

**CenTax Residential  
Conference 2026**

# **Closing the Tax Gap**

**Conference Report**

23-24 April 2026  
Warwick University



# Closing the Tax Gap

## Conference Report

*CenTax Residential Conference*

23–24 April 2026

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*Disclaimer – this conference report is designed as an indicative summary of discussions for delegates and interested observers based on notes made by the CenTax team. It is not a full record of all outcomes and has not been explicitly endorsed by speakers, panellists or breakout leads.*

## Executive Summary

The CenTax Residential Conference: Closing the Tax Gap, held at the University of Warwick on 23 and 24 April 2026, brought together academics, HMRC, HM Treasury, the wider public sector, professional bodies, the major advisory firms and civil society for two days of structured discussion.

Around 100 delegates joined, with an aim to broaden the debate on tax compliance in the UK by combining policy, administrative, technical, legal and academic perspectives that do not often share a room.

Day 1 focused on "understanding and measuring the tax gap", opening with a panel on how the UK measures the tax gap and how its methodology compares internationally. This was followed by a keynote from Professor Annette Alstadsæter (Director of Skatteforsk) on the global picture of offshore wealth and the limits of official estimates. The afternoon turned to small and micro-businesses, the largest single component of the gap.

The day closed with a pre-dinner reception kindly sponsored by the Chartered Institute of Taxation, before Dan Neidle (Tax Policy Associates) gave the after-dinner address, offering a light-hearted look at tax compliance in the UK, but ending with a serious suggestion that HMRC should take a more prominent role in countering misinformation on social media.

Day 2 turned to "the future of tax compliance and administration", opening with a keynote from Dr Simon Price (AI Advisor, HMRC) on AI, data, and HMRC's Transformation Roadmap, followed by a panel on data and digitalisation. The closing panel asked how to build a long-term roadmap to close the gap that goes beyond electoral cycles.

Alongside the plenary programme, twelve breakouts gave delegates space for smaller, more interactive discussions on specific aspects of the tax gap. Sessions were led by a deliberately wide range of voices, from senior HMRC and DWP officials to professional body leads, independent advisers, and private-sector contributors, with topics ranging from offshore evasion and the taxation of wealthy individuals to Making Tax Digital, the Taxes Management Act, and HMRC's data science capabilities.

Several themes that ran through the discussions:

- **The annual tax gap publication could be better targeted at generating actionable insights.** HMRC's headline estimate, £46.8bn or 5.3% of theoretical liabilities in 2023-24, is more comprehensive and more transparent than most international comparators, but falls short in delivering deep insights into how the tax gap breaks down by

specific taxes, behaviours and customer groups. Discussion noted that the analysis is limited by sample sizes, which need to grow if we are to understand the underlying causes behind persistent gaps and recent trends. There was discussion about whether the annual publication of a single headline figure is the best use of HMRC's analytical resource, or whether deeper, more targeted work on the areas where measurement is weakest, rotating through areas every few years, would be more valuable. The publication ought to play an important role in informing public debate and correcting misperceptions about tax loss from non-compliance. It should also help HMRC develop strategies for reducing the gap.

- **The small business tax gap is many issues, not one.** 60% of the tax gap is attributed to small businesses, and the small business corporation tax gap has risen sharply, from 9% of theoretical liabilities in 2011-12 to 40% in 2023-24. But the discussion returned repeatedly to how varied this group is: sole traders, nano businesses, micro businesses, growing companies, the cash economy, and the organised crime element within the segment each have different drivers and need different responses. The behavioural breakdown matters too. Failure to take reasonable care is much larger in the published figures than deliberate evasion, but the line between the two is hard to draw, and combining them when looking at the small business gap has consequences for both compliance strategy and public trust. Simplification of the system itself came up alongside enforcement and digitalisation as part of the answer.
- **The constraints on data and AI in tax compliance are the data foundations, not AI capability.** This was a consistent message across the sessions. The constraints on using HMRC's data effectively in compliance include identification, linking, cleaning, legacy IT, lead times for acquiring new data, and the skills needed to use the outputs. The Unique Customer Record demonstration gave a useful example: the largest gains came from connecting records that already existed across separate operational systems. There was real appetite for HMRC to draw on more third-party data to supplement its compliance work. A recurring concern was the risk of using AI to smooth over complexity rather than address it, while the gap between a state constrained by governance in how it uses new technology, and those seeking to attack the system (who face no equivalent constraints), was acknowledged.

- **Tax compliance is a coordination-across-government challenge, not just an HMRC problem.** Responsibility for tax compliance extends well beyond HMRC. Digital business ID, controls on phoenixism, and Companies House reform all sit outside HMRC's remit but bear directly on the tax gap, and definitional inconsistencies in how fraud is treated across government complicate cross-departmental comparisons. The wider ecosystem of intermediaries, software providers, tax agents and the professional bodies was returned to repeatedly, including whether HMRC should take a more active role as Making Tax Digital rolls out.

The closing panel of the conference, "The Long Game", drew these threads together. It concluded that progress depends on action across the full ecosystem of tax delivery, on better use of existing data, on norms and political choice as well as enforcement, and on keeping radical ideas in the conversation even where they are not immediately deliverable.

