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Committee of Public Accounts

Collecting the right tax from wealthy individuals

Fortieth Report of Session 2024–25

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Committee of Public Accounts

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Summary

HMRC's work to ensure wealthy taxpayers comply with tax rules (compliance work) brought in an additional £5.2 billion of tax revenue in 2023–24. This is a significant increase from £2.2 billion in 2019–20, which HMRC deserves great credit for. However, the scale of this success suggests either non-compliance among the wealthy has got worse, or that previous estimates of the extent to which they were avoiding tax were too low.

Within the wealthy population, defined as those with an income of £200,000 or assets of at least £2 million in any of the last three years, there are vast disparities in wealth and circumstance, meaning far more tax can be at risk for the extremely wealthy taxpayers, such as billionaires. But HMRC does not know how many billionaires pay tax in the UK or how much they contribute overall.

HMRC has no overview of an individual's total wealth and faces challenges in getting all the data it needs to risk assess and target wealthy people. It has received funding to bring in more tax revenue from wealthy individuals and plans to recruit staff with expertise in wealth management and invest in technology, including artificial intelligence. It expects that this investment will help it to target the areas of greatest risk more effectively and bring in more tax revenue over the next five years, including at least £500 million from wealth hidden offshore.

HMRC has increasingly focused on complex, high-value cases. However, many go on for too long, 46% of cases closed with no yield in 2023–24, and there were only 25 prosecutions. HMRC's aim to increase the number of people charged with criminal offences by 20% is underwhelming given that, in the wealthy population, this equates to just five more taxpayers charged annually.

There is much public interest in the amount of tax the wealthy pay. People need to know everyone pays their fair share. We welcome HMRC's commitment to be more transparent to Parliament and to build trust in the tax system. HMRC has committed to examine opportunities to provide more information on how much tax is paid by the wealthy population and the segments within it.

It should also be more open in recognising the constraints posed by jurisdictional boundaries and data limitations. The inherent difficulties in estimating wealthy and offshore tax gaps means HMRC should be far

more circumspect in its assessment of the overall level of non-compliance. For example, its partial estimate of offshore tax evasion, at £0.3 billion, seems implausibly low given the huge wealth, £849 billion in offshore bank accounts in 2019, UK residents hold in overseas accounts. We see a strong possibility that a much larger pot of revenue has gone uncollected.

Conclusions and recommendations

1. **HMRC has done well to increase compliance yield from wealthy individuals, but there are significant opportunities to collect more revenue and close the tax gap.** The yield from HMRC's compliance work with wealthy individuals has more than doubled in recent years, with it collecting £5.2 billion in 2023–24, up from £2.2 billion in 2019–20. HMRC wants to reduce the tax gap and says that it is a constant endeavour for it to collect more tax from wealthy individuals. It says there are significant opportunities for it to go further and wants to ensure that its wealthy team has the enablers and capabilities it needs to be more effective and productive. HMRC has identified opportunities relating to data exchange, targeting and risking, collaborating globally with other tax jurisdictions, and policy changes that will help it close the tax gap. There are currently around 1,000 people in the wealthy team, and HMRC has secured funding for another 400 staff. It is aiming to secure at least an additional £500 million of yield from its work tackling wealthy offshore risks by 2029–30, as part of a broader target to bring in an extra £7.5 billion.

RECOMMENDATION
HMRC should publish its plan for increasing yield from wealthy taxpayers domestically and offshore and set out timelines for achieving its objectives.

2. **Even among the wealthy population there are vast disparities in wealth and circumstance, making it likely that more tax is at risk for the wealthiest taxpayers.** The population of wealthy taxpayers that HMRC's wealthy team administers is getting bigger, up from 700,000 individuals in 2019–20 to 850,000 individuals in 2023–24. HMRC treats wealthy individuals as one single group and its risk assessment process does not segment wealthy individuals according to levels of wealth. HMRC says that as people's propensity for risk will vary, it must consider other factors besides pure wealth, such as complexity and opportunity for non-compliance. It says it finds some billionaires have quite straightforward tax planning, while some millionaires with much lower wealth will have set up very complex offshore trusts and structures. But it is worth noting, for example, that the value of tax associated with a billionaire could

be a hundred times greater than a high net worth individual (assets of £10 million or more), due to the difference in wealth. HMRC deploys its customer compliance managers according to those taxpayers who pose the most risk and says that these managers typically end up working on cases relating to individuals with wealth above £10 million. Nevertheless, HMRC acknowledges it needs to improve its data and risking and may need to make changes to its risk model.

