National Audit Office

REPORT

Collecting the right tax from wealthy individuals

HM Revenue & Customs

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Collecting the right tax from wealthy individuals

HM Revenue & Customs

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

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Key facts

£119bn

personal taxes paid by wealthy individuals in 2023-24, 25% of all personal taxes

£350mn

HM Revenue & Customs' (HRMC's) estimated spend on managing tax compliance for wealthy individuals, 2023-24

£5.2bn

HMRC's estimate of compliance yield (tax revenue collected or protected that would otherwise be lost to the Exchequer) from wealthy individuals in 2023-24, up from £2.2 billion in 2019-20

850,000	wealthy individuals in the UK, 2023-24 (2% of individual taxpayers), defined as those earning more than £200,000 or with assets over £2 million in any of the last three years
£34 billion	Income Tax liabilities in 2023-24 for the 29,000 wealthy individuals with incomes above £1 million
£300 million	HMRC's estimate of the tax lost from undeclared foreign income by UK individual taxpayers in 2018-19, based on accounts in the countries that automatically exchanged account information with the UK for 2017 and 2018
£849 billion	total amount held in offshore accounts by UK residents at the end of 2019, limited to those 93 tax jurisdictions that automatically exchanged account information with the UK under the Common Reporting Standard in relation to that year
£1.9 billion	HMRC's estimate of tax revenue lost from the wealthy population in 2022-23, the latest data available
73%	proportion of wealthy individuals represented by a tax agent
25	wealthy individuals prosecuted as a result of HMRC's criminal investigations in 2023-24

Summary

Introduction

1 HM Revenue & Customs (HMRC) defines wealthy individuals as those earning more than £200,000 a year, or with assets over £2 million, in any of the last three years. In 2023-24, HMRC identified approximately 850,000 individuals as wealthy, around 2% of individual UK taxpayers.

2 Wealthy individuals often have complicated tax affairs covering multiple taxes. They often have a wide spread of tax liabilities on both their income (in the form of Income Tax and National Insurance) and assets (in the form of Capital Gains Tax, Inheritance Tax and stamp duties). Wealthy individuals may adopt complex and sophisticated tax planning to reduce these liabilities. The complexity of their tax affairs may increase the potential for non-compliant behaviour, either deliberately in the form of tax avoidance or evasion, or mistakenly, by applying tax rules incorrectly. HMRC therefore treats wealthy individuals separately from other individual taxpayers.

3 HMRC's work to engage with wealthy individuals to ensure they comply with the tax rules, and then to follow up and investigate risks, is led by the 'wealthy team' within HMRC's Customer Compliance Group, consisting of around 910 full-time equivalent staff. The wealthy team examines most personal taxes paid by wealthy individuals. A separate assets team examines what taxpayers pay in Inheritance Tax. Other teams within HMRC are involved in analysing data on wealthy individuals and undertake compliance activity on key issues such as offshore tax compliance. HMRC estimates its compliance activities with wealthy individuals cost £350 million in 2023-24.

4 We last examined in detail HMRC's work with wealthy individuals in 2016 when we looked at its approach to collecting tax from high net worth individuals, defined as those with assets of £10 million or more. The new government has highlighted tackling tax avoidance and evasion and increasing tax revenues by improving compliance, particularly from wealth held offshore, as priorities for action. In the Autumn 2024 Budget the government confirmed its ambition to close the tax gap, and the scaling up of compliance activity to tackle serious offshore non-compliance, including fraud by wealthy customers and intermediaries. In the Spring 2025 Statement the government committed further funding and new measures to tackle serious non-compliance, particularly wealthy offshore non-compliance.

Scope of this report

5 This report examines the extent to which HMRC is well placed to support wealthy individuals to pay the right tax and intervene in good time if people get things wrong. It covers:

- the amount of tax paid by wealthy individuals (Part One);
- HMRC's understanding of the risk of non-compliance among wealthy individuals (Part Two); and
- HMRC's work to tackle non-compliance among wealthy individuals (Part Three).

6 We designed our work to set out the profile of wealthy individuals as well as HMRC's work to ensure that this group complies with the tax rules affecting it and that HMRC investigates non-compliance when required. This report does not cover HMRC's work to recover tax debts from wealthy individuals, nor the range of services that wealthy individuals use which fall under HMRC's Customer Services Group.

Key findings

The amount of tax paid by wealthy individuals

7 Wealthy individuals paid £119 billion in personal taxes in 2023-24, or 25% of personal tax receipts. This is an average of £140,000 in tax per wealthy individual. More than 85% of tax the wealthy pay is on earned income through Income Tax or National Insurance (£103 billion). HMRC collected a further £9 billion in Capital Gains Tax, £4 billion from Inheritance Tax and £3 billion from stamp duties (paragraphs 1.12 and 1.13, and Figures 2 and 3).

8 The tax affairs of wealthy individuals are typically more complex than other individuals, making it more difficult for HMRC to identify the tax they owe. Wealthy individuals often have a mix of income streams, assets and business interests, which increases both the opportunity for tax planning to reduce their tax liabilities and the potential for non-compliance. Income is typically taxed at a higher rate than capital, so tax planning often involves shifting what a taxpayer holds from income into capital (paragraphs 1.4 to 1.7).

9 HMRC no longer has a unit specifically dedicated to ensuring compliance among high net worth and the wealthiest individuals. In 2017 HMRC merged its high net worth and affluent units to create a single wealthy team, so that there was a greater consideration of the complexity of an individual's tax arrangements and opportunity for non-compliance, alongside their income and wealth. HMRC determines its compliance approach for each individual based on its assessment of risk, which HMRC considers is not always proportionate to an individual's level of wealth. HMRC said its definition of wealthy individuals created a relatively stable population and represents the point at which taxpayers consider more structured, complex tax arrangements, but this has created a much broader category than other countries. HMRC has not evaluated the impact of having a single team to deal with the whole wealthy population, nor does it look at the level of risk or the impact of its compliance activities for different wealth bands to understand whether it should take a particular focus on the wealthiest individuals (paragraphs 1.16 and 1.17).

10 The population of wealthy individuals that HMRC administers has grown from 700,000 in 2019-20 to 850,000 in 2023-24. Around 29,000 wealthy individuals had incomes of at least £1 million in 2023-24 and were liable for around £34 billion of Income Tax in total. Within this population are taxpayers with very high incomes and wealth: around 10,000 taxpayers have annual incomes of at least £2 million, and 5,000 have assets of at least £50 million. Some 2,000 taxpayers made capital gains in 2022-23 of £5 million or more, and were liable for around £6 billion of Capital Gains Tax. HMRC does not collate data on an individual's liabilities across all types of personal tax to understand the total amount of tax paid at different income or wealth bands. The complexity and mobility of the very wealthiest means they carry a heightened risk, but HMRC has no particular focus on this group (paragraphs 1.2, 1.3, 1.6, 1.13 and 1.15).

Understanding the risk of non-compliance among wealthy individuals

11 HMRC is one of few countries to publish an annual wealthy tax gap, which it estimated at £1.9 billion in 2022-23, the latest year available. This represents the difference between the amount of tax that should be paid to HMRC by wealthy individuals and what was actually paid. HMRC estimates that the wealthy tax gap has remained steady at just 0.2% of the UK's total theoretical tax liabilities since 2019-20. However, it has also stated that measuring aspects of the wealthy tax gap is inherently difficult. It is working to improve the reliability of the measure to produce sound statistics for the benefit of public discourse and scrutiny of tax compliance (paragraphs 2.2 to 2.5 and Figure 6).

12 **HMRC has identified a growing risk of non-compliance among wealthy individuals.** HMRC regularly assesses and quantifies the scale of its main compliance risks, and has a consistent process for identifying interventions to tackle the risks. It has identified that the net loss in tax revenue from the 19 key risks affecting wealthy individuals increased by 21% between 2020-21 and 2022-23, the latest data available. This compares with a 16% increase across all strategic risks (covering all taxpayer types). HMRC estimates that 60% of the net losses for wealthy individuals sits under three risks — inaccuracies in reporting personal income, incorrect Capital Gains Tax, and offshore non-compliance — all three of which HMRC estimates were higher in 2022-23 than in 2020-21. The profile of the wealthy team's casework does not align well to these risks. Some 58% of casework that the wealthy team closed in 2023-24 focused on just one risk: inaccuracies in reporting personal income. Offshore non-compliance accounted for less than 5% of casework. HMRC told us that other teams, such as its fraud specialists, will also have casework looking at offshore non-compliance involving wealthy individuals, but it is unable to quantify how much (paragraphs 2.6 to 2.10).