# 1 Panel 1: Where We Stand — The UK Tax Gap in 2026

## Chair



**Ellen Milner**

*Director of Public Policy, CIOT*

## Panellists



**Arun Advani**

*Director, CenTax;  
Professor of  
Economics,  
Warwick*



**Louise Bladen**

*HMRC Value for  
Money Director,  
NAO*



**Søren Pedersen**

*Technical  
Assistance Advisor,  
IMF*



**Chris Savoury**

*Deputy Director,  
Compliance  
Analysis, HMRC*

The opening panel set out to assess how well the UK measures its tax gap, and where the published figures fall short. The general view was that HMRC's tax gap publication is one of the better examples internationally: published annually, methodologically transparent, and embedded in a cycle of incremental improvement. But the debate questioned whether the resources going into the annual publication are well spent, and whether the underlying data collection is sufficient to support reliable estimates.

- The annual cycle itself was questioned. Several panellists raised the issue of what purpose the publication is serving: whether it feeds back into HMRC processes, drives public debate, or supports the case for more resourcing. One suggestion was that it could be produced less frequently or more selectively, with each edition going deeper into a different area rather than refreshing the whole estimate every year. The contrast was drawn with the Danish tax authority, who previously published tax gap estimates but stopped, judging that the public attention generated more pressure on the administration than

insight into compliance. The consensus was that there is room to revisit what the tax gap publication is for.

- Random enquiry coverage was deemed by some to be too thin to support confident estimates of the gap, with the consequence that HMRC's understanding of where the gap sits is shaped by where the random enquiries currently happen.
- The largest share of the gap is attributed to error and failure to take reasonable care, not deliberate evasion. Several panellists were concerned that combining these in headline figures risks treating the population of non-compliant taxpayers as more uniformly culpable than the data supports. Other tax administrations, Denmark in particular, separate intentional from unintentional non-compliance more systematically. There was support for the UK considering something similar.
- Profit shifting by multinationals is excluded from the tax gap altogether, and the hidden economy figure is acknowledged to be highly uncertain given its nature. Broadening the scope of the publication was discussed as something that would make it more useful, and it was acknowledged that this is more a resourcing question than a methodological one.
- The wealthy and offshore tax gaps are the areas with the biggest scope for improvement. The offshore tax gap itself does not form part of the annual tax gap publication. HMRC's self-acknowledged partial estimate of £300m only includes undeclared income in directly-held accounts under CRS, and the wealthy tax gap of £1.9bn sits well below the £5.2bn of compliance yield from the same group. There was scepticism about HMRC's position that these figures are not directly comparable: the gap between them is too wide to attribute to definitional differences alone.

## 2 Breakouts 1

### 2.1 How can the Home Office's fraud strategy contribute to closing the tax gap?

**Lead: Dr Penny Dunbabin**

*Fraud Policy Unit, Home Office*

The Home Office Fraud Strategy is concerned with fraud against businesses and individuals rather than fraud against the public sector, but several of its workstreams have direct read-across for HMRC. The discussion focused on where the two agendas can be made to work together.

- The clearest overlap lies upstream. The reform of Companies House, digital business ID, mandatory electronic VAT invoicing from 2029, and the Insolvency Service's Abusive Phoenixism Taskforce should reduce fraud against businesses and tax non-compliance in parallel. There was support for treating these as a coherent package rather than separate departmental projects.
- Cross-government coordination has improved, but the link to tax remains underdeveloped. Participants felt that HMRC's tax gap work should be more visibly integrated with existing fraud governance, particularly on intermediaries, the marketing of tax avoidance schemes, and online safety.
- The marketing of tax avoidance schemes online was identified as an area requiring particular attention. Firms regulated by the Financial Conduct Authority (FCA) face faster takedown obligations than apply to tax advice, and the platforms hosting these advertisements have limited incentives to act. There was support for HMRC pursuing trusted flagger status under the Online Safety Act, and for clearer allocation of responsibility between platforms, regulators and HMRC.
- Civil penalties did not transfer cleanly between the two regimes. The burden of proof considerations that make them workable for tax do not apply in the broader fraud context. The point of agreement was that shared infrastructure, data and intelligence are more promising than transplanting specific tools between regimes.
- Several aspects of the problem sit outside the reach of either department. The information environment, offshore intermediaries and online platforms were identified as areas where unilateral UK action has limits.

## 2.2 Is the Taxes Management Act still fit for purpose?



**Lead: Ray McCann**

*Consultant, Joseph Hage Aaronson & Bremen*

The content of the Taxes Management Act 1970 (TMA) and related legislation has roughly tripled since 1970 through continual amendment without structural review. The consensus was that it no longer reflects the system it is intended to govern, and that reform should be considered a meaningful component of closing the tax gap.

