

How to find £17 billion

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Britain is constantly told there isn't enough money.

We're told there isn't enough to build council housing. Not enough to improve transport. Not enough to invest in local communities. Not enough to repair public services.

Ignore modern monetary theory for a moment, and ask instead, what if that isn't the real problem?

In this video, I examine HMRC's latest tax gap statistics, and they reveal something ridiculous. According to HMRC's own figures, around £17.3 billion of corporation tax owed by small companies is not being paid. That is part of a total corporation tax gap of around £21 billion, and it raises serious questions about whether Britain is choosing not to collect money that is already legally due in tax.

Andy Burnham says he wants to invest much more if he becomes Prime Minister, but he also says he will stick to Rachel Reeves' fiscal rules. If he believes the government needs more money before it can spend (even if that is not true), then recovering taxes that are already legally owed surely has to come before introducing entirely new taxes.

In this video I explain:

- what the tax gap actually is;
- why the small company corporation tax has become the fastest-growing part of it;
- why HMRC's own figures point towards an explosion of non-payment by small companies;
- why honest businesses are being placed at a competitive disadvantage;
- how £17 billion could fund around 50,000 new council homes every year;

- why I drafted legislation over a decade ago that would have tackled much of this problem.

This isn't simply a debate about tax.

It's about whether Britain still believes in enforcing company law, maintaining fair competition, supporting local economies and encouraging honest business to invest by ensuring that everyone plays by the same rules.

https://www.youtube.com/watch?v=cNej_KOdbQU?si=Zb598q3Y-VlukuJA

This is the audio version:

https://www.podbean.com/player-v2/?i=i84af-1b0322a-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

Supporting data for this video is available here.

This is the transcript:

We have a Prime Minister in waiting, sitting in the wings, waiting to take over from Keir Starmer. Andy Burnham is up there in Manchester saying he's going to do things differently, but has committed to follow Rachel Reeves' fiscal rules. At the same time, he says he's going to spend a lot more. That's an irreconcilable claim unless he's going to find more money.

Now we know that tax and borrowing do not fund government spending, but we can be pretty sure that Andy Burnham does not know that. He does not know how the economics of the organisation that he wants to take over - the UK economy - really work. So he thinks he needs more money. And in that context, I think I need to be able to explain to him how he could find more without resorting to what the likes of Gary Stevenson demand, which is a wealth tax.

We need to look at something more intelligent than that because wealth taxes could not happen for years. And I want Andy Burnham to build more now, and if he thinks he's financially constrained, I want him to deliver on his promise of new council houses. I

want to find him enough money to build 50,000 new council houses a year, and I can do that. That would require £17 billion at just over £300,000 per house, and I can find him that £17 billion. That is what this video is all about.

How can I find £17 billion? It's easy. The UK has what is called a tax gap. The tax gap is something I've been writing about since 2006, when I was one of the very first people ever to write about this subject in the UK.

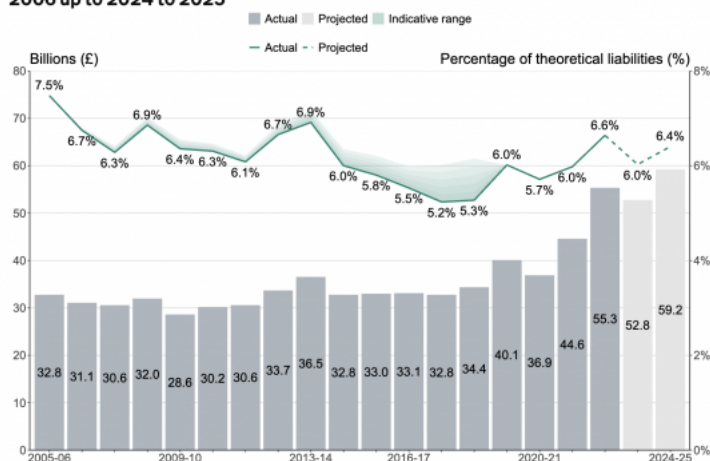
Back then, and now, the tax gap is the same thing. It is the difference between the amount of tax that we think should be paid on the economic activity arising in the UK and the amount of tax that is actually paid by the companies, individuals, trusts and other organisations who owe tax in the UK.