13 **HMRC is working to improve its estimate of offshore non-compliance, which is a notably difficult area.** HMRC published its first estimate for undeclared foreign income held in offshore accounts in 2024, with tax revenue lost valued at £300 million in 2018-19. HMRC acknowledges the limits of the coverage of the undeclared foreign income estimate, which covers UK residents' accounts held in the countries which automatically exchanged account information with the UK. HMRC's estimate largely covers non-compliance relating to individuals' offshore savings income, rather than other forms of foreign earnings, such as trading profits, dividends, and any other investment income besides interest. It does not include bank accounts held in trust or on behalf of a beneficiary, or non-financial assets such as property held directly by individuals. HMRC told the Committee of Public Accounts in March 2025 that it is difficult to assess the risk or expand its estimate. Internally, HMRC has identified a much larger amount of tax at risk from all forms of offshore non-compliance. UK residents held £849 billion in offshore accounts at the end of 2019, limited to those 93 tax jurisdictions that automatically exchanged account information with the UK under the Common Reporting Standard in relation to that year (paragraphs 2.17 and 2.20 to 2.23).

14 HMRC's assessment of strategic risks does not include explicit risks of non-compliance posed by tax agents, or the very wealthy, despite the amount of tax at stake. Nearly three-quarters (73%) of wealthy individuals are represented by a tax agent, and HMRC often has little direct contact with the taxpayer. The complex tax affairs of wealthy individuals often rely on the correct legal interpretation of how tax rules and reliefs should be applied, and agents play a key role in ensuring taxpayers file accurate returns and avoid non-compliant tax schemes. However, HMRC does not currently have the data or insights to consistently assess the impact of agents on levels of compliance. There is evidence of non-compliance among the wealthiest taxpayers, and the size of some of HMRC's extremely high-value cases have the potential on their own to change its assessment of the scale of the wealthy tax gap. HMRC faces inherent challenges in the quality and coverage of the data it collects from taxpayers and its ability to compare these with data on offshore accounts and assets, which raises the level of risk to revenue. HMRC's assessment of risk determines how closely it works with taxpayers to get their tax right. Around half of the top taxpayers currently have a HMRC customer compliance manager who closely monitors and engages them over their tax affairs (paragraphs 1.11, 2.11 to 2.18, 3.8 and 3.16, and Figure 7).

HMRC's work to tackle non-compliance

15 HMRC reports that the additional revenue it has secured from wealthy individuals has more than doubled, from £2.2 billion in 2019-20 to £5.2 billion in 2023-24. Compliance yield is a measure of the tax revenue that HMRC has collected or protected that would otherwise have been lost to the Exchequer. The wealthy team leads HMRC's compliance work for wealthy individuals, but only accounts for a minority of the total yield HMRC achieved from this customer group. The remainder is generated by other areas of HMRC. The wealthy team achieved £1.5 billion of yield, nearly twice the level it expected at the start of the year. Of this, 46% (up from 6% in 2018-19) came from upstream activities to promote or prevent non-compliance, such as legislative changes, educating advisers, and digital prompts within tax software. The team achieved higher returns from casework but conducted far fewer cases. In 2023-24, the wealthy team closed 8,807 one-to-one (downstream) investigations, down from 15,569 in 2018-19. Each case brought in £93,800 in yield on average, up from £34,100 in 2018-19, reflecting HMRC's focus on high-value cases. Some 213 cases each yielded £500,000 or more, and £626 million in total (paragraphs 3.2, 3.4, 3.10, 3.15 and 3.16, and Figures 11, 12 and 13).

16 **The growth in compliance yield from wealthy individuals that HMRC has reported far exceeds its estimates of the wealthy tax gap.** The annual amount of compliance yield has increased by £3 billion, which is over £1 billion more than HMRC's annual estimate of the wealthy tax gap (£1.9 billion). This raises the possibility that underlying levels of non-compliance among the wealthy population could be much greater than previously thought. Alternatively, HMRC's estimates would indicate that wealthy individuals have become much less compliant, but that HMRC has then been successful in tackling the increase in non-compliance through its compliance activity, such that the amount of non-compliance it is unable to stop has remained the same. HMRC has said it is difficult to compare trends in compliance yield with the tax gap, as they are not on a comparable basis (paragraphs 2.2, 3.2 and 3.3, and Figure 10).

17 **Wealthy compliance cases take a long time to resolve, particularly when large sums are at stake.** Cases may take a long time because of due process and lengthy correspondence with taxpayers and their agents to get the information that HMRC needs, the need to engage internal technical and legal experts within HMRC on complex cases, and the time it takes for cases to progress through the courts and tribunals system. The average time it took HMRC to close a case increased each year between 2018-19 and 2022-23 to a peak of 20 months, before falling to 14 months in 2023-24. For investigations yielding more than £100,000, the average duration in 2023-24 was 40 months, up from 27 months in 2021-22. We saw examples of compliance work that the wealthy team could not take forward, as enquiry deadlines had passed due to ineffective resource management and limited time for further review. Some tax agents told us that their wealthy clients value certainty around the amount of tax they need to pay, and the uncertainty of prolonged investigations can affect their view of where to be resident for tax purposes (paragraphs 3.13, 3.19, 3.20 and 3.22, and Figure 14).

18 **Wealthy taxpayers have faced fewer penalties in recent years, and criminal prosecutions of wealthy individuals also declined, although HMRC is now increasing its use of criminal investigations.** In 2023-24, HMRC issued 456 penalties to wealthy individuals (representing 5% of the cases the wealthy team closed), totalling £5.8 million. This is down from 2,153 penalties (14% of cases closed), totalling £16.2 million in 2018-19. HMRC's Fraud Investigation Service opened 45 civil investigations into wealthy individuals in 2023-24 and closed 34. The number of wealthy individuals prosecuted following HMRC's criminal investigations reduced significantly from 30 in 2019-20 to five in 2021-22 but has since increased to 25 in 2023-24. Most of HMRC's work to tackle tax fraud makes use of its civil powers, and it reserves criminal investigations for where it needs to send a strong deterrent message or where only a criminal sanction is appropriate. HMRC's policy has reduced the overall number of prosecutions in order to focus on high-value, high-harm fraud, while also facing delays in the criminal justice system as a result of the COVID-19 pandemic. HMRC does not fully understand the deterrent effect of prosecutions but is undertaking analysis to improve its understanding. In March 2025 the government set HMRC the aim to increase the number of individuals charged with criminal offences by 20% by 2029-30, including for tax evasion by the wealthy (paragraphs 3.17 and 3.21).

19 **HMRC has set out only a limited strategy to tackle wealthy non-compliance, but it has recognised it needs to increase the attention it gives to this group.** HMRC has set out some strategic ambitions it wants to achieve, such as collecting more information from complex wealthy individuals and understanding better the links between individuals' personal wealth and their connected entities. It has not committed to timescales for achieving these ambitions. HMRC has secured funding to recruit 5,500 extra compliance staff over the next five years but does not yet have a clear plan for ensuring the wealthy team gets the skilled staff it needs. It has developed a range of approaches to tackle non-compliance, including accelerated response programmes to tackle high-value or slow-progressing cases, but is yet to assess their impact or how it can apply learning to other casework. It leads work internationally to exchange data on wealthy individuals and looks to other countries for ideas on how to close data gaps. It has committed to focus more on wealthy individuals, and is considering how to design a cross-organisational approach to tackle the risks they pose. In March 2025 it announced it would be actively recruiting experts in private-sector wealth management and expects to use artificial intelligence and advanced analytics to identify individuals trying to hide their wealth (paragraphs 2.14, 2.18, 3.9 and 3.23 to 3.26).