RECOMMENDATION

a. As part of its plan for increasing yield from wealthy taxpayers domestically and offshore, HMRC should review whether segmenting its wealthy customer group according to different levels of wealth and complexity would help it to assess and then target the most significant risks.

b. As part of its consideration, HMRC should estimate the value of tax at risk within the wealthy taxpayer base and write to us with the results.

3. **HMRC cannot identify how much tax is paid by UK billionaires, despite the relatively small number of individuals and significant sums of money involved.** HMRC can and must do more to understand and explain the contribution that the very wealthiest in society make to tax revenue. It has access to a wide range of internal and external data which it uses to identify wealthy individuals, but we are disappointed that it cannot use these data to provide some transparency about the tax paid by the wealthiest. HMRC argues that income and chargeable gains determine whether you pay tax, not whether you are a billionaire. HMRC does not collect information on taxpayers' wealth and says that it only collects the data needed to administer the tax system as required by UK tax legislation. A billionaire has wealth and assets 500 times greater than a wealthy individual who just meets HMRC's threshold for the wealthy population and so has huge potential on their own to affect the tax gap, and how much revenue is available for public spending. In the United States, the Inland Revenue Service has worked with researchers to link its data to the Forbes 400. HMRC has not facilitated a similar analysis with the Sunday Times Rich list.

RECOMMENDATION

Alongside its Treasury Minute response, HMRC should write to the Committee with its plans for improving its understanding of the wealth and assets held by the wealthiest individuals, including billionaires. This should include:

- work it can implement straightaway on comparing available data on known billionaires, such as the Sunday Times Rich List, with its own records;
- the steps it will take to request more data on assets and wealth from those taxpayers it suspects have high or very high levels of wealth, taking into account that any additional administrative burdens on the very wealthiest are likely to be perfectly manageable given their resources; and
- work it will undertake, and associated timeframes, to better understand the links between personal wealth and connected entities, including complex trusts and structures.

4. **There is much more that HMRC can do to improve its work to risk assess and target wealthy people, in particular through the use of data and technology and recruiting wealth management experts.** HMRC says targeting its resources on more complex, higher-risk, higher yield cases, has resulted in higher average returns, increasing from £34,000 to £94,000 per case in the wealthy team. But the wealthy team closed 46% of its investigations with no yield at all in 2023–24. HMRC says it would like to reduce this number but explained that it does not know the facts until it opens an inquiry, when it may simply find that everything is lawful and in order. We think there is scope for HMRC to use artificial intelligence (AI) to better exploit and analyse data and, in this way, improve its risk assessment and targeting of wealthy individuals. Possible uses of AI to speed up the system include sifting large amounts of data and suggesting what information is missing from tax returns. HMRC agrees and expects new investment in AI, along with recruiting experienced tax specialists to help the wealthy team's understanding of wealth planning, to help it to better target its compliance activity so that, when it opens a case, it has a higher likelihood of securing the yield.

RECOMMENDATION

Alongside its Treasury Minute response HMRC should write to the Committee to explain how confirmed funding to date will feed through to better compliance performance, and what it expects to achieve from future investment. This explanation should go beyond just the impact on compliance yield and should cover the expected impact on other performance measures, such as the proportion of cases that result in a positive return. HMRC should include in that letter further details of its plans to invest in new IT, as well as plans to ensure it has the right skills to undertake the data analysis necessary to risk assess and target wealthy people.