And we're talking about the unpaid tax across all the taxes that we have in this country. Income tax, national insurance, corporation tax, VAT, and everything else like capital gains tax, inheritance tax, duties, and so forth.

That gap has been big and continually big ever since 2006, at the time when I first was writing about it, although the figures on this chart, which show progress over the years and the growth in that tax gap since then, are not the same as were published right back in 2008, when the government started talking about this for the first time. And that's because they've revised their figures ever since. But let's use this chart as some indication of what the tax gap has been.

For many years, the tax gap was always a number in the low £30 billion a year. You can see that from the chart.

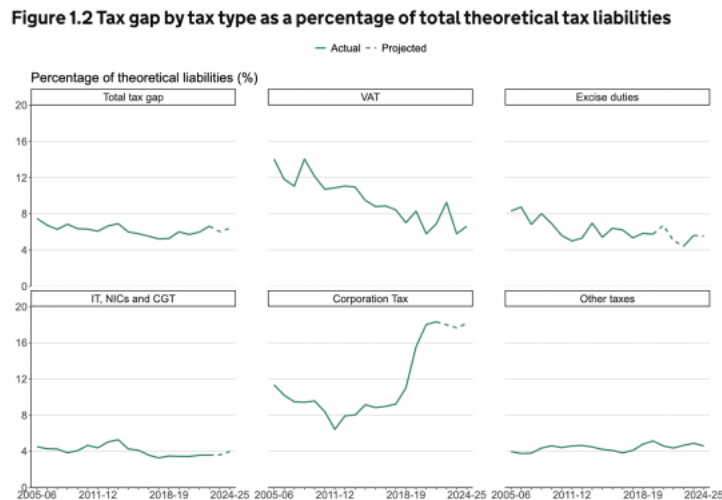
Figure 1.1: Tax gap by value and as a percentage of theoretical tax liabilities, 2005 to 2006 up to 2024 to 2025



It was almost flatline between 2005 and about 2020, when it went up because of COVID. And then it's grown. It's grown heavily this decade, and that's strange, but there is an explanation. But that's the overall tax gap. £59.2 billion of tax was not paid in the year 2024-2025, which is the most recent data just published by HM Revenue and

Customs, who are responsible not only for collecting tax, but undertaking this tax gap analysis, which is in itself a mistake because they shouldn't be marking their own homework. I think the figures are understated, but let's not worry about that at the moment. Let's look at the trends in the tax gap.

And this chart shows what the trends are with regard to each form of tax, or the major forms of tax that are looked at within the tax gap analysis.



Overall, the percentage rate of tax gap is fairly consistent. A slight downward trend over the years. That's the top left-hand corner.

The VAT gap is a notable success. Back in 2005 and thereabouts, there was a lot of criminal activity going on right across Europe with regard to VAT. And that has by and large been challenged, although I don't think this figure is completely correct. There's a lot of VAT abuse still going on with regard to imports from China and in other areas, which I don't think this chart represents. Even so, the VAT trend is definitely downwards. That's good news.

The same is also true, by the way, with regard to excise duties. HM Revenue and Customs appear to have got better at finding smuggling and fraud in this area, so illicit tobacco, illicit alcohol and so on have seen a small and gradual decline in the amount of, in percentage terms, gap that is taking place.

The income tax gap, the national insurance gap and the capital gains tax gap; they're all pretty flat. They're all massively understated in my opinion, by the way. This does not recognise the true scale of our shadow economy. There is no way on earth that only 4% of these taxes are lost. HMRC's approaches to these tax gaps are completely statistically invalid. But let's again leave that aside for the moment.

And let's also leave aside other taxes, the bottom right-hand corner, because that's almost flat as well. Again, I question the methodologies, but that's the claim by HMRC.

I'm interested in that figure. In the centre at the bottom, the corporation tax gap, and look at that. It's gone up massively. The whole of the claim that the tax gap is flat is absolutely based upon the fact that VAT has come down and corporation tax has gone through the roof. And there's a particular trend in this.

Let's look at the figures for the particular types of tax gap for corporation tax. This is the next chart we're looking at now, and the data is for five years.