Conclusion

20 Wealthy people contribute significant amounts of tax revenue to the Exchequer, but the complexity of their affairs makes it more difficult to get their taxes right and presents more opportunities to deliberately not pay enough. HMRC has responded to this by becoming one of the few countries to publish annual estimates of the tax gap for wealthy individuals, which HMRC estimates to have been stable and low. HMRC deserves credit for increasing the amount of compliance yield. Its move towards more upstream casework has been an important innovation and has resulted in improved returns. While it is difficult to make precise comparisons between compliance yield and the tax gap, the scale of the increase in compliance yield from the wealthy raises questions about whether underlying levels of wealthy non-compliance are higher than HMRC previously thought. There is too much uncertainty around the tax gap estimate for this group, notably for offshore wealth, to be confident that non-compliance is not far higher than HMRC has detected. HMRC is working to improve its estimate of the wealthy tax gap.

21 HMRC has recognised it needs to give the risk posed by wealthy individuals much greater prominence. Its work to tackle wealthy non-compliance is dispersed across different parts of HMRC, and it should ensure it has a comprehensive and ambitious strategy to tackle non-compliance among the wealthiest individuals. It should also provide sufficient transparency to give greater confidence to the wider taxpayer base that all taxpayers contribute their fair share. Higher-value cases take far longer than they used to, and the number of penalties has declined. HMRC is now aiming to enable more prosecutions of individuals, including the wealthy, for evading taxes. HMRC is also seeking to address the efficiency and effectiveness of its casework. In turn, this should provide more timely understanding of the risks and help HMRC to better understand how effectively it assesses and mitigates non-compliance.

Recommendations

a HMRC should develop a clear strategic vision and plan for its work tackling wealthy non-compliance, particularly to help meet the organisation's broader mission to reduce the size of the tax gap. This strategy should provide structure to its efforts across the organisation, with clearly articulated objectives, timescales and success factors.

b HMRC should keep its definition of the wealthy population under review as the base continues to grow. This should include considering whether greater segmentation of wealthy taxpayers, such as by different wealth bands, would help it to better understand risk and target resources to achieve better compliance outcomes.

c HMRC should assess the impact of its customer compliance manager model and the accelerated schemes that bring together a range of specialisms to tackle its most complex wealthy cases. It should assess what combination of interventions are most effective for the different customer segments within the wealthy group, whether these interventions should be used more, less or in different ways, and the level of resources required to maximise value for money.

d HMRC needs to take a more dynamic approach to understanding risk, both for wealthy individuals and more widely across connected customer groups. It should consider whether its assessment of risk should include explicit risks of non-compliance by the very wealthy.

e HMRC needs to improve the information it collects, organises and uses on agents to regularly and consistently assess the risks in the agent population. HMRC should improve its understanding of how tax professionals influence compliance, in a positive and negative way, and build that insight into its understanding of risk and compliance responses.

f HMRC should consider how it can provide the public with greater transparency about the amount of tax that wealthy individuals pay, and the contributions of the different segments within it — such as for customers in different wealth bands. It should continue to improve its assessment of the offshore tax gap.

g HMRC needs to make the most of the relationships it has built up with other tax authorities. It should learn from other countries by comparing approaches to compliance work, including the types of information collected and analysis carried out, to both close off data gaps and ensure accessibility of datasets and research. HMRC already provides much leadership internationally and should seek to further reduce gaps in data and intelligence, including data on income from non-financial assets, and to address the challenges and complexities associated with internationally mobile taxpayers.

h HMRC should assess the skills and capabilities it needs to ensure wealthy tax compliance in the future. Given the complexity and range of affairs HMRC needs to deal with, it should consider external recruitment of people with sufficient experience of wealthy tax affairs and expertise in international arrangements.

Part One

The amount of tax paid by wealthy individuals

1.1 This report examines the extent to which HM Revenue & Customs (HMRC) is well placed to support wealthy individuals to pay the right tax, and to intervene in good time if people get things wrong. This part covers trends in the number of wealthy individuals, how they reduce their tax liabilities, and the amount of tax that they pay.

The number of wealthy individuals

1.2 HMRC defines wealthy individuals as those with an income of £200,000 or assets of at least £2 million in any of the last three years. HMRC estimates there were around 850,000 wealthy individuals in 2023-24, up from around 700,000 in 2019-20. High inflation and wage growth has brought more taxpayers above the £200,000 threshold; in addition, HMRC has been using more data sources to identify the wealthy population.

1.3 Some 395,000 taxpayers (46% of wealthy individuals) had an income in 2023-24 of at least £200,000, with 10,000 of these having incomes of £2 million or more. The remaining 54% qualify as wealthy individuals through the value of their assets alone. Calculating wealth is less precise than income, as HMRC does not require taxpayers to report their assets, only those aspects on which there is a taxable charge. HMRC estimates around 5,000 wealthy individuals have wealth above £50 million, with around half of these having wealth above £100 million.

How wealthy individuals reduce their tax liabilities

1.4 Wealthy individuals often have options for taking their income in different ways, in part to exploit different rates and tax-free thresholds for different types of tax. An estimated 378,000 wealthy individuals (44% of the total) are majority shareholders in UK businesses, and so could draw income as company dividends (rather than as salary), which are subject to lower rates of Income Tax. Higher-paid employees are more likely to receive share options in a company, which are often subject to Capital Gains Tax rather than higher rates of Income Tax. Employees have little opportunity to reduce the amount of tax they pay on any income they receive through Pay As You Earn (PAYE), beyond maximising their pension contributions.

1.5 Given their mix of income streams, assets and business interests, wealthy individuals can often take advantage of complex and sophisticated tax planning to legally reduce their tax burden, including shifting what they hold from income into capital. Other examples include:

- holding assets within corporate structures or in trusts to be held by somebody else, which may be more tax-efficient than keeping those assets in the taxpayer's own name;
- investing in venture capital schemes, both for potential high returns and the tax incentives they provide; and
- splitting assets between family members when selling them, or timing the sale of those assets, to maximise the benefits from any tax-free allowance.

1.6 Many wealthy individuals, particularly those in the higher-wealth brackets, operate internationally, with property and business interests overseas. They may hold wealth offshore, either because it relates to a genuine overseas business or because it is more tax-efficient to hold that wealth offshore. These offshore interests add to the complexity of wealthy individuals' tax affairs.

1.7 This complexity may also increase the potential for non-compliant behaviour, either deliberately, in the form of tax avoidance or evasion, or mistakenly, by applying tax rules incorrectly. Common mistakes include treating transactions as capital gains when they should be treated as income instead, such as when an individual is given rights to company shares over a period of time, or when shares are transferred to a similar family-run or small company.

1.8 The added complexity associated with wealthy individuals, and the increased risk of non-compliance, means HMRC treats them differently from other individual taxpayers. A 'wealthy team' within HMRC's Customer Compliance Group leads the organisation's work to ensure wealthy individuals comply with the tax rules, and to investigate associated risks. The wealthy team examines most personal taxes paid by wealthy individuals.[1] A separate assets team examines what taxpayers pay in Inheritance Tax, which is a more complex position, as the person liable to pay the tax is the executor or a personal representative. Other teams within HMRC are involved in analysing data on wealthy individuals and undertake compliance activity on key issues such as offshore tax compliance.

1 In this report we have defined personal taxes to be Income Tax, National Insurance, Capital Gains Tax, Inheritance Tax and stamp duties where those taxes are paid by individuals.

1.9 Taxpayers can use a range of tax reliefs to reduce their tax liabilities. For personal taxes, there are around 200 'non-structural' reliefs, designed to reduce the tax burden on particular groups or sectors, encourage a particular behaviour or serve a social purpose.[2] For the majority of these reliefs, HMRC has published either no estimate of the tax cost to the Exchequer of the relief, or only older, single-year estimates, though its coverage is improving. **Figure 1** on pages 17 and 18 shows 12 reliefs that are likely to be extensively claimed by wealthy individuals and on which costs HMRC does publish information. Wealthy individuals will also claim other reliefs not necessarily targeted at them.

