HM Treasury

Budget 2018

Tax avoidance, evasion and unfair outcomes

- **The government believes taxes should be low but should be paid. It has consistently clamped down on those seeking to avoid paying their fair share.**
- **To help ensure the right tax is paid at the right time, the government is now announcing a further package of measures to tackle tax avoidance, evasion and unfair outcomes with 21 measures raising £2.1 billion by 2023/24.**
- **The tax gap, the difference between the tax that should be paid and the tax actually paid, has fallen from 7.3% in 2005/06 to 5.7% in 2016/17. This is the lowest tax gap in five years, and the second lowest ever.**

1. Of the 21 measures the Budget announces, 12 protect revenue and 9 result in more tax coming to the exchequer by tackling fraud, avoidance and unfair outcomes and clamping down on non-compliance both offshore and domestically.

- **£120 million by tackling the use of profit fragmentation**: targeted legislation that prevents UK traders and professionals from avoiding tax by arranging for their taxable business profits to arise in territories where significantly lower tax is paid than in the UK. The taxable UK profits will be increased to the actual, commercial level. This comes into force on 1 April 2019

- **£40 million by clamping down on VAT avoidance from "VAT looping"**, where insurers reclaim otherwise irrecoverable VAT by exporting their services and then arranging for supply to a UK consumer to be made via an offshore-based associate. This comes into force on 1 March 2019

- **£240 million by tightening the guidance for VAT groups**, to ensure that UK VAT is paid by businesses on services bought through their overseas establishments. This comes into force on 1 April 2019

- **£515 million by ensuring that the correct VAT is paid to HMRC when the price of a good or service changes** ("regulation 38"). This comes into force on 1 September 2019

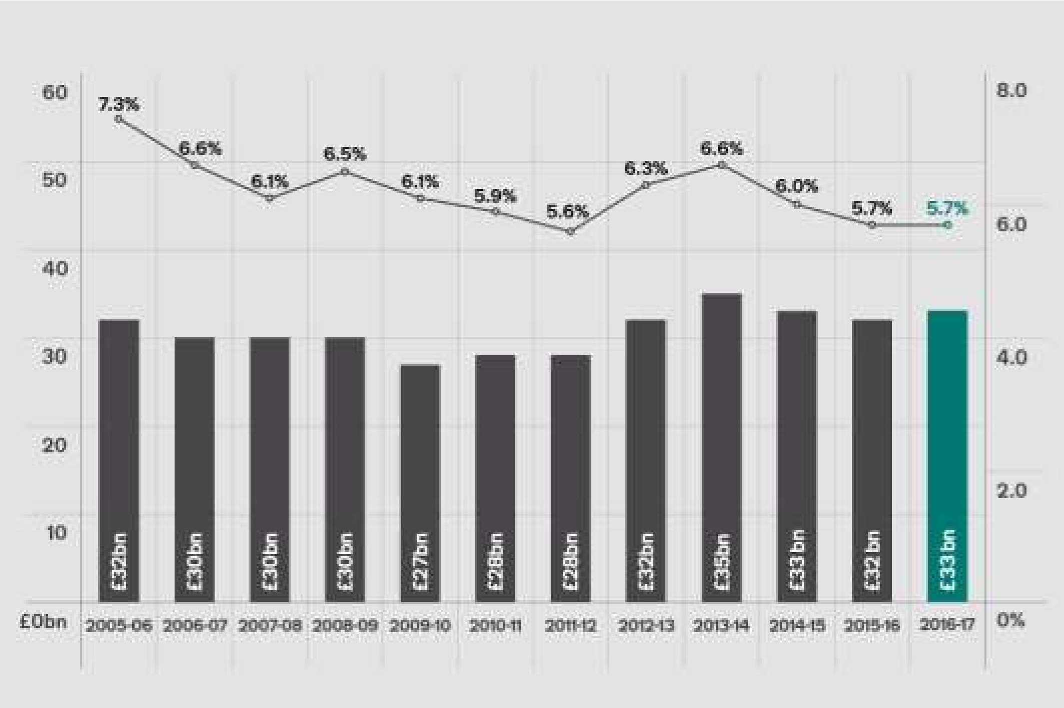
- **£425 million by ensuring that VAT is paid to HMRC even when a good or service is paid for by the consumer but not taken up** ("unfulfilled supplies"). This comes into force on 1 March 2019

- **£50 million by preventing abuse of Entrepreneurs' Relief**, removing a loophole where companies issue shares with little or no economic rights so that employees can claim a lower CGT rate on disposal. This comes into force on 29 October 2018

- **£35 million by making directors liable for business taxes owed**, where there is a risk of a company deliberately entering insolvency to avoid or evade tax. This comes into force following Royal Assent of Finance Bill 2019-20

- There are **two further measures in this package on which the government has separately published further information**: protecting your taxes in insolvency, and preventing abuse of the R&D tax credit for SMEs.

The tax gap and percentage of liabilities: 2005-06 to 2016-17[1]



2. At Autumn Budget 2017, the government published a list of over 100 measures it has introduced since 2010 to tackle tax avoidance, evasion and other forms of non-compliance.

[1] "Measuring tax gaps 2018 edition", HMRC, June 2018