



## **What gets measured gets done?**

George Turner

TaxWatch

# About TaxWatch



- Founded 2018 by Julian Richer and Richard Brooks
- UK charity with the purpose of promoting compliance with both the letter and the spirit of the law
- Investigative think tank that researches the tax system and tax abuse for the public benefit



# HMRC performance - a matter of prime public concern

- Global Financial Crisis 2008
- Guardian tax gap series published 2009
- G8 Loch Erne declaration 2013 leading to BEPS process
- European Commission action on multinational companies in Europe
- Regular calls of politicians to do more and regular reporting by journalists on the tax affairs of companies

# HMRC objectives from annual reports

2017	Maximise revenues due and bear down on avoidance and evasion	Transform tax and payments for our customers	Design and deliver a professional, efficient and engaged organisation
2018	Maximise revenues due and bear down on avoidance and evasion	Transform tax and payments for our customers	Design and deliver a professional, efficient and engaged organisation
2019	Collecting revenues due and bearing down on avoidance and evasion	Transforming tax and payments for our customers	Designing and delivering a professional, efficient and engaged organisation



# Collecting Tax - KPIs

- The total increase in tax revenues
- The additional tax generated by tackling avoidance, evasion and non-compliance (a.k.a compliance yield)
- The level of fraud and error in the tax credit system
- The UK tax gap (as a percentage of total tax)
- The total revenue protected or generated by tackling organised crime
- The total number of criminals and fraudsters successfully convicted



# Collecting tax – HMRC public commitments

- Maintaining the overall long term downward trend in the tax gap over the past decade.
- Deliver compliance revenues of £34.5 billion in 2019 to 2020 through our compliance activity.
- Continue to invest £800 million in additional work to tackle evasion and non-compliance in the tax system, with a further £155 million of investment announced at Autumn Budget 2017 for future years up to 2019 to 2020.
- Raise an additional £5 billion a year on 2015 to 2016 by 2019 to 2020 by tackling tax avoidance and aggressive tax planning, evasion and non-compliance, and by addressing imbalances in the tax system.



•We will tackle the hidden economy by:

•Developing options for legislation to make the renewal of some public sector licences conditional on applicants being appropriately registered for tax (conditionality)

•Implementing powers to tackle hidden UK businesses trading via online marketplaces (VAT Joint and Several Liability), and embedding new operational approaches to address the hidden economy.

•Continue to tackle tax avoidance, close schemes and collect yield of more than £170 million in 2019 to 2020 through the Accelerated Payments regime and collect yield of £1.3 billion in tax settlements.

•Ensure global companies pay their fair share in tax by supporting the government's leading role in the reform of international tax rules.



# The Tax Gap

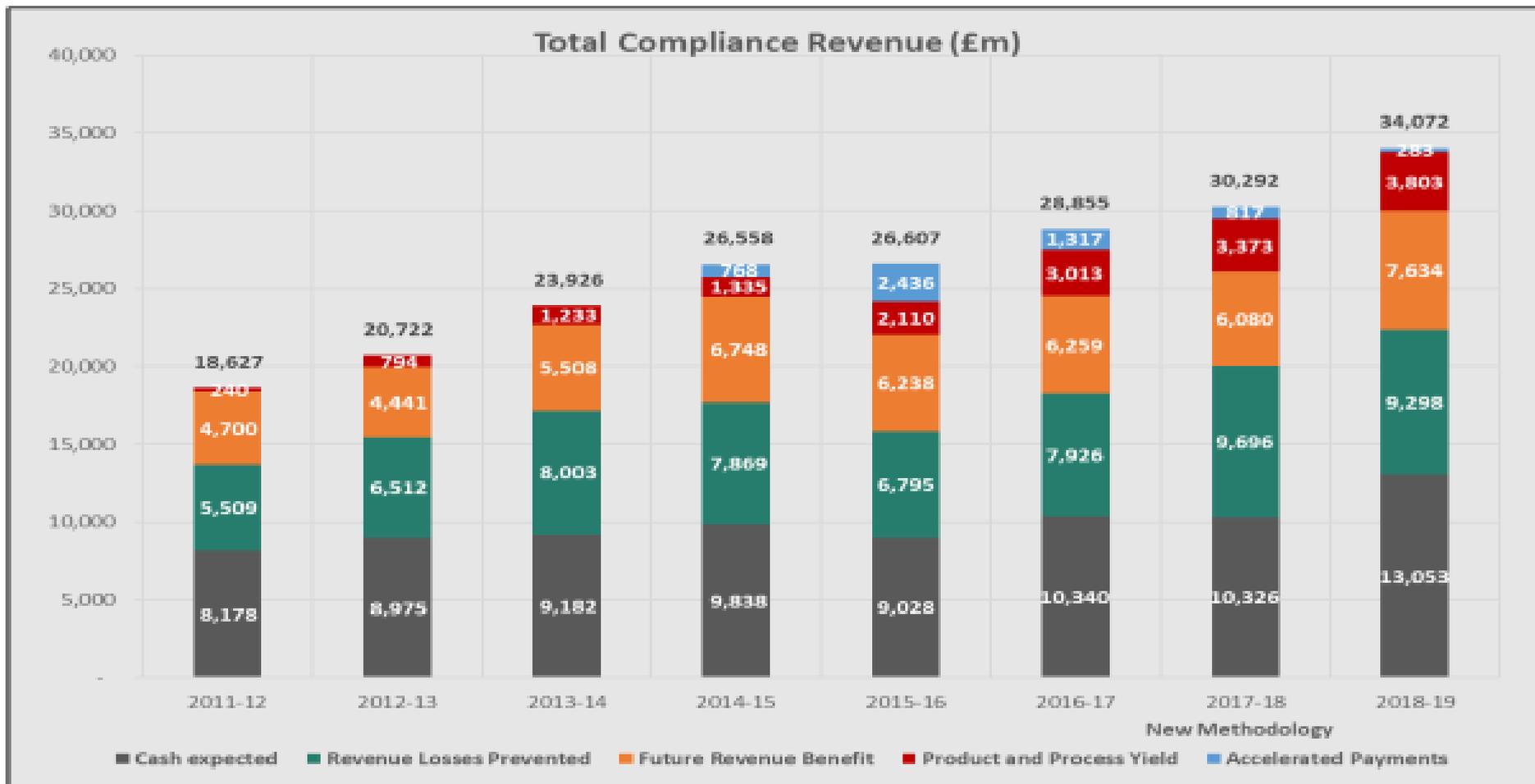
- Broad estimate of all tax losses arising from non-compliance, error and fraud
- Significant amount of estimation required, methodological changes have meant large re-evaluations of the figures
- Over 20% by value comprised of experimental methodologies
- Figure described by Public Accounts Committee as „highly uncertain“
- Does not include BEPS effects