Figure 1.4 Tax gap by customer group — share of tax gap

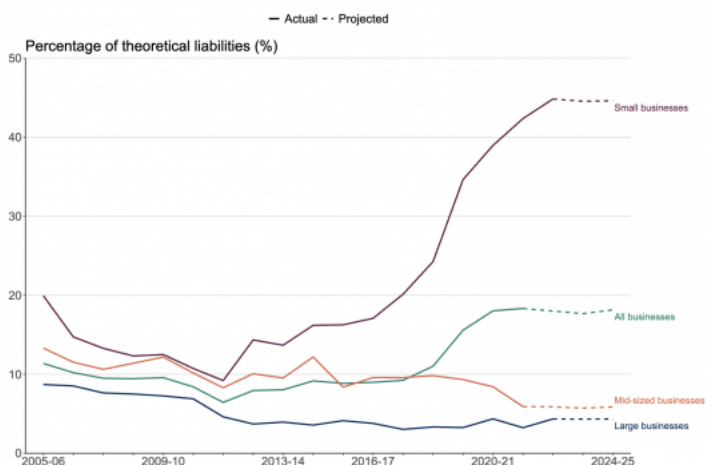
[Change to chart view](#)

Year	Small businesses	Large businesses	Criminals	Mid-sized businesses	Wealthy	Individuals
2020-21	58%	12%	13%	9%	4%	4%
2021-22	62%	10%	10%	8%	5%	4%
2022-23	61%	13%	9%	8%	4%	4%
2023-24	62%	13%	9%	7%	5%	4%
2024-25	62%	12%	8%	7%	6%	4%

And we are looking at small businesses, seeing their trend go upwards. Large businesses, broadly speaking, always offering the same gap. Criminality is being reduced, although I don't agree with that because I think that most of the small business tax gap is actually criminal activity. Mid-size businesses flat, and apparently, activity by wealthy people is largely flat as well. So we're talking about the fact that when we come to who's doing tax abuse, small businesses are at the epicentre of the abuse we're talking about. And the corporation tax gap is where they're doing it.

This data here comes from the latest publication from HM Revenue and Customs in June 2026, and it shows a remarkable trend in corporation tax.

Figure 5.2 Corporation Tax gap as a percentage of theoretical tax liabilities



There's a general downward trend overall over the period from 2005 to about 2018. The figures then rose rapidly, starting before COVID, I would add, and peaking during the COVID era. The percentage tax gap is now overall around 18% of all total corporation tax liabilities.

The cost, however, has risen because the number of companies and the level of profit that they're making has risen dramatically since 2020. And therefore, the value of the gap has increased from a decade ago, around £4.5 billion, to £21 billion now in total, and the total amount of tax not paid is now around 18% of the total tax liabilities owed by these companies. Meaning that roughly one pound in every five owed by a company in the UK for corporation tax is not paid.

That's an enormous systemic failure to collect tax on the part of HM Revenue and Customs, and anybody who can claim that a system where it used to be possible to collect as much as 94% of taxes owing but can now only collect 80% of taxes owing does not show signs of systemic breakdown is denying the truth. We've clearly got a systemic failure in either the tax system or in HM Revenue and Customs' ability to collect tax, and we are in fact seeing both.

The failure is because of self-assessment of corporation tax liabilities and the refusal of HM Revenue and Customs to engage with active monitoring of the process of collecting tax. And that's why the money isn't coming in. They are permitting this tax gap. But let me break that tax gap down between the various constituent elements that make it up.

We can ignore the bottom line. That's large businesses. That's where everybody thinks that the problem with regard to the corporation tax gap is, and at one time it was. I spent a lot of time working on that. I personally created the concept of country-by-country reporting, which is now used to prevent large companies abusing tax havens. It's in use in 70 countries around the world, including the UK. I've done my bit to try to close that gap, and large businesses are now, by and large, paying their tax, as are medium-sized businesses.

We're talking here about any significant employer, but let's look at small business. They have behaved entirely differently from large and medium-sized businesses. While the trend in those two sectors is, if anything, downward. The trend from around 2016 amongst small businesses has been for abuse to grow, and grow, and grow. In fact, that trend has been seen since basically 2010 or so, which is when the Conservatives came into power and decided to close down all the local tax offices of the UK.

