



Second estimate of the VAT gap for 2017-18 *

Year	Net VTTL	Net VAT receipts	VAT gap (point estimate)	VAT gap (per cent)
2017-18	£138.7bn	£125.3bn	£13.3bn	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. Details are given in the table below.

Name	Release date	Details
Preliminary VAT gap estimate (for 2017-18)	Autumn 2018	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 uses Blue Book 2018 data or is forecast using assumptions produced by the Office for Budget Responsibility (OBR). See: https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/bluebook https://obr.uk/publications/
Second VAT gap estimate (for 2017-18)	Spring 2019	Includes further updates of data for example ONS Consumer Trends (household data). See: https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/julytoseptember2018
Final VAT gap estimate (for 2017-18)	June 2019	Replaces the 30% of the VTTL that is forecast with outturn data. Will be published in Chapter 2 of the 'Measuring Tax Gaps 2019' publication in June 2019 along with the latest historical time series. https://www.gov.uk/government/statistics/measuring-tax-gaps

Data

The preliminary estimate of the VAT gap for 2017-18 was published at Autumn Budget 2018 and it included the latest Office for National Statistics (ONS) Consumer Trends data up to and including 2018 quarter 2. It also included the ONS National Accounts Blue Book 2018 non-household expenditure data.

The second VAT gap estimate for 2017-18 is published at Spring Statement 2019 and includes further updates of data, for example ONS Consumer Trends Q3 2018 (household data).

* The amounts calculated are rounded to the nearest £0.1 billion and the VAT gap as a percentage has been rounded to the nearest 0.1 per cent. Net VTTL and net VAT receipts are expressed net of payments and repayments. A portion 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.

Methodology

Further information on the methodology used to estimate the VAT gap can be found in 'Measuring Tax Gaps 2018 edition - Methodological annex', Chapter D:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/715744/HMRC-measuring-tax-gaps-2018-methodological-annex.pdf

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<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics>

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