- The TMA was built around a 1950s model of tax administration, in which both HMRC and the taxpayer had to initiate steps in a largely paper-based process. The result is an Act that sits awkwardly with self-assessment, digital reporting and the expanded modern HMRC, and where a substantial number of cases are reported to fall down on procedural issues rather than substantive ones.
- There was strong support for the view that reform of the TMA is a tax gap issue in its own right, and framing this as part of the tax gap agenda may be the most viable route to attracting political attention.
- The information collected through the tax return has narrowed considerably over time, partly through deliberate burden-reduction and partly through GDPR justification requirements. The discussion considered whether the result is a system in which HMRC have too little information to determine whether an enquiry is warranted, with consequences for compliance. This sometimes leads to unnecessary enquiries that are costly for HMRC and burdensome for the taxpayer.
- A recurring theme was that no government has shown sustained interest in tax administration reform, leading to bolt-on legislation and incremental change rather than a coherent rethink. The conversation framed the tax compliance agenda as a possible vehicle for a more strategic conversation, but flagged that any review would need to confront difficult questions about what principles should underpin a modern tax administration framework – which would be contentious.

## 2.3 How will Making Tax Digital for Individuals help to close the tax gap?



**Lead: Jim Rogers**

*Senior Policy Advisor: Making Tax Digital, HMRC*

Making Tax Digital (MTD) for Individuals is targeted at the largest behavioural component of the gap: error and failure to take reasonable care. The discussion focused on how its impact can be measured, the role of digital nudges, and the management of the software ecosystem.

- Early evidence from MTD for VAT suggests that compliance improves under digital reporting, and there is reason to expect a larger effect for individuals given the lower starting point compared to businesses. It was suggested there was value in designing a study to investigate behavioural responses to MTD specifically in the near future.
- Digital nudges are emerging as one of the most well-studied effective compliance tools. Trial evidence indicates that simple prompts, for example flagging unusual entries, can recover meaningful sums. Several practical questions were raised: how usage of nudges is monitored across software providers, whether taxpayers using software with nudges face an unfair advantage relative to those using software without nudges, whether HMRC could and should follow up where nudges are repeatedly ignored, and whether nudge fatigue may erode the effectiveness of prompts over time. Lessons from nudging should also inform the design of SA reporting: use of external software and quarterly reporting are not needed for this.
- Risks were also flagged around potential downsides, including that taxpayers near reporting thresholds may bunch below them and that some may be deterred from registering altogether.
- There were some concerns about the lack of any direct filing option and the inability of taxpayers to identify software quality, creating a risk that software issues could lead to incorrect filings that would then be a compliance issue for the taxpayer.
- A broader theme was that the benefits of MTD have not been communicated effectively to those expected to comply. The case for digital reporting needs to be made more clearly to small businesses if it is to be supported.

## 2.4 Offshore evasion: what do history and trends tell us about future enforcement strategies?



**Lead: Simon York**

*Senior Advisor, Deloitte*

This session traced the evolution of offshore evasion from the Panama Papers leak to the present and considered what further interventions might strengthen the UK response. The general view was that the landscape has shifted materially since 2016, but that determined actors remain several steps ahead and the policy response has not kept pace.

- The introduction of automatic exchange of information through CRS and the Foreign Account Tax Compliance Act (FATCA) has removed much of the secrecy that previously underpinned offshore evasion. The pre-CRS world, in which detection was effectively zero, no longer exists. Opportunistic evasion in particular has become considerably harder, and the friction involved in concealing wealth now deters those without a high tolerance for risk.
- Determined evaders, however, still find routes. Crypto assets were highlighted as a new challenge, alongside the use of shell companies and trust structures, jurisdictional arbitrage (exploiting the use of jurisdictions outside CRS) and the persistent role of professional facilitators. Stronger enforcement of existing transparency obligations, rather than new powers, was seen as the most pressing requirement. To tackle the most aggressive tax evaders, a cross-government approach to tackle financial crime is required.
- Holding facilitators of offshore evasion accountable was identified as an area where action is overdue. The Criminal Finances Act has yet to be used to prosecute anyone, and the absence of case law materially weakens its deterrent value. It was expressed by some that HMRC has not made sufficient use of the legislation already on the statute book.
- Whistleblower protections were raised as an area requiring reinforcement. The leaks that have most reshaped public and policy understanding of offshore evasion have come from individuals taking significant personal risk, and the regime supporting them is not commensurate with their importance.

### 3 Keynote: Tax evasion, avoidance and inequality — an international perspective

#### Speaker



#### **Professor Annette Alstadsæter**

*Founding Director, Skatteforsk — Norwegian Centre for Tax Research; Programme Director, Atlas of the Offshore World*

*Introduced by Arun Advani, Director of CenTax*

The keynote was delivered by Professor Annette Alstadsæter, Founding Director of Skatteforsk and Programme Director for the Atlas of the Offshore World. Drawing on a research programme spanning Norwegian administrative data, leaked offshore datasets and the comparative work of the Atlas, she set out an international perspective on tax evasion and inequality. Her central argument was that conventional approaches to measuring non-compliance systematically miss the wealthiest, and that the methodological frontier requires data sources, jurisdictions and forms of cooperation that tax administrations have not yet built into their work.