They withdrew HM Revenue and Customs from operating in the community. Were also relatively relaxed about the growth of small companies and the use of one-man companies as a way to avoid PAYE obligations. The number of companies in the UK has grown dramatically. It was 3.6 million in around 2016 when the peak began to rise. It's now about 5.7 million.

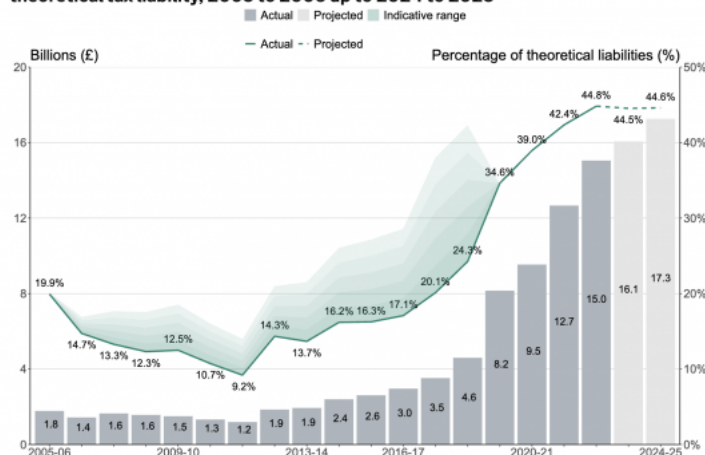
We've seen an enormous growth in the number of companies in the UK. Those numbers are a bit rounded. Companies House provides various versions, so you have to pick and choose which indicators you use. The fact is, there has been enormous growth in the number of companies, and we're seeing the consequence. The value of the tax gap is going up. The percentage rate of failure with regard to small businesses, where the growth in the number of companies has arisen, has gone up exponentially. This is a system out of control.

We are talking about £17 billion of corporation tax not being paid by small companies, and rather naively, and let me be clear, this is what HM Revenue and Customs are doing, they believe that although they don't pay their corporation tax, they do pay their VAT and they do pay their PAYE, which is completely absurd, which is why I say that the VAT gaps and the PAYE gaps are understated because I am certain they have other unpaid liabilities as well.

Silo thinking exists in HM Revenue and Customs. They can't extrapolate from one tax gap to another one, and that is quite ridiculous, but I feel that's what's going on. I've been pointing this out to them for years and years, and I've spoken to them many times. I've met directors about this issue, and I don't get anywhere.

Let's just look at some details behind this. This puts numbers on the size of that small business tax gap.

Figure 5.6: Small businesses Corporation Tax gap by value and as a percentage of theoretical tax liability, 2005 to 2006 up to 2024 to 2025



Way back in about 2012, £1.2 billion a year was supposedly lost to the small company tax gap. And now that figure is around £17 billion a year. This is massive growth. This is the fastest-growing sector of the UK economy in many ways. Nobody is doing more to grow in the UK economy than the small business that doesn't want to pay its tax.

Now, small businesses are growing because they're not paying their tax, of course. This is one of the major consequences of this and one of the things that politicians completely ignore. If you expect to have a fair and thriving market in the UK, and they

demand one, you should create a level playing field on which all businesses operate. If they know anything from their rather crap education in economics, they will know that a level playing field is one of the assumptions behind microeconomic theory. Everybody must be subject to the same rules, but quite clearly, that's not true.

In the UK, we have a tax system which lets people abuse the rules, voluntarily. They do not make the declaration of their tax liabilities. They do not pay them, and HM Revenue and Customs are basically doing nothing about that. They aren't trying to collect the tax owing.

As a result, something like 44.8% of tax owed by small companies now is not paid. That means almost one in two pounds owing by small companies is not being settled to HM Revenue and Customs. The total cost £17.3 billion. That is enough money to pay for those 50,000 council houses I want Andy Burnham to build a year. I know he doesn't need tax to build them, but if we want to use that metaphor, which he will want to use, then this is the source of the money.