1.10 HMRC commissions evaluations of some reliefs to provide evidence for how well reliefs are meeting their objectives. We reported in January 2024 that evaluations can contribute to changes that save billions of pounds for the Exchequer. For example, an evaluation in 2017 of Business Asset Disposal Relief on Capital Gains Tax found it to have little impact on entrepreneurship. The government subsequently revised the relief in 2020, with the annual cost of the relief falling by £1.6 billion in cash terms since then.[3] In October 2024, the government announced further changes to this relief, with the tax rate increasing from 10% to 14% for disposals made on or after 6 April 2025, and from 14% to 18% for disposals made on or after 6 April 2026. While HMRC has published an evaluation for all 12 reliefs we investigated, some tax reliefs subject to recent and significant policy change have not been evaluated for some time or sufficiently to understand the benefits (Figure 1).

1.11 Wealthy individuals often rely on the expertise of a tax agent to help them organise their finances and investments in a tax-efficient way, interpret how to apply complex tax rules and reliefs and file accurate returns. Some 73% of wealthy individuals (more than 600,000 people) are represented by an agent. HMRC has limited direct engagement with many wealthy individuals and, instead, engages with the taxpayer's agent.

The taxes paid by wealthy individuals

1.12 Wealthy individuals constituted 2% of personal taxpayers in the UK in 2023-24 and paid 25% (£119 billion) of taxes paid by individuals. This included Income Tax and National Insurance, paid either by PAYE taxpayers (59% of tax paid by wealthy individuals) or Self Assessment taxpayers (28% of tax paid), Capital Gains Tax on property, shares and assets (8% of tax paid), and Inheritance Tax (3% of tax paid). Wealthy individuals accounted for the majority of Income Tax paid by Self Assessment taxpayers and Capital Gains Tax (**Figure 2** on page 19).

2 We have included reliefs that cover Income Tax, Capital Gains Tax and Inheritance Tax. This includes where a relief covers a group of multiple tax types that includes one of these taxes.

3 Comptroller and Auditor General, *Tax measures to encourage economic growth,* Session 2023-24, HC 445, National Audit Office, January 2024.

Figure 1

Examples of tax reliefs claimed by wealthy individuals

A number of tax reliefs have been subject to high-profile changes without recent evaluation of their impact

Tax relief	Latest estimate of the total tax cost to the Exchequer of each relief or exemption		Date and findings of most recent evaluation	Recent policy changes
	(£mn)	(year)		
Business Asset Disposal Relief (BADR) and Investors' Relief (IR) on Capital Gains Tax (CGT)[1]	3,400	2024-25	**2017** – BADR (then 'Entrepreneurs' Relief') did not meet its objective of driving entrepreneurial activity. The evaluation did not assess IR.	In March 2020 the government reduced the BADR lifetime allowance from £10 million to £1 million. In 2024-25 the government reduced the IR lifetime allowance from £10 million to £1 million. The rate of CGT applied to BADR and IR increased from 10% to 14% for disposals made on or after 6 April 2025 and will increase from 14% to 18% for disposals made on or after 6 April 2026.
Business Property Relief on Inheritance Tax	1,140	2024-25	**2017** – Evaluation covered claimant awareness of these reliefs but not their impact.	In October 2024 the government announced that, from April 2026, the 100% rate of relief will only apply to the first £1 million of combined agricultural and business property; a rate of 50% will apply to transfers over £1 million.
Agricultural Property Relief on Inheritance Tax	665	2024-25		
Enterprise Investment Scheme (EIS) relief on Income Tax	570	2024-25	**2023** – Tax relief incentives, in particular Income Tax relief, are a considerable motivator to investor involvement in these tax-advantaged venture capital schemes, and the scheme incentives are set at the right levels.	In November 2023 EISs and VCTs were extended until 2035.
EIS relief on CGT	75	2024-25		
Venture Capital Trusts (VCTs) relief on Income Tax	330	2024-25		
VCTs – Income Tax exemption on dividends	150	2024-25		
Seed Enterprise Investment Scheme (SEIS) relief on Income Tax	120	2024-25	**2023** – These tax reliefs are seen by investors as fit for purpose.	In April 2023 the government increased the limits on the size and age of companies that can access SEIS, the amount that they can raise, and the amount on which investors can claim relief.
SEIS relief on CGT	5	2024-25		
SEIS reinvestment relief on CGT	5	2019-20		
Rollover relief for replacement of business assets on CGT	65	2017-18	**2015** – Very few cases where the relief appeared to have a major influence on business behaviour and tax planning of claimants.	No recent policy changes.

Figure 1 *continued*
Examples of tax reliefs claimed by wealthy individuals

Notes
1 HMRC does not report separate cost estimates for BADR and IR.
2 The reliefs covered in this figure represent a subset of all tax reliefs that are available to wealthy individuals.
3 Since 2019-20, HM Revenue & Customs (HMRC) defines wealthy individuals as those who have incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.
4 Cost estimates are from HMRC's December 2024 publication.
5 HMRC's tax relief evaluations are either carried out by HMRC analysts or commissioned from external organisations. In general, evaluations aim to determine if reliefs are achieving their stated objectives.

Source: National Audit Office analysis of HM Revenue & Customs data

1.13 On average, each wealthy individual paid £140,000 in tax in 2023-24. The profile of taxpayers paying each tax varies, with individual Capital Gains Tax liabilities fluctuating considerably, as taxpayers may not buy and dispose of assets at the same rate each year, and Inheritance Tax typically being a one-off charge that is paid out of a person's estate after they die. This compares with Income Tax and National Insurance, where the amount paid by an individual each year is relatively stable.

- **Income Tax and National Insurance:** Wealthy individuals accounted for £103 billion (23%) of all Income Tax and National Insurance paid by individual taxpayers in 2023-24, with each wealthy individual paying approximately £121,000 on average. This equates to an annual taxable income of around £280,000, after pension contributions and other allowable deductions. Around 29,000 taxpayers (3% of wealthy individuals) had incomes of at least £1 million, and were liable for around £34 billion of Income Tax in total (an average tax liability of £1.2 million each).

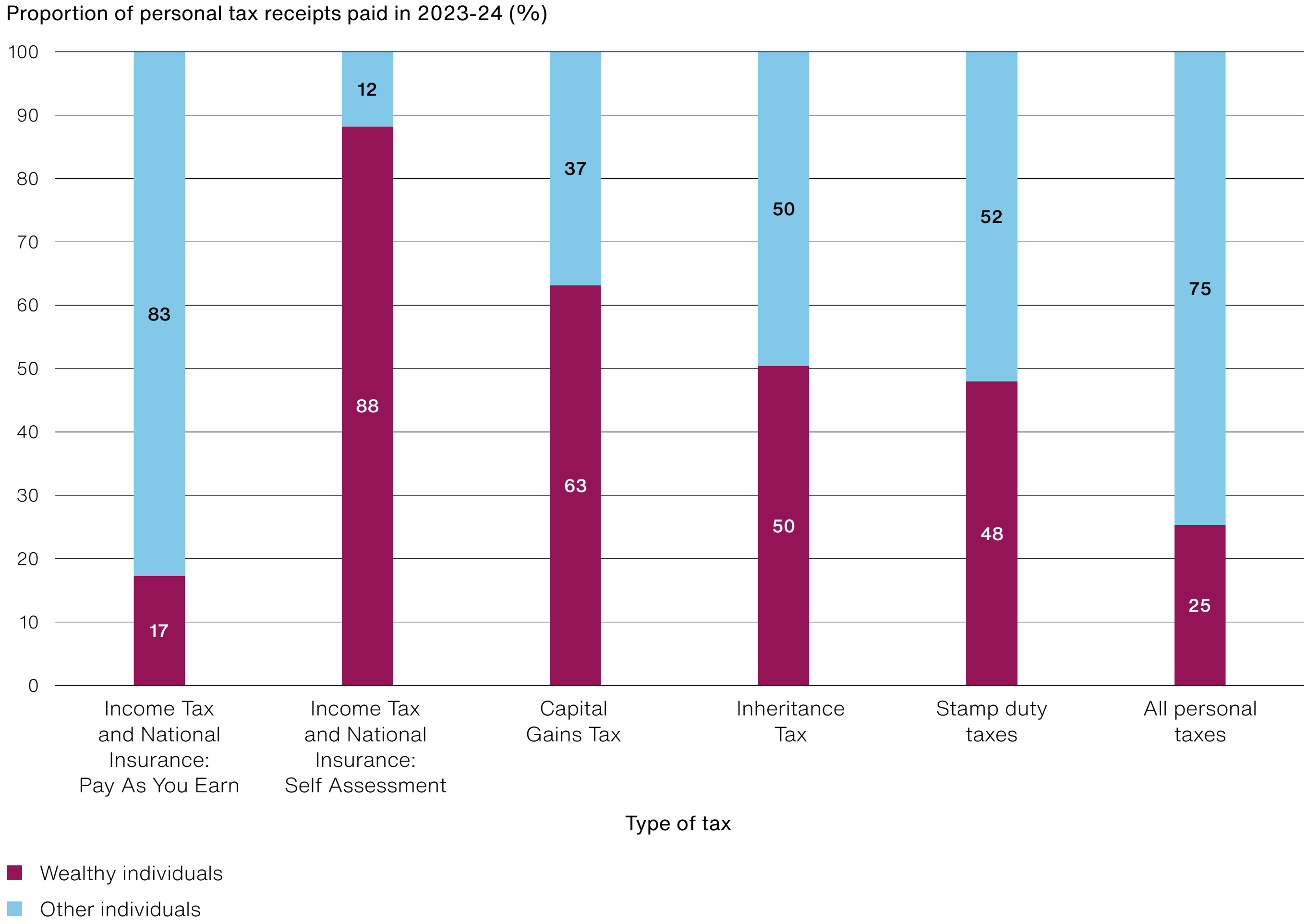
- **Capital Gains Tax:** Wealthy individuals accounted for £9 billion (63%) of Capital Gains Tax paid in 2023-24. Information on the distribution of these gains is not available beyond 2022-23, when 85,000 (23% of all taxpayers making a capital gain in that year) made a gain of £100,000 or more and were liable for an average of around £150,000 in Capital Gains Tax. Around 2,000 taxpayers (0.2% of wealthy individuals) made gains of £5 million or more in 2022-23, and were liable for £6 billion of Capital Gains Tax in total (an average of £3 million each).