5. **Too many compliance investigations last too long, with too few leading to penalties and prosecutions.** HMRC has different actions it can take against taxpayers who it identifies are at risk of not paying the right tax, including penalties, civil investigations into taxpayers suspected of fraud, and criminal investigations. The average time it took for HMRC to close an investigation increased every year over the period 2018–19 to 2022–23 and, for investigations yielding more than £100,000, the average duration in 2023–24 was 40 months. But in 2023–24, there were only 25 criminal prosecutions of wealthy individuals, and 456 penalties, down from 1,747 penalties in 2022–23. HMRC's current ambitions to increase prosecutions and penalties are underwhelming, given that its ambition for a 20% increase in the number of people charged with tax fraud would only mean another five cases annually for the wealthy population. It is particularly disappointing that HMRC has issued no penalties to enablers of tax evasion, despite acknowledging unscrupulous advisers often play a key role in helping the wealthy evade tax. We are also unconvinced that HMRC fully utilises the deterrent effect of publicising successful prosecutions, despite it acknowledging the value of publicising high value, high-profile cases.

RECOMMENDATION

a. HMRC should assess whether it is using its powers to tackle non-compliance by the wealthy sufficiently, in particular, whether it makes sufficient use of available sanctions.

b. HMRC should investigate and report back to the Committee on why it has not been able to issue any penalties to enablers of tax evasion, and how it plans to start using them as an effective sanction and deterrent. As part of this, HMRC should consider setting an annual target for the number of penalties it issues.

c. HMRC should also show more ambition for the number of prosecutions of wealthy individuals evading tax, given its current plan is to increase the number charged each year by only five by 2029–30.

6. **It is not sufficiently clear how much tax is paid, and how much tax is avoided by the very wealthy, which restricts HMRC's ability to reassure the public that it administers the system fairly.** Fairness is at the heart of HMRC's charter. It is important for confidence and trust in HMRC, which has been decreasing in recent years, that the public know the wealthiest are paying their fair share. We welcome the new Permanent Secretary's commitment to improving trust in the tax system, including examining opportunities to provide greater transparency regarding the

amount of tax wealthy taxpayers pay and the contributions of different segments within the wealthy population. HMRC also needs to improve its assessment of the amount of tax that the wealthy avoid paying. HMRC says that the wealthy and offshore tax gaps are particularly difficult to measure. Given these difficulties, and the deficiencies in HMRC's information on wealth, we are concerned that HMRC is overly confident and optimistic in its estimate that the wealthy tax gap is only £1.9 billion. Its partial estimate of the offshore tax gap, of £0.3 billion, seems far too low, particularly when compared with UK residents holding £849 billion in offshore accounts in 2019. Internally, HMRC has identified a much larger amount at risk from all forms of offshore non-compliance.

RECOMMENDATION

HMRC should consider how best to expand the range of information it publishes on wealthy individuals to give people greater confidence that these taxpayers pay their fair share. As part of this it should:

- set out statistics on the amount of tax paid by wealthy individuals in relation to top-down estimates of levels of wealth and chargeable gains. HMRC should report this for the wealthy population as a whole and, as far as possible, for different levels of wealth; and
- write to the Committee to outline its plans and timescale to improve its estimate of the wealthy tax gap.

1 Understanding wealthy individuals and tax at risk

Introduction

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from HM Revenue and Customs (HMRC) on collecting the right tax from wealthy individuals.[1]

2. HMRC defines wealthy individuals as those earning more than £200,000 a year, or with assets over £2 million, in any of the last three years. In 2023–24, HMRC identified approximately 850,000 wealthy individuals, up from 700,000 in 2019–20. In that year, wealthy individuals paid a total of £119 billion in personal taxes (25% of personal tax receipts). Wealthy individuals often have complicated tax affairs covering multiple taxes. They often have a wide spread of tax liabilities on both their income (in the form of Income Tax and National Insurance) and assets (in the form of Capital Gains Tax, Inheritance Tax and stamp duties). They may adopt complex and sophisticated tax planning to reduce their liabilities. The complexity of their tax affairs may increase the potential for non-compliant behaviour, either deliberately in the form of tax avoidance or evasion, or mistakenly, by applying tax rules incorrectly. HMRC therefore treats wealthy individuals separately from other taxpayers.[2]

3. HMRC's work to engage with wealthy individuals to ensure they comply with the tax rules, and then to follow up and investigate risks, is led by the 'wealthy team' within HMRC's Customer Compliance Group, consisting of around 1,000 staff.[3] The wealthy team examines most personal taxes paid by wealthy individuals. A separate assets team examines what taxpayers pay in Inheritance Tax. Other teams within HMRC are involved in analysing data on wealthy individuals and undertake compliance activity on key issues such as offshore tax compliance. HMRC estimates its compliance activities with wealthy individuals cost £350 million in 2023–24.[4]