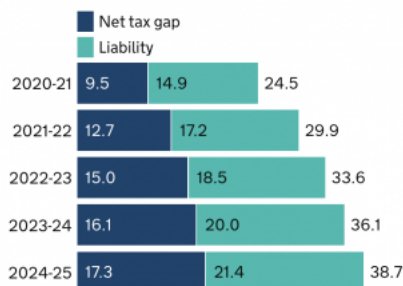
£17 billion is more than most people's estimate of any wealth tax revenue that might arise in the UK as a consequence of anything that Gary Stevenson and others talk about. This is an enormous amount of money. We could change parts of the UK economy by doing this, and critically, we would also have fair competition in this country so that honest businesses could actually compete and at the same time could afford to deliver apprenticeships, create investment, put money back into our high streets, provide us with the services we need, and revive local economies.

Tackling the tax gap is not just about collecting money; it's about creating a fair local economy in every community in the UK, but our politicians don't get that.

Look at this data. Look at the bottom line; it's 2024-2025.

Figure 5.7: Small businesses Corporation Tax gap, tax liability and theoretical tax liability, since 2020 to 2021 (£ billion)

[Change to table view](#)

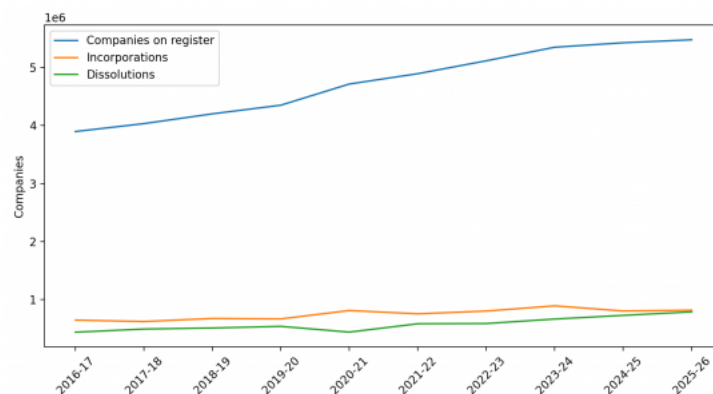


Of the total tax owing by small businesses in the UK, that was £38.7 billion; only £21.4 billion is paid. £17.3 billion is not paid. This is staggering. Look how this figure has

grown over time, and you can see how people have realised that they can exploit the opportunity to not pay tax and are therefore forming businesses deliberately to ensure that they don't have to pay. This growth is not accidental; it's deliberate. And this is criminality on a massive scale, and I'm accusing the small business sector in the UK of going out of its way to set up businesses to achieve this goal.

We are operating in the Wild West as far as corporate regulation in the UK is concerned. We have no law enforcement agency with regard to company law in the UK at all. And this is the consequence. We need to create one; we need to enforce company law. We need to collect this tax owing.

And now just let me put this information in context. This data shown here comes from Companies House.



I've redrawn one of their charts very quickly. It shows the number of companies in the UK. I've already mentioned some of this information, but it's important. Because what it shows is that way back in 2016, the number of companies in the UK, active companies in the UK on the register, was under 4 million. Now it's nearly 5.8 million. That's the top line, the blue line.

