

[HMRC's 'Tax Dodgers' list shows the absurdity of the UK's tax position](#) [1]

Written by [Whig](#) [2] | Monday 20 August 2012



HMRC have published a [rogue's gallery of its most wanted tax dodgers?](#) [3]. I'd better issue to a caveat before the ASI ? which doesn't have a corporate view - get accused of advocating criminality or I get arrested for inciting criminal behaviour by the (thought) Police, probably under the Terrorism Act. So, I can firmly state that I in no way condone criminality or criminal behaviour or support such individuals' actions.

Although tax law is notoriously [opaque and verbose](#) [4] it is quite clear that these people are criminals and have deliberately set out to commit large-scale criminal offences. That said, many otherwise law-abiding individuals are engaged in tax evasion on a daily basis, as we were recently reminded ? what separates this from these most-wanted criminals is, in the eyes of HMRC, surely only a matter of degree.

Let's look more closely at what these people have been up to. Of the twenty, eight seem to have been involved in VAT fraud, fourteen are wanted for smuggling (almost all alcohol and tobacco) and three offenders were involved in fraud using tax credits or money laundering. Unsurprisingly, avoiding indirect tax via VAT fraud and smuggling is the most popular past-time for criminals. This straw-poll is backed up by the official statistics on the 'tax gap' [here](#) [5], estimated to be around £35bn in total. The tax gap on VAT is believed to be 16%, that on duty for cigarettes 10% and beer 14% and on hand-rolled tobacco an amazing 46%. On indirect taxes the tax gap is estimated at 10.9% and on direct taxes 6.5%.

However, without getting into a debate about where the UK might be sitting on its Laffer Curves it is quite obvious that there are some very pernicious effects of our tax rates. Whilst simultaneously failing to maximising its revenue and disincentivising growth creation by law-abiding tax-payers, the UK Government is creating the perfect conditions for the growth of a criminal class. This is true both at this very high level, where criminals are encouraged to operate by such very high rates.

If VAT was, say, 2% rather than 20% would so many people be willing to undertake such risky and illegal activity ? not to mention that they would probably find it easier to gain jobs in the legal economy? At the very least, such behaviour shows that we need to end the punitive campaign against smokers, drinkers and drivers: we are merely playing into the hands of criminals as we have done with the campaign against (other) drugs. Instead, I'm waiting for the day when people are willing to start smuggling butter, sugar, salt and cocoa into the country.

This problem is also true at the very mundane level of everyday tax evasion by cash payments to tradesmen ? are we going to put them on a website? Or simply impose punitive fines on already hard-pressed business people, no doubt at greatest cost in administration than the actual revenues from the

finer? Does such prevalence of this activity instead not indicate that perfectly law-abiding consumers and traders are anxious to avoid paying such extortionate rates of taxation. The Government has taken a grossly high-handed approach and condemning people for behaviours that they would not necessarily wish to engage in. However, if you wish to repair your roof or paint your house, it's not surprising that people wish to avoid adding 20% to the cost (I speak as a new home-owner who has recently shelled out thousands of pounds of my already heavily-taxed income in SDLT and VAT).

We need to turn such attitudes on their head ? these people are sending a clear message to government ?we are being taxed too much?. Ignore what is said about how much we value ?public services? or how much the ?cuts? are resented. These are the true, revealed preferences of the population at large. We are paying too much tax and are being criminalised trying to get away from it. We've had enough.

[blog comments powered by Disqus](#) ^[7]

Source URL: <http://www.adamsmith.org/blog/tax-spending/hmrcs-tax-dodgers-list-shows-the-absurdity-of-the-uks-tax-position>

Links:

- [1] <http://www.adamsmith.org/blog/tax-spending/hmrcs-tax-dodgers-list-shows-the-absurdity-of-the-uks-tax-position>
- [2] <http://www.adamsmith.org/authors/whig>
- [3] <http://hmrc.presscentre.com/Press-Releases/Top-tax-cheats-put-in-the-frame-67ead.aspx>
- [4] http://www.youtube.com/watch?v=omg9rzf4GDM&feature=channel_video_title
- [5] <http://www.hmrc.gov.uk/stats/mtg-2011.pdf>
- [6] http://disqus.com/?ref_noscript
- [7] <http://disqus.com>