1 C&AG's Report, Collecting the right tax from wealthy individuals, Session 2024–25, HC 876, 16 May 2025
2 C&AG's Report, paras 1-2
3 Q 11; C&AG's Report, para 3
4 C&AG's Report, para 3

4. The government has highlighted tackling tax avoidance and evasion and increasing tax revenues by improving compliance, particularly from wealth held offshore, as priorities for action. In the Autumn 2024 Budget the government confirmed its ambition to close the tax gap (the amount of lost tax revenue), and the scaling up of compliance activity to tackle serious offshore noncompliance, including fraud by wealthy customers and intermediaries. In the Spring 2025 Statement the government committed further funding and new measures to tackle serious non-compliance, particularly wealthy offshore noncompliance.[5]

5. We also received written submissions to our inquiry, a list of which is available on the inquiry page of the Committee's website.[6]

Increasing the compliance yield from the wealthy

6. In 2023–24, HMRC reported £5.2 billion of compliance yield from wealthy individuals, up from £2.2 billion in 2019–20. This large increase in compliance yield contrasts with a relatively stable tax gap for wealthy individuals. Compliance yield has increased by £3 billion, which is over £1 billion more than HMRC's estimate of the wealthy tax gap of £1.9 billion. This suggests either non-compliance among the wealthy has got worse, or that previous estimates of the extent to which they were avoiding tax were too low.[7] HMRC said that the trends indicated an increased level of non-compliance, but encouraged caution in making comparisons between the tax gap and compliance figures as there can sometimes be timing differences in how each is recorded.[8]

7. We asked HMRC about its ambitions and priorities for ensuring that wealthy individuals pay all the taxes that they should. HMRC told us that it has significant opportunity to do more and that is working with Ministers to secure the funding and ensure that the wealthy team has the capacity and capability it needs to undertake more activity.[9] HMRC told us it has secured funding to increase the current wealthy team of around 1,000 people by an additional 400 staff. It aims to bring in at least an additional £500 million of yield over the next three or four years from more resources and activity focused on tackling wealthy offshore risks.[10]

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5 C&AG's Report, para 4
6 Committee of Public Accounts, Collecting the right tax from wealthy individuals written evidence
7 C&AG's Report, paras 3.2, 3.3
8 Q 107
9 Qq 11, 67
10 Qq 11, 13, 49

8. HMRC told us that it wants to ensure that its wealthy team has the enablers and capabilities it needs to be more effective and productive in its work. It said that it is a constant endeavour for it to collect more tax from wealthy individuals because those who deliberately try to evade tax will continue to do so. HMRC told us about the significant opportunities it has identified relating to data exchange, targeting and risking, collaborating globally with other tax jurisdictions, and policy changes that will help it close the tax gap.[11] HMRC explained the importance of working with other international tax jurisdictions to increase the exchange of data so that there are fewer places for people to hide their assets. It told us how more data helps it to find out about big offshore balances or companies that are not reporting their income, and that it can use its investigative experts to go after this money.[12]

9. HMRC told us that its ultimate objective is to reduce the overall tax gap, and it hopes the increase in its compliance activity will reduce the tax gap over the next few years.[13] The Office for Budget Responsibility (OBR) has forecast a reduction in the tax gap from 4.8%, at the time it did its calculations, to 4.4% by the end of the forecast period which, if achieved, is expected to equate to an additional annual yield of £7.5 billion.[14]

Allowing for different levels of wealth

10. Around 29,000 wealthy individuals had incomes of at least £1 million in 2023–24 and were liable for around £34 billion of Income Tax in total. Within this population are taxpayers with very high incomes and wealth: around 10,000 taxpayers have annual incomes of at least £2 million, and 5,000 have assets of at least £50 million. The complexity and mobility of the very wealthiest means they carry a heightened risk, but HMRC has no particular focus on this group, and has not assessed the level of risk or the impact of its compliance activities for different income or wealth bands to understand whether it should particularly focus on the wealthiest individuals.[15]