- **Inheritance Tax:** Wealthy individuals accounted for an estimated £4 billion (50%) of Inheritance Tax paid in 2023-24. There is normally no Inheritance Tax due if the value of an estate is below the tax threshold of £325,000, or if the person who dies leaves everything above the threshold to their spouse, civil partner, or charity. This means that Inheritance Tax was only paid on 4% of estates in 2021-22, the latest data available. One in nine of these estates was worth at least £2 million, and in total these were liable for £3.1 billion of Inheritance Tax (an average of £1 million each).

Figure 2

Tax paid by wealthy individuals as a proportion of total personal tax receipts for each tax type, 2023-24

Wealthy individuals accounted for 25% of all UK personal tax receipts in 2023-24, but for nearly two-thirds of Capital Gains Tax receipts



Notes

1 Since 2019-20, HM Revenue & Customs defines wealthy individuals as those who have incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.

2 Stamp duty taxes constitute Stamp Duty Land Tax (on purchases of property) and Stamp Duty Reserve Tax (on purchases of shares).

3 We have defined personal taxes as Income Tax, National Insurance Contributions, Capital Gains Tax, Inheritance Tax and stamp duty taxes. We have only included those amounts within each type of tax that are paid by individual taxpayers.

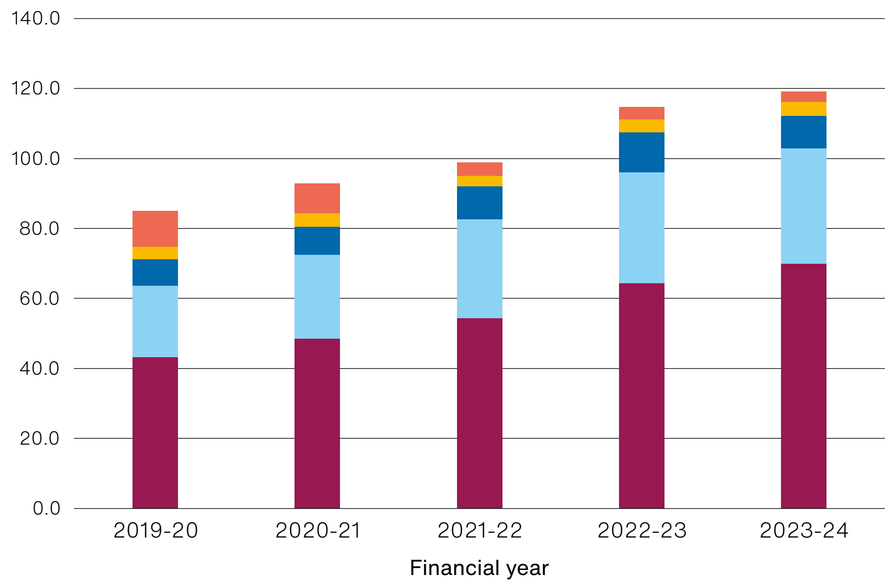
Source: National Audit Office analysis of HM Revenue & Customs data

1.14 Figure 3 shows how the taxes paid by wealthy individuals changed between 2019-20 and 2023-24. Over that period, the amount they paid in Income Tax and National Insurance increased by more than 60%, largely due to salary growth and partly due to the freezing of tax thresholds since 2021-22. Stamp duty taxes reduced by more than 70%, driven by a reduction in Stamp Duty Land Tax rates from July 2020.

Figure 3

Tax receipts paid by wealthy individuals, by tax type, 2019-20 to 2023-24

The annual UK tax receipts paid by wealthy individuals increased by £33.7 billion (40%) between 2019-20 and 2023-24, driven by growth in Income Tax and National Insurance receipts



	2019-20	2020-21	2021-22	2022-23	2023-24
Income Tax and National Insurance: Pay As You Earn	43.3	48.4	54.4	64.4	69.9
Income Tax and National Insurance (Self Assessment)	20.4	24.1	28.2	31.8	32.9
Capital Gains Tax	7.4	8.0	9.5	11.4	9.5
Inheritance Tax	3.7	3.8	2.9	3.6	3.8
Stamp duty taxes	10.3	8.4	3.8	3.5	2.9
Total wealthy receipts	**85.1**	**92.8**	**98.9**	**114.7**	**119.0**

Notes

1 Since 2019-20, HM Revenue & Customs (HMRC) defines wealthy individuals as those who have incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.

2 Values are in nominal terms and have not been adjusted for inflation.

3 Stamp duty taxes constitute Stamp Duty Land Tax (on purchases of property) and Stamp Duty Reserve Tax (on purchases of shares).

4 We have not included money which HMRC receives in fines and penalties, which HMRC does include in its published receipts figures.

5 Totals may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data

Taxes paid by the wealthiest individuals

1.15 HMRC does not collate data on an individual's liabilities across all types of personal tax to understand the total amount of tax paid at different income or wealth bands. Its latest analysis from Self Assessment tax returns, which excludes PAYE Income Tax, Inheritance Tax and stamp duty liabilities, is for 2021-22 and shows that taxpayers with assets above £20 million were liable for an average of around £1.8 billion in tax, and taxpayers with assets between £10 million and £20 million were liable for an average of around £360 million. **Figure 4** overleaf gives the latest data HMRC was able to provide on the highest-paying taxpayers within each tax type.

