Tax gap at record high – and record low

Briefings

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‘Tax Gap’ figures published in late June offer ‘something for everyone’, said the CIOT, with critics of HMRC able to point to a record amount – nearly £40 billion – not being collected, but HMRC able to point out that they are bringing in a record share of the expected tax take. ‘That both these things can be true simultaneously tells us more about current tax levels than anything else,’ reflected John Barnett, Chair of the Institute’s Technical Policy and Oversight Committee.

John noted that there were ‘some alarming revisions in these numbers, especially with respect to small business non-compliance’. Rising numbers of business insolvencies, and a general inability to pay, are also having an impact on tax collection, the Institute noted.

CIOT observed that the new figures mean that we now have four years of data since Making Tax Digital for VAT was introduced. ‘With mistakes costing the Exchequer nearly twice as much in cash terms as before MTD was introduced, it is hard to discern whether MTD is meeting its objective of reducing avoidable errors,' John commented, though he noted that the 'VAT gap' has continued a long-term trend downwards.

ATT President Senga Prior, commenting on the figures for the ATT, said: 'While all political parties talk of raising funds by tackling tax avoidance and evasion, HMRC's estimated figures appear to show that it is Self Assessment taxpayers, especially individuals and unincorporated businesses, failing to take reasonable care and making errors with their submissions that actually account for the largest proportion of the tax gap.

'There is no magic quick fix or headline grabbing answer to this problem, but a starting point would be improving HMRC customer services and providing access to agents to the full range of digital services available to their clients in conjunction with simplification of the tax system.'