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# Preliminary estimate of the VAT gap for 2017-18

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## Preliminary estimate of the VAT gap for 2017-18

The VAT gap is estimated at 9.6 per cent of the estimated net VAT total theoretical liability in 2017-18. This equates to £13.3 billion.

Table 1: Preliminary estimate of the VAT gap for 2017-18 (£ billion)<sup>1</sup>

	Net VTTL <sup>2</sup>	Net VAT receipts	VAT gap (point estimate)	VAT gap (per cent) <sup>3</sup>
2017-18 <sup>4</sup>	£138.6	£125.3	£13.3	9.6

## What is the VAT gap?

The VAT gap is measured by comparing the net VAT total theoretical liability (VTTL) with actual receipts (this is comparing the amount of VAT HMRC expects to receive in the UK and the VAT HMRC actually receives). The VAT gap methodology uses a 'top-down' approach.

## Detail

HMRC publish three estimates of the 2017-18 VAT gap: the first at Autumn Budget, the second at Spring Statement, and the final as part of HMRC's Measuring Tax Gap publication.

The preliminary estimate of the VAT gap for 2017-18 is being published at Autumn Budget 2018 and is based on known VAT receipts and a full year of consumer household expenditure data - which accounts for around 70% of the VTTL. The remaining 30% of the VTTL is comprised of government and housing expenditure data, and businesses making exempt supplies, which is forecast using assumptions produced by the Office for Budget Responsibility (OBR).

The second VAT gap estimate for 2017-18 is being published at Spring Statement 2019 and includes further updates of data, for example Consumer Trends (household data).

The final estimate of the VAT gap for 2017-18 (which replaces the 30% of the VTTL that is forecast with outturn data) will be published in the 'Measuring Tax Gaps 2019' publication in June 2019 along with the latest historical time series.

A VAT gap estimate for 2017-18 and a forecast for future years will be published as part of the Office for Budget Responsibility's 'Economic and Fiscal Outlook' report on 29 October 2018.

Further information can be found here:

<https://obr.uk/publications/>

## Data impacting the preliminary estimate of the VAT gap for 2017-18

The preliminary estimate of the VAT gap for 2017-18 includes the latest Office for National Statistics (ONS) Consumer Trends data up to and including 2018 quarter 2, which is consistent with ONS National Accounts Blue Book 2018. It also includes the ONS National Accounts Blue Book 2018 non-household expenditure data.

<sup>1</sup> The amounts are rounded to the nearest £0.1 billion.

<sup>2</sup> Net VTTL and net VAT receipts are expressed net of payments and repayments.

<sup>3</sup> The VAT gap as a percentage of VTTL has been rounded to the nearest 0.1 per cent.

<sup>4</sup> A proportion of the VTTL estimate is projected rather than actual expenditure.

## Revisions policy for VAT gap estimates

As announced in 'Measuring Tax Gaps 2018 edition', HMRC's policy is to only publish a revised historical VAT gap series once a year, within the 'Measuring Tax Gaps' publication, incorporating both new and revised data and methodological improvements together.

The preliminary and secondary estimates of the VAT gap only include revisions for new data and required methodology improvements to ensure the correct treatment of this new data (as set out in the data section above).

## Methodology

Further information on the methodology used to estimate the VAT gap can be found in 'Measuring tax gaps 2018 - Methodological annex':

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/715744/HMRC-measuring-tax-gaps-2018-methodological-annex.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/715744/HMRC-measuring-tax-gaps-2018-methodological-annex.pdf)

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