# Compliance yield

- Measure of all compliance activity – not just cash collected
- Includes items such as „future reveue benefit“
- Again, highly uncertain, with significant estimates

# Components of compliance yield





# Could we get more granular?

HMRC – Tackling tax avoidance, evasion and other forms of non-compliance, March 2014:

*“This government has introduced over 100 measures to tackle tax avoidance, evasion and other forms of non-compliance since 2010 which, alongside HMRC’s compliance work, have secured and protected an additional £200 billion in tax revenue which would otherwise have gone unpaid.”*



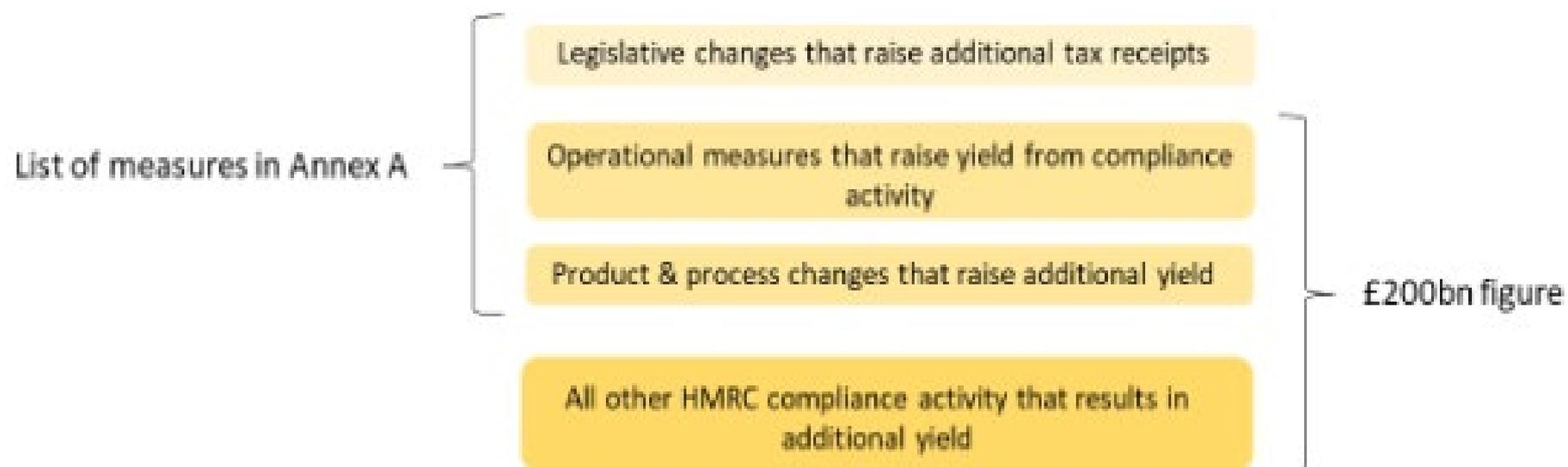
# £200bn?

“The £200bn in additional tax revenue mentioned in the publication ‘Tackling tax avoidance, evasion, and other forms of non-compliance’ reflects our overall compliance activity and not solely the result of the measures listed in its Annex A.

There are also some measures included in Annex A which do not contribute towards the £200bn figure but do contribute to overall tax receipts.

The following diagram explains the components of each“

# Components of £200bn





# Landlords

- 2013 – Let Property Campaign designed to combat £500m of tax evasion in the private rented sector
- 2019 – Only 2.3% of people identified by HMRC had made voluntary disclosures
- 2020 - Tax evasion in PRS could be as high as £1.73bn (TaxWatch estimate)



# Online VAT fraud

- Specifically cited in HMRC's public commitments 2020
- HMRC figures suggest online VAT fraud costs up to £1.5bn a year
- Joint liability legislation was brought in in 2016
- HMRC claim that this has brought in an extra £585m over 3 years



# Conclusions

- Main performance measures, Tax Gap and Compliance Yield unsuitable for meaningful benchmarks
- Policy interventions are focused on specific areas of non-compliance
- So why not measure progress of specific policies against targetted areas of non-compliance?