11. We asked HMRC whether it would be useful if it segmented the population of wealthy individuals to focus on the very wealthiest taxpayers, and whether it saw different risks from these wealthiest individuals.[16] HMRC observed that people’s propensity for risk will vary and that it sees a lot of risk at lower wealth bands, not just from billionaires. HMRC stressed the importance

11 Q 11
12 Q 13
13 Q 77
14 Q 77
15 C&AG’s Report, paras 1, 10, 1.17
16 Qq 26, 50

of having a risk model that considers other factors besides pure wealth, such as complexity and opportunity for non-compliance. It said it otherwise might miss those people who are causing more harm to the tax system than just the very wealthy. It compared a very wealthy individual, earning a lot of income through Pay As You Earn and therefore highly visible to HMRC, to another individual with much lower wealth who places properties in very complex offshore trusts and structures which may be indicative of non-compliant behaviour.[17] Nevertheless, HMRC acknowledged that it needs to keep its definition of the wealthy population under review and accepted that the case for better segmentation was well made.[18]

12. Customer Compliance Managers (CCMs) within the wealthy team provide a single point of contact for the taxpayer and their agent and develop an in-depth understanding of a wealthy individual's financial affairs to identify risks and support the taxpayer to be compliant. The wealthy team has around 100 CCMs in post and, as at February 2025, had assigned a CCM to around 15,000 taxpayers it perceived to have the highest levels of complexity or opportunity for non-compliance (2% of wealthy individuals).[19] HMRC told us that it deploys its CCMs according to those who pose the greatest risk and says they typically end up working on cases relating to individuals with wealth above £10 million. But HMRC acknowledged it may need to make changes to its risk model as part of improving its data and risking.[20]

13. HMRC highlighted that over 70% of the wealthy population has agents, and this increases to 90% for the wealthiest individuals.[21] We asked HMRC about its plans to tackle unscrupulous tax agents. HMRC told us that its focus is on the behaviours of agents in general rather than necessarily specifically those with wealthy clients and referred to ongoing work to develop a risking model to look at agents and their behaviour.[22] HRMC also told us it had recently combined its agent compliance team with its specialist team who tackle promoters of avoidance to "cross-fertilise" skills between the two. It explained that the combined teams had over the past four years "brought in over £3 billion between them in relation to that work".[23] HMRC's assessment of strategic risks does not include explicit risks of noncompliance posed by tax agents despite the amount of tax at stake. [24]

17 Qq 26, 36, 50
18 Q 49
19 C&AG's Report, paras 3.6-3.7
20 Qq 18, 48
21 Q 63
22 Q 59
23 Q 59
24 C&AG's Report, paras 14, 2.11

Tax paid by billionaires

14. HMRC has an ambition to collect more information from wealthy individuals with more complex affairs, in line with international best practice. However, HMRC has set no firm plans or timescales.[25] We asked HMRC about its progress in collecting more information from wealthy individuals. HMRC told us that it is for Ministers to make decisions about requesting more information and instead highlighted the value of international agreements in improving its access to data, as well as the future improvements it expects via crypto asset reporting and the register of overseas entities.[26]

15. HMRC could not tell us how many billionaires pay tax in the United Kingdom and explained that income and chargeable gains determine whether someone pays tax, not whether they are a billionaire. UK tax legislation does not require taxpayers to report data on their wealth, only on income and taxable events. HMRC said it therefore does not hold a list of billionaires, or have a legal mechanism for collecting information on taxpayers' wealth.[27] HMRC explained that, before this year when the non-dom regime was removed, a large number of non-domicile billionaires may have been resident in the UK with no taxation payable.[28] It expects the removal of the non-dom regime, and the new requirement for these individuals to report their foreign income and gains, will enhance its information on and understanding of the some of the wealthiest individuals.[29]

16. The Sunday Times Rich List 2025 listed 156 billionaires, compared with 165 last year. We asked HMRC if it has ever tried to link the Sunday Times Rich List with its own records to estimate how many billionaires on the list are tax resident in the UK. HMRC told us that it has access to a huge range of internal and external data which it uses to identify wealthy individuals, cross-check across data sources, and target its compliance work as effectively as possible but it would not be drawn on the use of specific data.[30] We understand that in the United States, the Inland Revenue Service has worked with researchers to link its data to the Forbes 400 list, their equivalent of the Sunday Times Rich List. We asked HMRC if it would allow academics to do something similar with its data. HMRC agreed