- Annette challenged the conventional view that ‘the poor evade, the rich avoid’. The evidence she presented from leaked datasets, tax amnesties and cross-jurisdictional comparisons consistently shows that evasion is concentrated, not absent, at the top of the distribution. Her core methodological point was that estimates relying only on what tax authorities can directly observe will systematically understate the scale of the problem, and that progress depends on combining administrative data with data from other sources such as leaks or amnesties.
- Categories of wealth falling outside the CRS regime, including real estate, indirectly-held assets and some structures involving trusts, have effectively become the new offshore frontier – the first part of the Atlas. She highlighted uneven implementation across countries as a further weakness, and was particularly critical of the fact that data exchanged under CRS is not always systematically used for

enforcement, nor consistently shared with researchers in ways that would allow analysis and provision of new evidence.

- Real estate, the focus of the second part of the Atlas, was singled out as a category of concern. Property held offshore is not captured by CRS and only remains visible to researchers through leaks, despite raising both tax concerns and national security concerns where critical infrastructure is involved. Drawing on her recent work mapping Dubai property ownership, Annette argued that domestic property registers in source jurisdictions are a precondition for any meaningful international exchange in this area, and that the work undertaken on Dubai could inform improved estimates of UK exposure.
- Profit shifting by multinationals, the third strand of the Atlas, should be brought within tax gap measurement. Annette argued that the arm's length principle is increasingly difficult to enforce in practice, and that country-by-country reporting suffers from the same transparency limitations as CRS: insufficient use of data already collected and limited access for independent analysis.
- Drawing on the fourth strand of the Atlas, on the taxation of capital and labour, Annette argued that standard income concepts in tax systems are increasingly inadequate for those at the top of the distribution who are more likely to have retained earnings within companies, consumption financed through corporate vehicles, and holding structures used to control the timing of personal income.
- She made a strong case for tax administrations combining established methods with more experimental work that draws on linked data, leaked sources and cross-border cooperation to address areas they currently see less well.
- In the Q&A, Annette returned to the question of why some jurisdictions are permitted to operate as tax havens at all, given the speed with which wealth can be moved across borders. Her view was that the UK is large enough to take further steps, including on Financial Action Task Force standards, ownership registers and AML enforcement.

## 4 Panel 2: Breaking Down the 60% — Understanding SMEs, Micro-Businesses and the Hidden Economy

### Chair



**Ele Theochari**

*Partner, Blick Rothenberg*

### Panellists



**Paul Aplin**

*Deputy President, CIOT*



**Judith Freedman**

*Emeritus Professor of  
Taxation Law and Policy,  
Oxford*



**Ronan McDonald**

*Deputy Director, Small  
Business and Individuals,  
HMRC*

The second panel turned to the largest single component of the tax gap, the part attributable to small and micro-businesses, and asked how the tax system, HMRC's compliance approach and the wider policy environment might be reshaped to address it.

- The category labelled "small businesses" covers a vast range of activity, from sole traders below the VAT threshold to firms approaching £10m turnover with twenty employees. Several panellists argued that the current tax gap publication does not adequately reflect this heterogeneity, and that effective compliance design requires a much more granular understanding of which sub-populations are responsible for which parts of the gap.
- The cost and complexity of compliance was identified as a structural issue rather than a behavioural one. Small businesses face a tax system designed for taxpayers with greater capacity to engage with it, and the largest businesses in the SME population are the only ones realistically able to afford rigorous professional advice. The position of micro and nano-businesses is one of muddling through with limited

support, which generates errors that are then captured in the tax gap as failure to take reasonable care.

- Some caution was raised about treating the SME tax gap as primarily a problem of error and confusion. A meaningful proportion of the population remains deliberately non-compliant, in some cases with links to organised criminal activity, and this group requires a different policy response. It was also noted that the evidentiary bar for proving wrongdoing was high, so levels of deliberate non-compliance may be understated. In any event, there was support for the view that public trust in the tax system depends on this distinction being made more clearly in HMRC's compliance strategy and external communications.
- Designing the tax system "small first" emerged as a recurring theme. Several panellists argued for a more radical look at structural simplification, including aligning thresholds for VAT and MTD, unifying expenses rules across PAYE and self-assessment, and designing tax administration that could be a byproduct of well-functioning business software rather than a separate compliance regime imposed on top.
- There was broad support for the direction of travel under MTD, but several panellists cautioned against treating digitalisation as a solution to compliance problems rather than a foundation on which solutions can be built.
- Cash businesses, organised non-compliance and the hidden economy all received attention as parts of the gap that will not be addressed by digitalisation alone. There was discussion of whether the policy framework should do more to discourage cash transactions, drawing on international examples including the Norwegian limit on unreceipted expense claims. The consensus was that this is an area requiring cross-government action rather than HMRC working unilaterally, and that the political feasibility of any major move against cash is the binding constraint.

## 5 Breakouts 2

### 5.1 Have we solved large business tax compliance?



**Lead: Mike Lewis**

*Director, TaxWatch*

The session opened with the provocation that this breakout would have been the marquee event ten years ago, suggesting that perhaps large business compliance has, in some sense, been solved. The discussion that followed pushed back on this framing in places and reinforced it in others, with the conversation divided on whether the apparent stability of the large business tax gap reflects genuine compliance, smarter compliance management by HMRC, or a system that has been allowed to weaken.

