrely) I welcome this: the move is necessary and reflects the fact that the algorithm is based on the US system where all must file, which makes it wholly inappropriate in the UK.

But the worrying sting in the tail is in the last line. Which experts, I wonder? Might they be drawn from the same school of expertise that thinks that breaking international law

is quite acceptable?

What is required is robust analysis, not nonsense judgement.