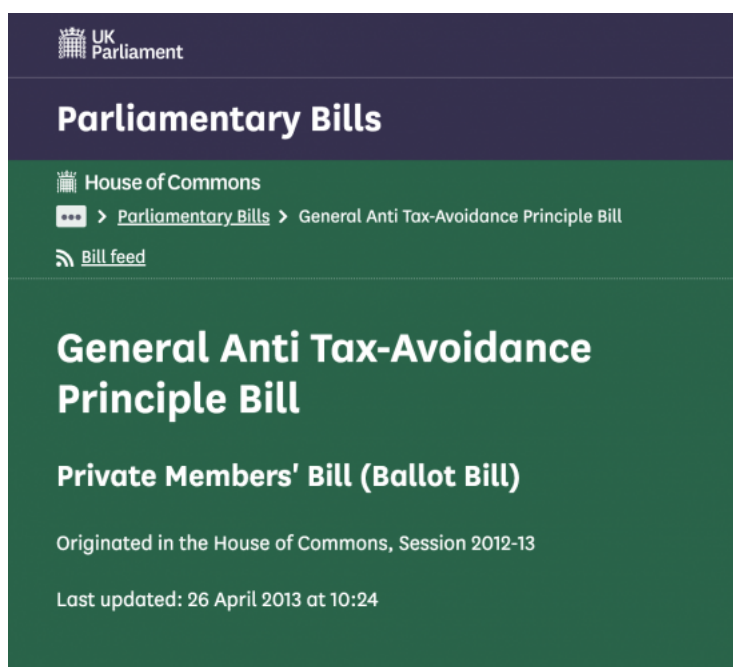
Do we need 5.8 million companies in the UK? No, we definitely don't. We have a disproportionate number of companies in proportion to our population in the UK. Why do we have that disproportionate number? It's not because we're all great entrepreneurs. It's because we have a whole raft of tax abuse going on in the UK through the availability of cheap, limited liability companies, which are totally unregulated and which allow a culture of criminality to exist with regard to tax payment in this country. We are seeing the consequence: £17.3 billion of unpaid tax. It may be much higher than that. That figure is only for corporation tax. Add in the VAT. Add in the PAYE. We could be talking £50 billion of unpaid tax a year.

Look at the figures at the bottom. They're quite interesting. The orange line is the number of incorporations. The green line is the number of dissolutions, the number of companies destroyed a year; removed from the register each year. And you'll see they

are merging at around 800,000 a year now. 800,000 companies disappear in the UK each and every year, and most of those do not file accounts and do not file corporation tax returns before doing so. They just disappear without a trace, and Companies House says, "We can't find them anymore. We'll get rid of the company."

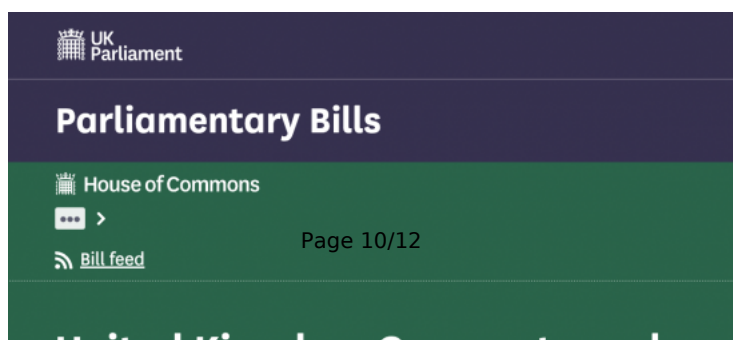
They actually permit tax-abusing companies to disappear from the register without a trace, without any chance of recovery of the money owing, and they do that with legal permission. This is crazy. This is bonkers. I don't know what else I need to say about this. This is the government facilitating crime. It is doing it year in and year out. I've been talking about this now since, oh, around 2010, when I wrote a report on what I call shadow companies. We have all these shadow companies, and they are the problem we're talking about.

Now, I have done something about this. I've written two parliamentary bills. They were presented to Parliament by the late Michael Meacher MP in 2013 and 2014. This is the first one, the General Anti-Tax-Avoidance Principle Bill, which I wrote and Michael Meacher presented in the 2012-2013 parliamentary session, last debated on the 26th of April, 2013.



The screenshot shows the UK Parliament website interface. At the top, it says "UK Parliament". Below that is a dark blue header with "Parliamentary Bills" in white. Underneath is a green section with "House of Commons" and a breadcrumb trail: "Parliamentary Bills > General Anti Tax-Avoidance Principle Bill". There is a "Bill feed" link with a RSS icon. The main title is "General Anti Tax-Avoidance Principle Bill" in large white font. Below it, it says "Private Members' Bill (Ballot Bill)". At the bottom of this section, it states "Originated in the House of Commons, Session 2012-13" and "Last updated: 26 April 2013 at 10:24".

And this is the second one. Michael Meacher managed to get private members' bills in two years, and I wrote both of them. So in the second year, I wrote the United Kingdom Corporate and Individual Tax and Financial Transparency Bill. Bit of a mouthful, but it did the job, and that one was last debated on the 15th of May 2014.