- The large business corporation tax gap has stopped falling since 2017–18. One view was that compliance yield has roughly doubled over the last fifteen years and represents good return on investment, with the cooperative compliance model deserving substantial credit.
- Powers and penalties introduced for large businesses are routinely not used. The High Risk Corporates Programme (HRCP) was described as carrying potential advantages as well as costs for the businesses involved, with large differences in experiences and some businesses remaining in the programme for extended periods. Around 70% of penalties applied to large businesses are suspended via discretion on the basis of good behaviour.
- Many risks are systems-driven rather than behavioural. VAT returns are only as good as the systems that produce them; employment tax risks are often driven by software and process issues rather than deliberate choices. However, risk identification in large business compliance relies heavily on Customer Compliance Manager (CCM) judgement rather than bulk data analysis.
- Penalties applied to large businesses are routinely reversed or suspended while equivalent penalties applied to small businesses are not. The view from some participants was that this raises fairness questions that the system has not adequately addressed, and that the behavioural and reputational logic that explains why large businesses respond to certain levers does not transfer to the small business population.

## 5.2 How do HMRC capacity and service standards affect the tax gap?



**Lead: Emma Rawson**

*Director of Public Policy, ATT*

The discussion was framed around three areas of HMRC activity: targeted compliance, debt management, and routine support. The central argument was that HMRC's current model has shifted resource downstream into compliance enforcement at the expense of upstream support, with diminishing returns, and that this shift is itself likely contributing to the tax gap through erosion of trust and disengagement.

- The trade-off between upstream and downstream activity is currently not well measured. Targeted compliance activity produces compliance yield that can be quantified for the Office for Budget Responsibility (OBR); routine support and upstream activity produce harder-to-attribute behavioural effects that are not captured in the same way.
- HMRC could consider working with academics to design upstream interventions to measure its effects on compliance. This could provide the evidence required to increase resources in this area and to identify the most effective upstream activities.
- Routine support has deteriorated in ways that materially affect the tax gap. Letters from HMRC were described as poor in quality, communication channels as confused, and the proliferation of separate registrations across self-assessment, VAT, capital gains tax and MTD was identified as a source of compliance risk in itself. Fiscal drag is bringing more individuals into the tax net who require support.
- Compliance yield was challenged as the dominant performance metric, with voluntary compliance being the ambition, which by definition reduces the yield available from audits over time. There was support for a broader measure of HMRC performance that captures behavioural change as well as recovered revenue, though no consensus emerged on what such a measure might look like.

## 5.3 How can we reduce the economic cost of tax compliance?



**Lead: Chris Sanger**

*Global Government Tax Leader, EY*

The core question was whether the current allocation of compliance activities across taxpayers, advisors, employers, banks and HMRC minimises the economic cost of running the tax system, with a working hypothesis that it might not. The session considered the design of tax delivery systems, and was structured around a group exercise asking participants to identify activities that could be reallocated across actors, who currently performs them, and who should perform them if the goal was to minimise the economic cost of compliance.

- Several specific activities were identified as candidates for reallocation. These included supply chain reporting, where customers might be better placed to report on the chains; group and complex company structures, where reporting could be done by the company; and PAYE administration, where elements such as tax code changes could be outsourced, for example delegated to a recognised tier of "gold standard" agents.
- The future of self-assessment was contested. There was a view that self-assessment might be getting increasingly outdated, particularly in cases where HMRC already holds enough data to make a first attempt at the return, for example in the case of the High Income Child Benefit Charge.
- Banking apps integrated with accountancy software were identified as a route for automating more of the compliance burden for small businesses, with software producing draft accounts and tax returns. Concerns were raised about who sets the standards for such software, the role of agents in a more automated system, and whether HMRC should regulate or itself produce basic software.
- There was caution about the limits of reallocation. Shifting an activity from one actor to another reduces cost only if the receiving actor performs it more efficiently; it does not by itself reduce the total compliance burden. Hidden compliance costs, side-effects for trust and accountability, and the risk of moving activity to actors with weaker incentives to perform it well were all flagged as considerations.

## 5.4 What resources does HMRC need to ensure it collects the right tax from wealthy individuals?



### **Lead: Edward Troup**

*Former Executive Chair and First Permanent Secretary, HMRC*

The session was structured around four questions: where the tax gaps for the wealthy actually sit, why they exist, what compliance response is needed, and what HMRC's current capabilities are to deliver it. The general view was that the published wealthy tax gap is constrained by definitional and data problems HMRC has not yet resolved, and that progress depends on a more deliberate approach to data linkage, segmentation and the skills required to scrutinise this population.

