



# Tackling tax evasion

While the majority of UK taxpayers declare all their income and pay the tax they owe, a small proportion is intent on bending or breaking the rules. This briefing explains what we are doing to tackle the small minority who deliberately evade their taxes – and how we are resolute in tackling these people.

## Tax evasion

Tax evasion is where there is a deliberate attempt not to pay the tax which is due. It is illegal. We will pursue those who engage in evasion, with serious consequences for those who don't pay all the tax they owe, from financial penalties to criminal conviction and imprisonment.

## Closing the tax gap

The tax gap for 2011-12 is estimated at £35 billion a year – this is the difference between the amount of tax that should in theory be collected, against what is actually collected. Tax evasion and the hidden economy make up around £10.5 billion of that figure – around 30 per cent of the tax gap.

Our efforts to tackle the tax gap have significantly increased our compliance yield – from £7.4 billion in

2005-06 to £20.7 billion in 2012-13. In the first half of 2013-14, we collected an estimated £8.8 billion in additional revenues from compliance activity – our best-ever performance at this point in the year.

## Prosecutions and civil action

In the last three years we have prosecuted 2,343 individuals, including some very high-profile barristers, accountants and lawyers, securing a collective total of 2,500 years in custodial sentences. We use civil procedures, as well as criminal, because this allows us to increase both the volume of cases that we pursue and the revenues that we can secure for the Exchequer, while hitting evaders with tough financial penalties.

A total of 540 people were convicted of tax evasion in 2012-13 and we are on target to bring at least 1,165 tax fraud prosecutions in 2014-15, up from 165 in 2010-11.

## Compliance activity

As part of the Government's £1 billion investment to increase tax compliance we are using a range of activities to detect and deter rule-breakers, as well as supporting those customers who need help to put their tax affairs in order. This includes focused compliance work across the full range of taxes and duties that we manage, including:

- setting up more than 60 regional taskforces across the UK since May 2011. They are aimed at high-risk sectors, such as illegal alcohol and tobacco sales. Our taskforces have so far brought in more than £96 million, and resulted in 80 cases for criminal investigation
- using campaigns to persuade specific trades and professions via letters, adverts and social media to settle their taxes voluntarily, taking swift action against those who do not. We have targeted a wide range of people, from plumbers, fast-food outlet owners, mechanics and electricians to doctors, dentists and barristers. We raised £4 million last year in a campaign aimed at people trading in online marketplaces and secured £1 million from a single doctor
- a publicity campaign which increases the perception that people will be caught if they evade their taxes. For example, we are using billboards and radio adverts across the UK to carry our message that we are closing in on undeclared income
- offshore agreements with tax authorities in other countries to provide bank details that enable us to target affluent individuals who hide their money offshore
- publicly naming deliberate defaulters. We publish a list of people who have incurred a penalty for deliberately giving us inaccurate documents or failing to comply with the rules, where there is more than £25,000 of tax at risk
- placing known tax evaders under closer scrutiny for five years by our Monitoring Serious Defaulters team
- issuing more than 5,000 financial penalties for deliberate non-compliance. The penalty for deliberate tax offences is between 20 per cent and 70 per cent of the extra tax due
- expanding specialist teams to tackle tax evasion by wealthy taxpayers and increasing the number of specialist staff tackling evasion and fraud by 2,500 by 2014-15
- reducing evasion and criminal attack by using hi-tech data analysis tools to help identify high-risk cases

- analysing details of credit and debit card payments information from the UK's merchant acquirers – the companies that process card payment transactions – using our sophisticated analysis system Connect to identify fraud and evasion.

We are increasingly working together with other law enforcement agencies and government departments in joint taskforces to tackle those people who are breaking multiple rules to gain an unfair advantage; for example, focusing on the cash economy with the Home Office, the Department for Work and Pensions and the police.

## Using deterrence to promote compliance

We are taking greater steps to publicise our operational work so we can influence and deter those who might be tempted to break the rules. The next phase of our three-year advertising campaign starts in January 2014. Using locations such as billboards, posters on telephone kiosks and radio adverts, we aim repeatedly to reinforce the message that we are closing in on undeclared income.

We also want to reassure taxpayers who declare all their income and pay the tax they owe that we are serious about cracking down on evasion – creating a level playing field for everyone. Taxpayers who do pay the right amount of tax have nothing to worry about.

## To find out more

Learn more about how to disclose undeclared income at [www.gov.uk/sortmytax](http://www.gov.uk/sortmytax)