

Press release: Low tax gap results in £71 billion for UK public services

The tax gap for 2016 to 2017 is 5.7%, HM Revenue and Customs (HMRC) confirmed today.

Had the tax gap remained at its 2005/06 level the UK would have lost £71 billion in revenue destined for public services.

The tax gap is the difference between the tax that should be paid to HMRC and the actual tax that has been paid. Keeping the tax gap consistently low is a result of HMRC's work to help customers get things right from the start, and the department's sustained efforts to tackle evasion and avoidance.

The tax gap trend shows a long-term decline – it has reduced from 7.3% in 2005 to 2006 to an estimated 5.7% in 2016 to 2017, or £33 billion. This is the same percentage tax gap as for 2015 to 2016, which has been revised down from last year's estimate of 6%.

Mel Stride, Financial Secretary to the Treasury, said:

These really positive figures show that the tax gap is the lowest in the last 5 years, which reflects the hard work that HMRC and I have been doing to ensure we support businesses to pay the right tax at the right time and clamp down on tax evasion and avoidance.

Collecting taxes is essential for funding our vital public services such as the NHS – indeed, had the tax gap remained at its 2005/06 level the UK would have lost £71 billion in revenue destined for public services, enough to build 200 hospitals.

Key findings from the Measuring the Tax Gap publication include:

- small businesses made up the largest proportion of unpaid tax by customer group at £13.7 billion;
- taxpayer errors and failure to take reasonable care made up £9.2 billion of unpaid taxes by behaviour, while criminal attacks made up £5.4 billion;
- income Tax, National Insurance Contributions, and Capital Gains Tax made up the largest proportion of the tax gap by tax type at £7.9 billion for 2016 to 2017, equivalent to 16.4% of Self Assessment liabilities;
- the VAT gap showed a declining trend over time, falling from 12.5% in 2005 to 2006 to 8.9% in 2016 to 2017.

Jon Thompson, HMRC's Chief Executive, said:

The UK is the only country in the world to regularly publish their

tax gap in detail and at 5.7%, it remains at its lowest for five years. I am pleased that the downward trend shows HMRC and HM Treasury's continued hard work to tackle evasion and avoidance is working.

HMRC is also working hard to help taxpayers get their tax right by offering support and investing in digital services to improve businesses' record keeping and reduce errors.

HMRC is working with small businesses to help them get their tax right first time around. The department aims to make sure the tax system is not a barrier to setting up, running and growing a business; which is why the department offers businesses support and provides information, to help businesses start up, sustain and grow.

HMRC is continuing to roll-out Making Tax Digital (MTD) for businesses. Once fully operational, MTD will help to reduce the tax gap by helping to prevent error and failure to take reasonable care. Digital record keeping combined with a modern, more automated tax system will help businesses get their affairs right the first time.

Notes for Editors

1. Measuring the Tax Gap 2018 can be found [here](#)
2. Since 2010, HMRC has secured and protected over £175 billion in additional tax revenue as a result of actions to tackle tax evasion, tax avoidance, and non-compliance.
3. HMRC has been measuring the tax gap annually since 2005 to 2006.
4. HMRC is the only revenue authority in the world that measures and publishes the tax gap in this level of detail, covering both direct and indirect taxes, every year. It publishes the tax gap because the department believes it's important to be transparent in their work.
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