- The definition of "wealthy" is itself a problem. The session opened with a recognition that different parts of the tax system define wealth differently. The definitions as currently used (say, £5m to £50m and beyond) are too broad, with very different behavioural drivers and risk profiles across the population they cover. Without sharper segmentation, HMRC's understanding of where the gap actually sits within this population is necessarily limited.
- An independent source of wealth data is a precondition for better measurement. HMRC currently infers wealth from income and gains data, which produces a circular problem: those who do not look wealthy in the data may simply not be required to disclose the relevant information. Other sources, including Companies House data, banking data and external rich lists, exist and could be linked, but HMRC's current data linkage capabilities for this population are not strong.
- Better segmentation is needed both for risk assessment and for compliance design. The risk associated with non-compliance by a wealthy individual is a function of probability multiplied by tax at stake; for this population the probability may be low but the tax at stake is high, which makes the cost of poor segmentation considerable.
- HMRC's skills base for scrutinising the wealthy was raised as a structural issue. Senior tax inspectors were felt to lack the data analytics capability needed to challenge sophisticated cases, leading to a reliance on external advisors. There was support for revisiting how

teams are constructed for this work, and for examining the time taken to complete enquiries with a view to operating more efficiently.

- The treatment of trusts, particularly offshore trusts with non-resident settlors and UK-resident beneficiaries, was identified as an area where the boundary between policy gap and tax gap is unclear. The view was that the use of such structures is largely concentrated among non-domiciled individuals, and that the most aggressive scheme activity tends to affect the £2m–£5m range rather than the very wealthiest. There was also discussion of the role of family offices as a layer between HMRC and the individuals concerned, and whether HMRC's interaction with family offices needs to evolve along the lines of its engagement with corporate tax functions.







## 6 Keynote: AI, data and the future of tax compliance

### Speaker



### **Dr Simon Price**

*AI Advisor, HM Revenue and Customs*

*Introduced by Andy Summers, Director of CenTax*

The Friday morning keynote was delivered by Simon Price, AI Advisor at HMRC. Speaking on AI, data and the future of tax compliance, he structured his remarks around three practical questions: what AI can realistically contribute to closing the tax gap, what foundations are required to deliver it safely and at scale, and how use of AI can be designed to strengthen rather than undermine public trust.

- Simon was clear that AI is already producing meaningful results inside HMRC, particularly in detecting suspicious filing patterns, supporting digital services and accelerating case work. The strongest contribution comes from supporting activity at scale: improving risk-targeting, helping HMRC prioritise effort and freeing skilled staff for the work that requires their judgement. He cited the use of Copilot in compliance work as an example, assisting with summarisation and case processing, but where decisions are still made by trained caseworkers.
- He acknowledged the limits of what AI can do where the underlying data is incomplete or concealed. AI cannot create information that does not exist, and HMRC's response in those areas is necessarily different: drawing on private sector innovation, testing new approaches, and learning from them.
- The biggest gains, in Simon's view, come from combining AI with strong foundations rather than from individual tools deployed in isolation. He pointed to the Enterprise Customer Relationship Management (eCRM) programme, which is building a 360-degree view of the customer and their interactions with HMRC, and to the

wider Transformation Roadmap as the underlying agenda. HMRC's preference, where possible, is to buy rather than build, and to invest in the skills required to use AI well. The state of HMRC's IT estate was also identified as a structural constraint. The point was that AI will only deliver at scale once the underlying technology infrastructure supports it; nothing about this work is a quick fix.

- On trust, Simon was unequivocal. Ethics, legal frameworks and human oversight are not optional extras but the basis on which AI work proceeds. AI is good at language and summarisation, but decisions remain with humans. Generative AI can be used to navigate decision trees and produce explainable audit trails, but it cannot replace a full decision chain.
- In Q&A, audience members raised concerns about the risks of AI use by external 'bad actors' who could move at greater speed than HMRC in adopting these technologies. They also highlighted the risks that excitement about AI might lead to insufficient attention and resource being given to getting the basic IT and data infrastructure right: a particular concern given how out-of-date these currently are.

## 7 Panel 3: Data, Digitalisation and Tax Compliance

### Chair



**Bill Dodwell**

*Non-Executive Director, Closing the Tax Gap Sub-Committee, HMRC*

### Panellists



**Matt Erikson**

*Deputy Director, Strategic Risking, HMRC*



**John Harms**

*Head of Government Solutions, Quantexa*



**Priya Vijayasathy**

*Director, Tax and Legal Data and AI, Deloitte*

The third panel considered the role of data and AI in narrowing the tax gap, with a particular focus on what is realistically deliverable in the near term, the foundations required, and the risks introduced by the technology itself. The general view was that conversations about AI are often polarised between excessive optimism and unfamiliarity with the underlying technology, and that progress with AI for tax administration is contingent on data quality, governance and the specific problems AI is being asked to solve.

- Data quality is the main constraint. Panellists emphasised that AI cannot produce reliable outputs from unreliable inputs, and that the foundational work of unifying disparate data sources, resolving inconsistencies, and building trusted entity records sits upstream of any analytical tool. The view was that this work is unglamorous but essential, and that HMRC's universal customer record programme is an example of the foundational investment that has to come first.
- Awareness of AI across the tax community is sharply polarised. Attendees described a population divided between those who know nothing about AI and are anxious about it, those who are experimenting at the boundaries, and a small group of genuine

experts. There was support for structured experimentation, clearer guardrails on what data should and should not be put into commercial AI tools, and more direct conversation between tax experts and technologists about where interventions can be made.