25 C&AG's Report, para 2.14
26 Qq 120-122
27 Qq 21-22, 25-26, 28-30
28 Q 35
29 Q 120
30 Qq 31-33

that, in theory, it would be possible for academics to use its Datalab to securely access its data for research purposes and use other information to do analysis.[31]

17. The NAO's report illustrates the vast difference in levels of wealth in HMRC's wealthy customer group. For example, a billionaire could have 100 times more wealth than someone who fits the descriptor of a "high net worth individual", and 500 times more wealth than someone who just meets HMRC's definition of a wealthy individual. In 2023, HMRC secured £652 million in unpaid tax, interest and penalties from one case alone, involving a billionaire who failed to declare offshore trusts.[32] HMRC told us that it wants to improve trust in the UK tax system and sees transparency about the amount of tax that wealthy taxpayers pay as one way for it to achieve this aim. It committed to look at opportunities to do more, including providing reassurance that it sufficiently understands the billionaires within its wealthy population.[33]

31 Q 34
32 C&AG's Report, Figure 5, para 3.16
33 Q 38

2 Improving compliance and enforcement activity

Targeting interventions

18. The wealthy team has been generating more of its compliance yield from activities that promote compliance or prevent non-compliance, such as legislative changes, educating agents, and digital prompts within tax software, creating less need for HMRC to open a compliance investigation. HMRC said that by supporting more people to get their tax right first time it has been able to target its resources on more complex, higher-risk investigations that yield higher levels of compliance yield. It said average returns per case in the wealth team have increased from £34,000 to £94,000.[34] The wealthy team has therefore managed to increase the yield from its compliance investigations despite conducting fewer of them.

19. A significant proportion of the wealthy team's compliance investigations close with no yield — 46% in 2023–24, though down from 63% in 2022–23.[35] We asked HMRC why nearly half of investigations resulted in no yield at all. HMRC explained that it does not know the facts of a case until it opens an inquiry, when it may simply find that everything is lawful and in order. It said its project work, including those focused on a risk in a particular sector, may lead to it opening inquiries into a number of wealthy individuals, only some of whom it may find to be non-compliant. HMRC emphasised that its role is to make sure that the right amount of tax is paid and, if an individual can provide evidence that they have paid the right amount of tax, then it is right that its investigation closes with no yield. HMRC said it would like to reduce the number of cases that close with no yield, but it also does not want its staff to avoid those cases where there is still some uncertainty whether the taxpayer has been compliant or not.[36]

20. HMRC told us that the investment it secured as part of its recent funding settlement will help improve its data and understanding of the risks and better target its compliance activity so that, when it opens a case, it has

34 Q 87
35 C&AG's Report, paras 3.10, 3.15-3.16
36 Qq 93, 104

a higher likelihood of securing the yield.[37] It plans to bring in more wealth management experts to help the wealthy team's understanding of wealth planning. It said it will also invest in its case management system and digitise the Inheritance Tax regime, which will help case workers to access data in a more timely and effective way. HMRC said it also plans to invest in artificial intelligence (AI), which it already uses in some way in the form of predictive analytics and machine learning. It said that AI presents a significant opportunity to improve productivity, through improved targeting and risking and optimising digital capabilities, which HMRC would expect to realise.[38]

Compliance investigations

21. In 2023–24, HMRC initiated compliance investigations in the majority of instances where it identified a risk of non-compliance.[39] The average time it took HMRC to close an investigation increased each year over the period from 2018–19 to 2022–23 to a peak of 20 months, before falling to 14 months in 2023–24. For investigations which yielded more than £100,000, the average duration has continued to increase and is now 40 months.[40] HMRC told us that the average duration of a case can be skewed, depending on which cases close during the year, and that there have been some particularly lengthy, long-running inquiries. It explained that the duration of a case can depend on the willingness of the customer and their agent to share information, and that taxpayers have the right to appeal to a tribunal against HMRC's requests for information.[41]