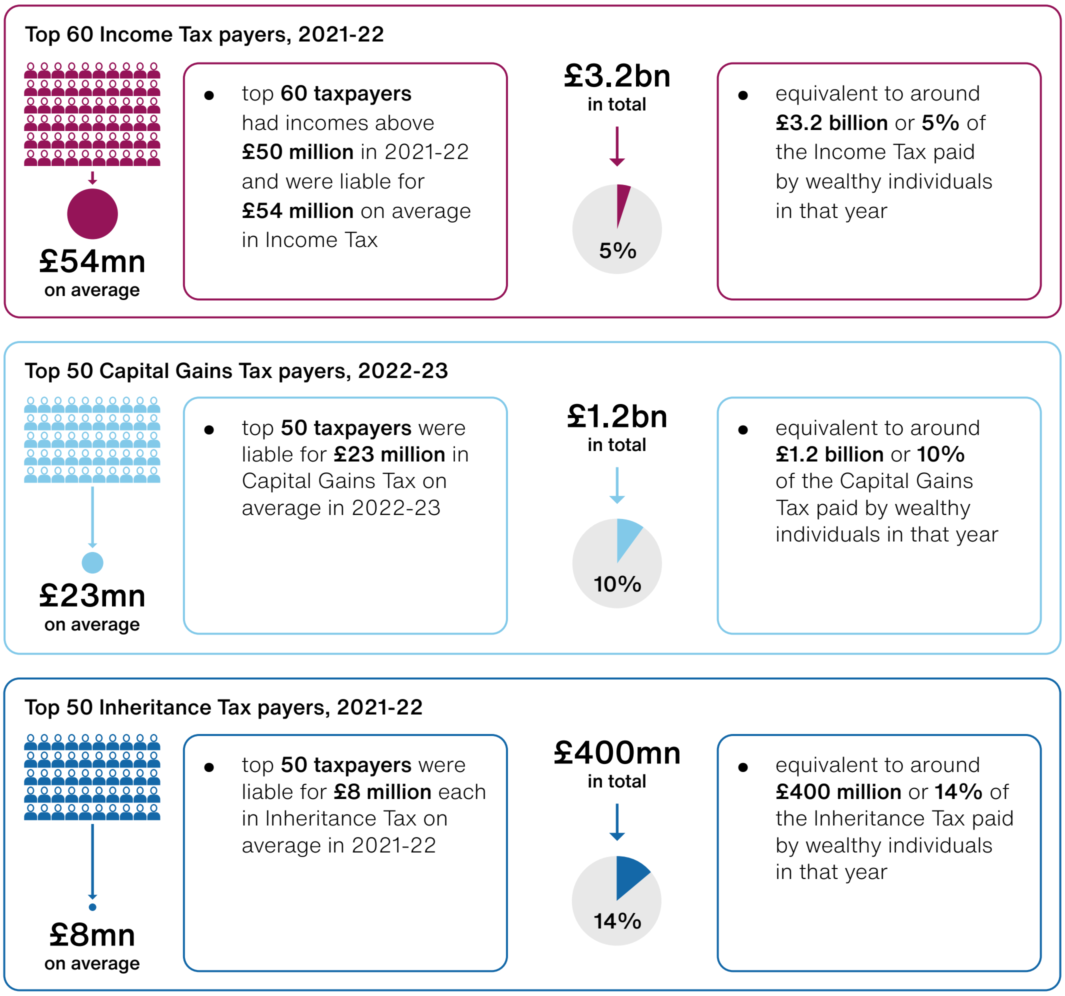
1.16 HMRC does not have a 'super-rich' sub-category by which it organises its work. Prior to 2017, HMRC had a separate unit to examine the activities of high net worth individuals, in line with most other Organisation for Economic Co-operation and Development countries. This unit focused on taxpayers with assets of at least £10 million. HMRC merged the unit with its affluent taxpayer unit to provide a single wealthy team to deal with the whole wealthy population.[4] HMRC has not formally evaluated the impact of this change in approach and so does not know whether it is targeting its resources within the wealthy population effectively. HMRC says it must consider the complexity of an individual's tax arrangements and opportunity for non-compliance alongside their income and wealth. It determines its compliance approach for each individual based on its assessment of risk, which HMRC said is not always proportionate to an individual's level of wealth.

1.17 HMRC says its threshold for taxpayers reaching its definition of a wealthy individual represents the point at which those taxpayers begin to consider more structured, complex tax arrangements. It plans to reassess the threshold soon in the context of increasing numbers of wealthy individuals. Complexity and opportunity for non-compliance typically increase alongside wealth, but this is not how HMRC's wealthy team organises its work (**Figure 5** on page 23). HMRC has not assessed the level of risk or the impact of its compliance activities for different income or wealth bands to understand whether it should take a particular focus on the wealthiest individuals. It said its systems limit this type of analysis.

4 HMRC defined affluent taxpayers as those with income over £150,000 or with assets between £1 million and £10 million. In 2019, HMRC introduced its current definition of wealthy taxpayers with income over £200,000 or assets over £2 million in any of the last three years.

Figure 4
Highest-paying wealthy individuals in the UK, by type of tax

The top 60 Income Tax payers pay 5% of Income Tax and the top 50 Capital Gains Tax payers pay 10% of Capital Gains Tax



Notes

1 Since 2019-20, HM Revenue & Customs (HMRC) defines wealthy individuals as those who have incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.

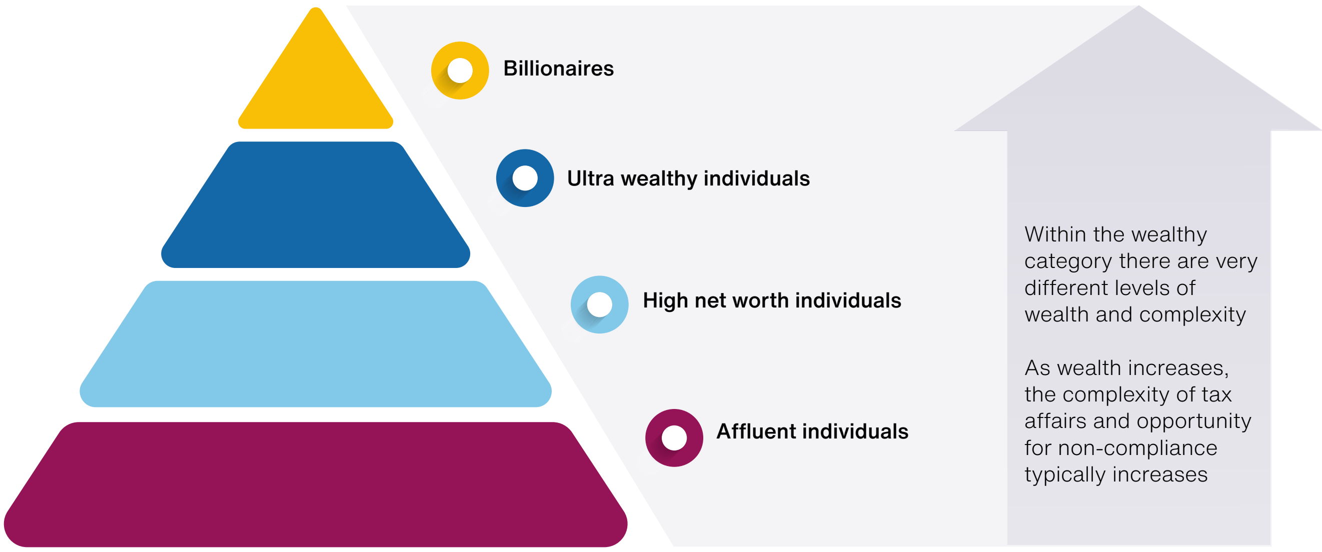
2 Some of these data were previously prepared by HMRC for other purposes, hence the size of the populations and the years in focus not being the same.

Source: National Audit Office analysis of HM Revenue & Customs data

Figure 5

Illustrative breakdown of HM Revenue & Customs' (HMRC's) wealthy customer group by wealth, 2023-24

The wealthy customer group covers very different levels of wealth and complexity, although HMRC does not segment wealthy individuals in this way



Illustrative sub-categories within the wealthy population:

- **Affluent individuals**[2]
  Assets greater than £2 million or income more than £200,000, and assets less than £10 million
  Approximately 800,000 individuals in the UK
- **High net worth individuals**[3]
  Assets between £10 million and £100 million
  Approximately 40,000 individuals in the UK
- **Ultra wealthy individuals**[4]
  Assets between £100 million and £1 billion
  Approximately 2,300 individuals in the UK
- **Billionaires**[5]
  Assets above £1 billion
  Estimates range between approximately 50 and 165 living in the UK

Notes

1 HMRC has an operational compliance function focused on all wealthy individuals and does not segment this customer group further by wealth. The segments provided here illustrate potential groupings and the latest estimates of the number of taxpayers involved.

2 Prior to 2017, HMRC had a separate unit to examine the activities of affluent individuals, using a broader definition of individuals with assets between £1 million and £10 million or an income over £150,000. We have used assets of £2 million and income of £200,000 as the lower threshold to align it with HMRC's current threshold for the wealthy population.