- Agentic AI was identified as a significant shift in capability. The ability to delegate multi-step reasoning, link datasets across organisational boundaries and assign sub-tasks to other agents opens applications that were not previously feasible. The risks attached to agentic AI, including prompt injection through documents uploaded to a system and the manipulation of AI-driven processes by motivated bad actors, received attention.
- A concern was that smoothing complexity through AI may erode understanding of the underlying tax system. Several panellists noted that reducing friction is generally good but that there is a risk of undermining the skills required to engage with the system meaningfully, and that protecting and investing in tax expertise needs to remain a conscious priority for HMRC alongside the deployment of AI tools.
- Data linkage emerged as a recurring theme. Panellists also argued that the value of data can be constrained by the inability to use it for purposes beyond the original collection. Returning to the use of AI in tax filing, Norway was cited as an example of a system in which pre-populated returns are accepted by most taxpayers.
- The question of what bad actors might do with AI generated discussion. Panellists were clear that determined actors are already using AI tools to attack the system, that prompt injection attacks on tax administration systems are a realistic threat, and that HMRC's defensive posture needs to evolve in step. The view was that this is not a future risk but an active one.

## 8 Breakouts 3

### 8.1 What are the biggest gaps in offshore compliance?



**Lead: Clara Gisoldo**

*Senior Researcher, APPG on Anti-Corruption and Responsible Tax*

The discussion focused on progress made on offshore compliance since the Panama Papers leak, the gaps that remain, and the policy and operational changes that could narrow them. The general view was that the transparency landscape has shifted materially over the last decade, but that the UK's response has not kept pace and that the criminal limb of the offshore enforcement regime in particular remains underused.

- Parliamentary attention to offshore non-compliance has grown significantly since 2016. The post-Panama Papers period is seen as one in which transparency has improved through international agreements and registers, but in which the operational follow-through, particularly on prosecutions and on the use of existing powers, has not kept pace.
- The scale of offshore non-compliance remains contested. HMRC's published offshore tax gap figure is widely seen as too low, covering only directly-held financial accounts under CRS and excluding real estate, indirectly-held assets, and structures involving trusts. Though HMRC acknowledge this is a partial estimate. The published figure was viewed as a starting point rather than a credible measure, and the discussion turned to how the gap could be more accurately estimated.
- HMRC's compliance approach to offshore non-compliance was discussed in some detail. The discussion considered whether the current approach, which leans heavily on prompted disclosure and behavioural nudges, is calibrated correctly given the population it is targeting. The consensus was that more could be done at the deterrent end, and that the absence of high-profile prosecutions weakens the credibility of the broader enforcement regime.
- Transparency, including the role of beneficial ownership registers and country-by-country reporting, was identified as the area where progress has been most material but remains incomplete. CRS coverage was discussed: uneven implementation across jurisdictions,

the exclusion of certain asset classes and the categorisation of some entities as financial institutions reporting on themselves all create gaps that determined evaders can exploit.

- There was consensus that exchange of information programmes such as CRS and FATCA are effective, but only in tackling the less sophisticated tax evasion. It is largely irrelevant for the more aggressive tax evaders, where information from whistleblowers, leaks and informants is essential.
- Reward schemes for informants were considered as a possible tool to strengthen offshore enforcement. Discussion compared the UK's modest current arrangements with the more developed schemes operating in the United States and elsewhere, and considered whether a higher-profile UK scheme could improve detection of offshore non-compliance. There was consensus that the UK needs one successful high-profile informant case to increase the awareness and impact of the scheme.
- The criminal prosecution gap was a recurring theme. In line with discussion elsewhere, several attendees noted that the legislation already on the statute book, including the Criminal Finances Act, has not been used to prosecute offshore enablers, and that the absence of case law materially weakens its deterrent value.

## 8.2 Who else is responsible — what role should intermediaries play in closing the tax gap?



**Lead: Chris Irwin**

*Deputy Director: Agents Policy, HMRC*



**Lead: Jane Mellor**

*Head of Professional Standards, CIOT*

This session framed a response to the opening question as not "who is to blame" but "who is responsible for shaping behaviour and building the systems that produce good outcomes". The session was structured around two scenarios, on software and on high-street accountants, with discussion oriented toward concrete actions for HMRC, professional bodies and intermediaries.

- The shared objectives were identified as: increased trust, the right amount of tax paid at the right time, and a system that is efficient for both taxpayers and HMRC. There was broad support for these as a starting point, and a consistent view that while it is important to catch bad actors, it is also important to identify and support good actors in the ecosystem.
- On software, the view was that the issue is data quality more than software itself, but that HMRC should consider the scope to take a more active role in regulating the market. Suggestions included HMRC gatekeeping API access to exclude bad actors, indicating that a product meets baseline criteria without directly endorsing it, and/or providing a "trustpilot"-style rating system. The agentic AI development was flagged as increasing the importance of getting this regulation right.
- Discussion identified an opportunity for professional bodies to be more proactive in identifying recurring errors, providing targeted guidance, and supporting members operating at the edges of complex areas, for example through increased local branch activity and specific suggestions such as identifying a list of the top 10 issues that small agents face.

## 8.3 How can HMRC harness data science innovations to make better use of the data it already holds to close the tax gap?