22. We asked HMRC about the risk of people under investigation leaving the country, given that some investigations take so long to complete. HMRC conceded that taking too long to complete its complex investigations could present a flight risk but said that its agreements with international partners would mean it could pursue anyone who tries to leave the UK.[42] HMRC emphasised that it is important that the wealthy team takes on the big cases and should not be deterred from taking on the big cases because they may take longer to resolve.[43]

23. HMRC has issued fewer penalties to wealthy taxpayers in recent years, and criminal prosecutions of wealthy individuals have also declined. In 2023–24, HMRC issued 456 penalties to wealthy individuals, totalling

37 Qq 20, 87-88, 90
38 Q 105
39 C&AG's Report, para 3.18
40 C&AG's Report, paras 17, 3.20
41 Q 96-97
42 Q 98-100
43 Q 90

£5.8 million. This is down from 1,747 penalties totalling £20.5 million in 2022–23, and 2,153 penalties totalling £16.2 million in 2018–19. HMRC explained that the number and value of penalties will vary depending on its caseload. For example, it charges automatic penalties for late filing, but other sorts of mistakes may not result in penalty charges. The number of wealthy individuals prosecuted following HMRC's criminal investigations reduced significantly from 30 in 2019–20 to five in 2021–22 but has since increased to 25 in 2023–24. HMRC said it is expecting a 20% increase by 2029–30 in decisions to charge taxpayers with a criminal offence.[44] In the wealthy individuals customer group, we presume this translates into five more taxpayers charged in 2029–30 than currently.

24. HMRC reserves criminal investigations for where it needs to send a strong deterrent message or where only a criminal sanction is appropriate.[45] HMRC told us that deterrence works primarily through media and social media so focusing on the most severe cases, which will attract the highest penalties, is likely to be the best deterrent. It said that it has looked at whether it can quantify the deterrent effect, but it cannot put a monetary value on the impact of its criminal investigations. It did though stress the importance of the deterrent effect of taking cases to court. We raised concerns that, in some instances, HMRC is not using its existing powers to tackle non-compliance. HMRC said that it uses the powers it thinks are most effective to tackle the problems it faces.[46] HMRC subsequently provided information on the total number and value of penalties issued by HMRC in relation to offshore tax evasion or non-compliance. While it acknowledged the vital importance of its use of powers for their deterrent effect, we noted that HMRC has issued no penalties to enablers of tax evasion, despite the role unscrupulous advisers often play in helping the wealthy evade tax.[47]

Boosting public trust and confidence through transparency

25. We stressed to HMRC the importance of its role in ensuring it can assure ordinary taxpayers that everybody is paying their fair share of tax. HMRC told us that fairness is right at the heart of its charter, and that it wants to make it as easy as possible for people to pay their taxes on time. It said it is committed to improving trust in the tax system, which it accepted had declined in recent years. It said it will examine opportunities

44 Qq 90, 131-132
45 C&AG's Report, para 18
46 Qq 68-69
47 Letter from HMRC to Committee, 26 June 2025

to provide greater transparency regarding the amount of tax wealthy taxpayers pay and the contributions of different segments within the wealthy population.[48]

26. HMRC is one of few tax administrations that publishes an annual estimate of the amount of tax revenue lost to wealthy individuals. It estimated this wealthy tax gap to be £1.9 billion in 2022–23, or 0.2% of all taxes owed. It uses its estimates as an indicator of its long-term performance and to provide insight into where to focus its compliance activity. In October 2024 HMRC published its first estimate of the amount of undeclared tax from income held in offshore accounts, a form of offshore non-compliance. HMRC estimated that, in 2018–19, £300 million in tax was lost due to UK residents failing to disclose their foreign income from some accounts held in the countries which automatically exchanged account information with the UK in 2017 and 2018.[49]