This is a partial screenshot of the UK Parliament website. It shows the "UK Parliament" logo at the top, followed by the "Parliamentary Bills" header. Below that is the "House of Commons" section with a breadcrumb trail and a "Bill feed" link. The page number "Page 10/12" is visible on the right side. The bottom of the page shows the beginning of the title "United Kingdom Corporate and Individual Tax and Financial Transparency Bill".

The Tories talked both bills out, by the way, but Michael presented them to Parliament. They were debated. They did pass parliamentary scrutiny in the sense that they were completely valid bills. They would work.

The first bill had a deliberate purpose. It said that if somebody was trying to abuse the tax system, it didn't mean to say they were trying to evade tax; they just had to be avoiding it; then the Revenue would have the opportunity to make them liable for the loss. People who incorporate companies for the purpose of evading tax would have been caught by this bill. The consequence of the bill would've been that the directors of the companies in question, plus the shareholders, would've been personally liable for the tax they would have not paid. They would've tried to avoid a tax bill. They would've been personally liable for paying it.

In other words, I would have seen through what is called by lawyers 'The veil of incorporation' around companies. Since the late 19th century, we have pretended that companies and their owners are completely separate legal entities, and we never break through that barrier of incorporation. This is nonsense. Small companies and their owners are, of course, almost the same thing in practical terms. This legal pretence that the company and the owner are different and the owner can't be responsible for the actions of the company is utter nonsense when the actions of the company are deliberately created to benefit the owner by not paying tax. That is what is happening.

People are shovelling vast amounts of money into their pockets and not paying tax on it, but a legal pretence supposedly prevents us at present from trying to recover that money from the people who've actually gained from it. This is ridiculous. That bill would've tried to change that.

And the UK Corporate and Individual Tax and Financial Transparency Bill, the 2014 Bill, would have provided the requirement that HM Revenue and Customs should never allow a company to be struck off if they have any hint that a tax bill might be payable.

How did we know whether a tax bill was payable? This Bill required that every bank in the UK should report to both Companies House and to HM Revenue and Customs each year every company to whom they provided banking services.

They would've had to provide details of the directors, details of the shareholders - information they hold for anti-money laundering purposes - and the total sum of money deposited in the company's bank account each year, plus the year-end bank balance.

In other words, the Revenue would know with some indication precisely who owned the company and the scale of its activities. So if it refused to file accounts and the corporation tax return, and hundreds of thousands, maybe more than half a million companies a year now don't do that in the UK, which is where this tax gap is arising, the Revenue would have the information to not only raise an estimated tax bill - and probably make it penal, why not? - and then pursue the individual directors for it. Doing

this, we could collect that £17 billion from the people who have pocketed the money at cost to society. My bills would have worked.

They were talked out by Jacob Rees-Mogg, by the way. He said he didn't want more tax to be paid even if it was legally owing. I found that utterly morally repugnant. I still find this abuse utterly morally repugnant. I find it extraordinary that we live in a country where we permit this sort of abuse to happen.

We have to have a level playing field in tax. We have to end this abuse. We have to collect that money owing. We have to support honest small businesses, and we are not; we're undermining it. And we have politicians who say they're desperate for tax revenues so they can try to do something good for society. They don't understand how tax works, but let's leave that aside at the moment. That's what they say. That's what we've got to work with. We have to, therefore, find ways to deliver that money to them. This process, the two bills that I presented, would create that possibility. We could have that £17 billion.

The result: Andy Burnham could build 50,000 council houses a year or provide significantly better benefits, or invest in transport, or a green transition or whatever. He thinks he's financially constrained. I can find him more money by doing this than just about anybody else can easily. This is the answer to some of his problems. Why won't he do it?

I don't know. What do you think? There's a poll down below. Let us know. Let us have your comments. Do you think this is plausible? Do you think it would be fair? Do you think it would be good for business? I do because I think that level playing field is essential. But you might disagree. If you do, let us know.

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If you want to buy us a coffee so we can make more videos like this and tackle the real root causes of the problems in our society, that would be great as well. There's a link to a Ko-fi donation button down below, and we'll see you again soon.

[poll id="442"]