26 October 2017

Dear Ms Hillier,

I am writing to let you know that HMRC has today published the ‘Measuring Tax Gaps: 2017 edition’ report. This includes our estimate of the 2015 to 2016 tax gap. The full report and a copy of our Issue Briefing on the subject are now available on GOV.UK

The figures show that the tax gap for 2015 to 2016 was 6% of total tax and duties due to HMRC (£34 billion) which has fallen very slightly from 6.1% in 2014.

As you are aware tax gap calculations are a complex series of measurements and estimates and are subject to revision. This is due to the continued availability of more up-to-date data and improved data analysis. The estimates are produced in accordance with the Code of Practice for Official Statistics, which assures objectivity and integrity.

The findings from new research commissioned by HMRC on the hidden economy has resulted in the tax gap figures for 2014 to 2015, and previous years, being revised downwards. This shows that the hidden economy tax gap has remained relatively stable since 2009 to 2010 at around 10% of the overall tax gap. This research is also available on GOV.UK

Between 2010 and 2015, the government invested £1 billion in HMRC and made more than 40 legislative changes to tackle tax evasion, avoidance and non-compliance, closing down loopholes and introducing major reforms to the UK tax system. This investment, and the changes put in place, has helped us to achieve one of the lowest tax gaps in the world.

I hope you find this information useful and members of the new Executive Committee of HMRC look forward to discussing this with you and the Committee on 6 November.

Yours sincerely,

JON THOMPSON
CHIEF EXECUTIVE