27. We asked HMRC about its confidence in the accuracy of these estimates, observing specifically that the offshore tax gap seems low given that UK taxpayers held £849 billion in foreign accounts in 2019 and reportedly £570 billion in tax havens. HMRC told us that the wealthy and offshore tax gaps are particularly difficult to measure. It said it aims to be as comprehensive as possible and look across all tax types and behaviours in producing and refining estimates but there are inherent challenges.[50] HMRC was clear that its estimate of the offshore tax gap is just a partial estimate and does not represent the totality of the offshore tax gap.[51] It told us that it wants to expand the coverage and availability of the data to improve the quality of the estimate. Internally, HMRC has identified a much larger amount at risk from all forms of offshore non-compliance. We welcome the Permanent Secretary's willingness to engage further with us on plans to improve transparency and the accuracy of the tax gap estimates.[52]

48 Qq 38, 119
49 C&AG's Report, paras 2.2, 2.20
50 Qq 80-83, 110-111
51 Qq 113-114
52 Q 116

Formal minutes

Thursday 10 July 2025

Members present

Sir Geoffrey Clifton-Brown, in the Chair

Mr Clive Betts

Nesil Caliskan

Anna Dixon

Blake Stephenson

Declaration of interests

The following declarations of interest relating to the inquiry were made:

12 June 2025

The Chair declared the following interest: asset owner as outlined in his register of interests.

Collecting the right tax from wealthy individuals

Draft Report (*Collecting the right tax from wealthy individuals*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Summary agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Fortieth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Monday 14 July at 3 p.m.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Thursday 12 June 2025

John-Paul Marks, Permanent Secretary and Chief Executive, HMRC; **Angela MacDonald**, Deputy Chief Executive and Second Permanent Secretary, HMRC; **Penny Ciniewicz**, Director General Compliance, HMRC; **Jonathan Athow**, Director General for Customer Strategy and Tax Design, HMRC; **Philippa Madelin**, Director for Wealthy and Mid-Sized Business Compliance, HMRC Q1-135

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

TWI numbers are generated by the evidence processing system and so may not be complete.

1	Cook, Mr Nigel D	TWI0002
2	Doherty, Paul	TWI0006
3	Tax Justice UK	TWI0004
4	The University of Manchester; and The University of Edinburgh	TWI0003

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2024–25

Number	Title	Reference
39th	Government's use of private finance for infrastructure	HC 821
38th	Increasing teacher numbers: Secondary and further education	HC 825
37th	Immigration: Skilled worker visas	HC 819
36th	Jobcentres	HC 823
35th	Introducing T Levels	HC 822
34th	Department for Business and Trade Annual Report and Accounts 2023-24	HC 818
33rd	Supporting the UK's priority industry sectors	HC 1070
32nd	The Future of the Equipment Plan	HC 716
31st	Local Government Financial Sustainability	HC 647
30th	Antimicrobial resistance: addressing the risks	HC 646
29th	Condition of Government property	HC 641
28th	Decommissioning Sellafield	HC 363
27th	Government's relationship with digital technology suppliers	HC 640
26th	Tackling Violence against Women and Girls	HC 644
25th	DHSC Annual Report and Accounts 2023-24	HC 639
24th	Government cyber resilience	HC 643
23rd	The cost of the tax system	HC 645
22nd	Government's support for biomass	HC 715
21st	Fixing NHS Dentistry	HC 648
20th	DCMS management of COVID-19 loans	HC 364

Number	Title	Reference
19th	Energy Bills Support	HC 511
18th	Use of AI in Government	HC 356
17th	The Remediation of Dangerous Cladding	HC 362
16th	Whole of Government Accounts 2022-23	HC 367
15th	Prison estate capacity	HC 366
14th	Public charge points for electric vehicles	HC 512
13th	Improving educational outcomes for disadvantaged children	HC 365
12th	Crown Court backlogs	HC 348
11th	Excess votes 2023-24	HC 719
10th	HS2: Update following the Northern leg cancellation	HC 357
9th	Tax evasion in the retail sector	HC 355
8th	Carbon Capture, Usage and Storage	HC 351
7th	Asylum accommodation: Home Office acquisition of former HMP Northeye	HC 361
6th	DWP Customer Service and Accounts 2023-24	HC 354
5th	NHS financial sustainability	HC 350
4th	Tackling homelessness	HC 352
3rd	HMRC Customer Service and Accounts	HC 347
2nd	Condition and maintenance of Local Roads in England	HC 349
1st	Support for children and young people with special educational needs	HC 353