3 Prior to 2017, HMRC also had a separate unit to examine the activities of high net worth individuals, which it then defined as all individuals with assets above £10 million.

4 There is no agreed definition of an ultra wealthy individual. We have used assets between £100 million and £1 billion to be illustrative only. Individuals with assets above £100 million was the highest wealth band in the data that HMRC provided to us on the breakdown of the customer group by wealth.

5 HMRC could not provide us with the number of billionaires living in the UK. Various publicly available sources estimate the number of billionaires in the UK each year.

6 The sizes of the segments are spaced evenly and do not represent the number of taxpayers nor the value of wealth.

Source: National Audit Office analysis of HM Revenue & Customs data

Part Two

Understanding the risk of non-compliance among wealthy individuals

2.1 Non-compliance includes taxpayers making genuine mistakes or choosing not to comply. In this part we:

- set out what HM Revenue & Customs (HMRC) knows about the overall scale of non-compliance among wealthy individuals;
- assess how HMRC identifies and prioritises areas of highest risk; and
- assess how HMRC uses data to understand compliance risks, particularly the risk of offshore non-compliance.

Understanding the overall scale of non-compliance

2.2 HMRC estimates that wealthy individuals accounted for £1.9 billion in lost tax revenue in 2022-23, the latest data available, or 0.2% of all taxes owed. This proportion has remained stable in recent years, although it has increased in cash terms since 2020-21 as tax revenues have increased. HMRC is one of few tax administrations that publishes an annual estimate of this wealthy tax gap. It uses the estimates as an indicator of its long-term performance and to provide insight into where to focus its compliance activity. External organisations including the Office for Statistics Regulation and the International Monetary Fund have previously reviewed HMRC's overall tax gap methodology, though not specifically the wealthy tax gap.

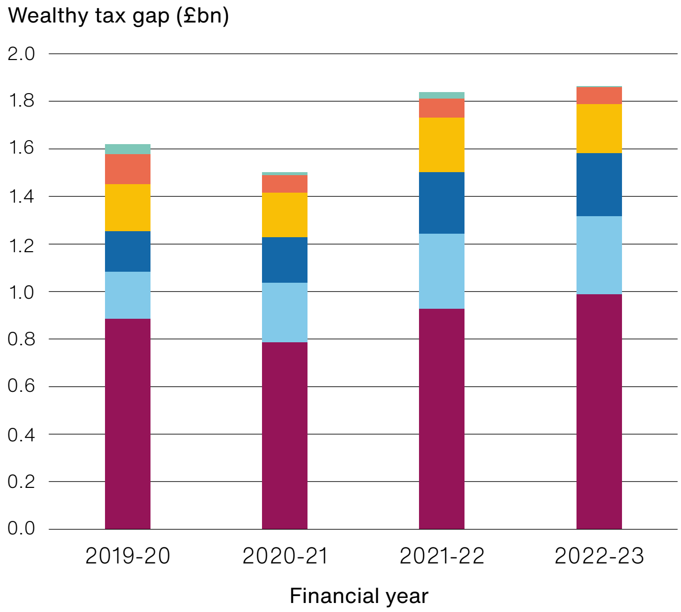
2.3 While wealthy individuals contributed 26% of personal tax receipts in 2022-23, HMRC estimates they accounted for 50% of lost personal tax revenue.[5] HMRC's illustrative analysis of how the wealthy tax gap breaks down by behaviour shows that over half of it comes from legal interpretation, where a taxpayer interprets the law differently from HMRC, resulting in a different tax outcome. HMRC estimates that deliberate non-compliance by wealthy individuals through tax evasion and avoidance remained around £0.3 billion between 2019-20 and 2022-23, whereas taxpayer error and carelessness when completing returns increased from £0.4 billion in 2019-20 to £0.6 billion in 2022-23 (**Figure 6**). Potential explanations for the increase in error and carelessness may include increasing pushing of boundaries in interpreting complex tax rules and reliefs, or issues with the quality of advice and guidance provided to wealthy individuals, either by their agents or by HMRC.

5 These proportions have been broadly consistent since 2019-20.

Figure 6

HM Revenue & Customs' (HMRC's) illustrative breakdown of the UK's wealthy tax gap by type of non-compliant behaviour, 2019-20 to 2022-23

HMRC estimates that legal interpretation accounts for over half of the wealthy tax gap



	2019-20	2020-21	2021-22	2022-23
Legal interpretation	0.9	0.8	0.9	1.0
Failure to take reasonable care	0.2	0.2	0.3	0.3
Error	0.2	0.2	0.3	0.3
Evasion	0.2	0.2	0.2	0.2
Avoidance	0.1	0.1	0.1	0.1
Non-payment	0.0	0.0	0.0	0.0
Total wealthy tax gap	**1.6**	**1.5**	**1.8**	**1.9**

Notes

1 The tax gap is defined by HMRC as the difference between the amount of tax that should, in theory, be paid to HMRC and the amount that is actually paid.

2 HMRC uses a range of methods to estimate tax gaps, including external data sources, random enquiry programmes, surveys and management information.

3 Since 2019-20, HMRC has defined wealthy individuals as those with incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.

4 HMRC defines its tax gap behaviours as follows:
- legal interpretation, where a taxpayer's and HMRC's interpretations of the law and how it applies result in different tax outcomes;
- failure to take reasonable care, where a taxpayer's carelessness and/or negligence in adequately recording transactions and/or preparing their tax return results in them paying less tax than due;
- error, where a taxpayer makes a mistake in their tax calculations, despite taking reasonable care;
- evasion, an illegal activity where registered individuals or businesses deliberately omit, conceal or misrepresent information in order to reduce their tax liabilities;
- avoidance, where a taxpayer bends tax rules to try and gain a tax advantage that Parliament never intended; and
- non-payment, tax debts that are written off by HMRC and result in a permanent loss of tax.

5 The figures are rounded to one decimal place. For non-payment, the values are greater than zero but less than £0.05 billion so are rounded to £0.0 billion.

Source: National Audit Office analysis of HM Revenue & Customs data

2.4 HMRC has stated that measuring aspects of the wealthy tax gap is inherently difficult. HMRC's estimate of the wealthy tax gap does not capture the full scale of non-compliance by wealthy individuals, who may receive and process large proportions of their income and wealth through the companies they control. HMRC includes undeclared or under-declared tax by these companies in its business tax gap estimates. However, HMRC's systems cannot easily integrate business and personal tax data, so it is unclear how much of these other gaps are due to the activities of wealthy individuals.

2.5 HMRC's wealthy tax gap estimate makes only limited use of random enquiry programmes, where HMRC subjects a random sample of tax returns to a full enquiry to estimate the scale of non-compliance. By value, HMRC told us it calculated around 20% of the wealthy tax gap using a random enquiry programme covering 175 wealthy individuals. HMRC calculated the remainder using a mix of other methods which it judges are less certain. HMRC told us it applied an uplift to the estimates derived from the random enquiry programme to account for non-compliance it may have failed to detect. These 'non-detection multipliers' align with the approach taken by some other tax administrations. HMRC acknowledges that it has more to do to improve the reliability of the wealthy tax gap measure.

Assessing and tackling areas of highest risk

2.6 HMRC maintains a register of key compliance risks – the Strategic Picture of Risk (SPR) – focused on current risks and those which may become significant in the coming two years. The SPR sets out how much tax revenue is lost to each risk, which HMRC uses to support operational planning. HMRC identified 63 risks in its 2024 SPR.

2.7 As part of the SPR, HMRC identifies 19 risks that relate to wealthy individuals to a greater or lesser extent. Wealthy individuals are considered the main customer group involved in eight risks, and to be involved to a lesser extent in the other 11. HMRC's current assessment is that the overall compliance risk posed by wealthy individuals is increasing, with the net loss in tax revenue from their non-compliance increasing by 21% between 2020-21 and 2022-23, the latest data available. HMRC told us that some of the increase will reflect improved detection and measurement of risk rather than an increase in the underlying risk, and that net loss and the tax gap are calculated using different methodologies, making direct comparison difficult. HMRC estimates that net losses from all customers increased by 16% between 2020-21 and 2022-23.