**Lead: Cameron Scott**

*Director UK Public Sector, Quantexa*

The session combined a presentation of the Unique Customer Record (UCR) work delivered with HMRC and a live demonstration of network analytics capabilities. The general view was that the foundational work of resolving entities and connecting data is already producing operational value, and that the more advanced applications, from network analysis to behaviour identification, are now plausible at the scale HMRC requires.

- The UCR went live in December, merging records from across multiple systems through 53 field-based criteria.
- Data acquisition emerged as the most significant operational constraint. The lead time to bring in a new data source can run to twelve months. Faster, more standardised processes for adding data feeds would meaningfully accelerate downstream analytical work.
- The conversation highlighted the deterrent value of these capabilities and touched on whether a narrative about the reduction in administrative burden from these tools could help promote their acceptance, both with HMRC and across the broader public. There was support for communicating detection capabilities publicly in ways that could change the perceived probability of being caught if non-compliant. Identifying and supporting good actors as well as detecting bad ones was raised as an underused application of the same techniques.

## 8.4 How does DWP balance fraud prevention and detection, and what can we learn for tax questions?



**Lead: Iain Wright**

*Deputy Director, Fraud, Error and Debt Analysis, DWP*

The session set out the Department for Work and Pensions' fraud, error and debt strategy and invited comparison with HMRC's approach. The general view was that there is significant common ground between the two departments in terms of population, behavioural drivers and policy levers, and that the comparison reveals as much about HMRC's approach as it does about DWP's.

- The DWP's monetary value of fraud and error rate is around 3%, having peaked at higher levels during the pandemic. Underpayments are estimated at 0.4% but are not a current focus. Discussion noted that this asymmetry, in which the system is much more attentive to overpayments than to people not receiving what they are entitled to, has parallels in tax administration that are worth examining.
- A culture shift toward prevention rather than correction has been embedded across DWP over recent years. The aspiration is to operate at the primary and secondary prevention stages, deterring fraud before payment and deploying digital safeguards at the point of claim, rather than focusing resources on detection after the fact.
- Self-employed claimants are the worst-performing population for benefit accuracy, with around a quarter overpaid. The view was that this reflects the system not working for that group rather than higher rates of dishonesty, and that the equivalent population for HMRC, the smallest businesses and sole traders, faces structurally similar issues. There was support for a more empathetic system design that recognises the limits of what claimants and small business owners can reasonably be expected to do.
- Cross-departmental data sharing, frequency of reporting and definitional differences continue to limit what can be done collaboratively.

## 9 Panel 4: The Long Game — Building a Roadmap to Close the Tax Gap

### Chair



**Edward Troup**

*Former Executive Chair and First Permanent Secretary, HMRC*

### Panellists



**Ed Hawker**

*Deputy Director, Tax Administration, HMT*



**Emma Rawson**

*Director of Public Policy, ATT*



**Chris Southworth**

*Director, Compliance Strategy and Design, HMRC*



**Andy Summers**

*Director, CenTax; Professor at LSE Law School*

The closing panel served as a synthesis of the conference rather than a discussion of a single topic. Drawing on the threads of the previous two days, the panel set out the structural improvements that should narrow the gap over time, and the radical ideas that need to remain in the conversation if the agenda is to maintain momentum.

- Closing the tax gap requires both dynamic enforcement and structural reform. The panel was clear that some non-compliance is a moving target that HMRC will always be one step behind, and that this is partly a function of the inherent cat-and-mouse character of compliance work.
- Better use of existing data is the lowest-hanging fruit. The panel discussed whether HMRC currently underuses the data it already holds, and whether progress on third-party reporting, real-time information and data linkage between systems should be priorities. The point was made that joint identifiers across systems, allowing data to be linked deterministically rather than probabilistically, would

need to be built into data collection processes if the long-run vision of a fully-connected dataset is to be realised.

- The tax ecosystem extends well beyond HMRC and the taxpayer. Financial institutions, advisors, intermediaries, software providers and platforms all play significant roles in shaping compliance outcomes, and HMRC's strategy has to engage with all of them if it is to be effective. The view was that compliance ideally emerges as a byproduct of well-designed business systems rather than as a separate burden imposed on taxpayers. Several panellists argued that this reframing is more important than any single technical intervention.
- Norms and education matter, and are currently neglected. The panel returned several times to the point that voluntary compliance, the ultimate goal of a well-functioning tax system, depends on cultural and behavioural foundations that the current policy environment does not adequately invest in. Financial education in schools, engagement with professional associations, and direct outreach to small businesses all featured as components of a longer-term agenda.
- Several radical ideas were raised and treated seriously. These included making it materially harder to register a company and eliminating cash from business transactions. The panel's framing was that "radical" is always relative to the status quo, that international comparisons show the UK can be bolder than it has been, and that norms tend to adjust to changes once they are in place.
- Public perception of HMRC and of the tax system more generally was identified as a structural issue affecting compliance. The panel was clear that the perception of detection capability matters at least as much as actual detection capability, and that HMRC's communications about what it can and cannot do shape behaviour materially. There was support for HMRC being more visible and more confident about its analytical and enforcement reach, while continuing to invest in the basic service levels that build trust at the routine end of the relationship.