2.8 HMRC estimates that 60% of the net loss in tax revenue from wealthy individuals came from three risks: inaccuracies in reporting personal income, incorrect Capital Gains Tax, and offshore non-compliance. HMRC estimates that all three of these were higher in 2022-23 compared with 2020-21. Non-dom exploitation is the fourth largest risk, although in April 2025 the government abolished the non-dom regime and replaced it with a residence-based test.[6]

2.9 The profile of the wealthy team's casework does not align well to the key risks HMRC has identified. Some 58% of casework that the wealthy team closed in 2023-24 focused on one risk: inaccuracies in reporting personal income. Offshore non-compliance accounted for less than 5% of casework, despite HMRC's assessment that the amount of non-compliance is sizeable. HMRC said that other teams, such as its fraud specialists, will also have casework looking at offshore non-compliance involving wealthy individuals, but that it does not have the data to quantify how much. HMRC's casework system records the risks suspected at the outset of an investigation rather than any additional risks identified as the investigation progresses.

2.10 HMRC produces a risk treatment plan for tackling each risk. These set out potential interventions and are updated by the owner of each risk with progress against those interventions that are underway. We reviewed three of the four risks for which ownership sits within the wealthy team. HMRC's plans are comprehensive and detailed, and we found clearly informed thinking around each plan and an effort to monitor and report on progress. However, it is not clear what impact each treatment activity is having on the risk, and there is only limited prioritisation of the treatment actions. We found similar issues when we examined risk treatment plans relating to tax evasion in retail in September 2024.[7] In 2024, the wealthy team improved how it oversees its compliance risks, including clearer ownership and accountability, involvement of technical experts at all stages, and real-time evaluation of its projects.

2.11 The SPR identifies risks to the tax system based on specific rules or weaknesses rather than considering the risks posed by particular customer groups such as internationally mobile billionaires or the agents representing the wealthy. HMRC said agent behaviour can be both a positive and negative factor in compliance. It said it carries out some analysis on the impact of agents on particular risks but does not currently have the data, insights or resources to consistently assess the impact of agents across all risks.

6 'Non-doms' (non-domiciled residents) are people who live in the UK but whose permanent home, or 'domicile', is outside of the UK. Until April 2025, there were rules specific to non-doms that may have affected the amount of UK tax that they paid on foreign income.

7 Comptroller and Auditor General, *Tackling tax evasion in high street and online retail*, Session 2024-25, HC 229, National Audit Office, September 2024.

2.12 In practice, agents providing incorrect advice to wealthy taxpayers pose a significant risk. HMRC's wealthy team has recognised it needs a better understanding of agents, and it has used the information it holds to identify 33,000 agents registered to represent wealthy individuals. It plans to develop its information further into a more structured database to better segment the agent population, identify and profile emerging risks, and target particularly concerning agent behaviour. HMRC has a dedicated team that reviews reports of inappropriate agent conduct and sanctions those who fail to meet HMRC's compliance standards for agents.

2.13 There is no formal regulatory framework governing tax agents in the UK, with 30% of agents not affiliated to a professional body. In 2024, HMRC consulted on potential approaches to strengthen regulation and raise standards in the tax advice market. In response, from April 2026, all tax agents who interact with HMRC on behalf of a client will first have to register with HMRC. HMRC is continuing to consult on stronger sanctions against agents who enable their clients to pay the wrong amount of tax. A recently reported case demonstrates the high level of compliance risk potentially facilitated by agents (**Figure 7**).

Figure 7

The role of tax agents in advising wealthy individuals

Agents of wealthy individuals play an important role in ensuring taxpayers' compliance, but their advice can also present risks

Reports have been raised about the use of tax avoidance schemes among very wealthy individuals. These schemes often involve the creation of complex global networks of companies and trusts spanning tax authorities around the world to minimise tax liabilities. Such schemes are often the subject of careful and detailed tax planning by skilled advisers and present significant challenges to tax authorities in investigating the tax payable in their jurisdictions.

It is not unusual for businesses to legally minimise the Corporation Tax payable on their profits by registering their companies in tax havens, but the companies must be managed and controlled from where they are incorporated. Under UK tax law, companies that are incorporated overseas are only treated as being resident in the UK if strategic decisions are being taken by directors based in the UK. In such instances, company profits should be taxed as if the company were a UK one. Unravelling complexities to identify where management and control is exercised in a network of global companies presents clear challenges to HM Revenue & Customs (HMRC) and other tax authorities and requires specialist expertise.

In recent years, data leaks from offshore financial and legal firms have provided HMRC with a large amount of intelligence to support compliance investigations into avoidance schemes and wealthy individuals that use them. The role of agents in facilitating such schemes is evident. It is common for wealthy individuals to claim that they relied on the tax advice from experts and could not be expected to understand the intricacies of any arrangements, but the taxpayer is responsible for payment regardless of the agent's advice.

Source: National Audit Office analysis of press reports

Data that HMRC uses to understand compliance risks

2.14 HMRC relies on the information that wealthy individuals provide through tax returns to help it assess whether they have paid the right amount of tax. However, HMRC faces some challenges with the returns, including the following.

- **Data gaps:** HMRC told us that requesting more information through tax returns would improve its ability to identify non-compliance, but it must consider the burden on taxpayers. Countries that do collect more information can better link with data from financial institutions or other government departments to more accurately assess an individual's liability. HMRC has an ambition to collect more information from wealthy individuals with more complex affairs, in line with international best practice. However, HMRC has set no firm plans or timescales. Its previous attempt to enhance reporting from wealthy individuals and trustees, in 2015, did not pass the draft consultation stage.

- **Unstructured data:** HMRC asks taxpayers for certain information, such as calculations supporting the number of asset disposals and size of capital gains, in an open text box. This makes it difficult for HMRC to systematically analyse the information, either to understand the overall risk, or make decisions about which tax returns to investigate. Representative bodies of tax professionals told us that, often, HMRC's queries with agents indicate it has not looked at information already provided in open text boxes. This raises concerns about HMRC opening unnecessary enquiries and the extent to which HMRC is using the information to effectively assess the riskiest returns.

- **Non-digital returns:** Taxpayers submit Inheritance Tax returns on paper forms. This means HMRC must manually assess each return instead of systematically analysing it against other datasets. At Autumn Budget 2024 the government announced investment of £52 million to introduce digital Inheritance Tax returns from 2027-28, which HMRC expects will improve the efficiency of its work. Taxpayers can submit most other returns digitally.

2.15 HMRC routinely compares data from tax returns with other data sources to identify inaccuracies and other forms of potential non-compliance. **Figure 8** sets out some of these other data sources and how HMRC has used them to understand compliance risks. **Figure 9** sets out how HMRC has developed its data sources to better understand the risk from the rising use of cryptoassets. In March 2025, HMRC opened a consultation on improving the quality of data it already gathers from banks and payment service providers, as well as on collecting new data from financial institutions on investment income. The data HMRC receives on UK accounts are currently limited to savings interest, and HMRC reports it is unable to match these data to HMRC customer records in around one in five accounts.

Figure 8

Examples of data sources that HM Revenue & Customs (HMRC) uses to assess risks from wealthy individuals

HMRC has access to a range of data and intelligence which it can use to identify non-compliance

Data source	Examples of how HMRC has used these data
Border Control data	To assess the number of days an individual has been resident in the UK, allowing it to correctly calculate tax treatment such as overseas workday relief
Bulk leaks of financial and legal documents	Matched with internal data to identify where individuals may not have paid the correct amount of tax on offshore assets
Digital archive of the world wide web	To get insights into how tax avoidance schemes have been promoted to customers in the past, building insights into schemes and helping to progress cases
Engagement with external stakeholder groups	Uses an external forum to engage with accredited agents and gain insights into the operational processes and tax issues affecting wealthy individuals Has built relationships with tax agents representing professional footballers, allowing it to identify and resolve complex issues such as the correct treatment of commercial income and use of overseas workday relief for international players
Engagement with other tax authorities	Collaborated to share insights and intelligence to understand tax issues affecting wealthy individuals, address risks, and develop strategies to tackle non-compliance among this population

Note

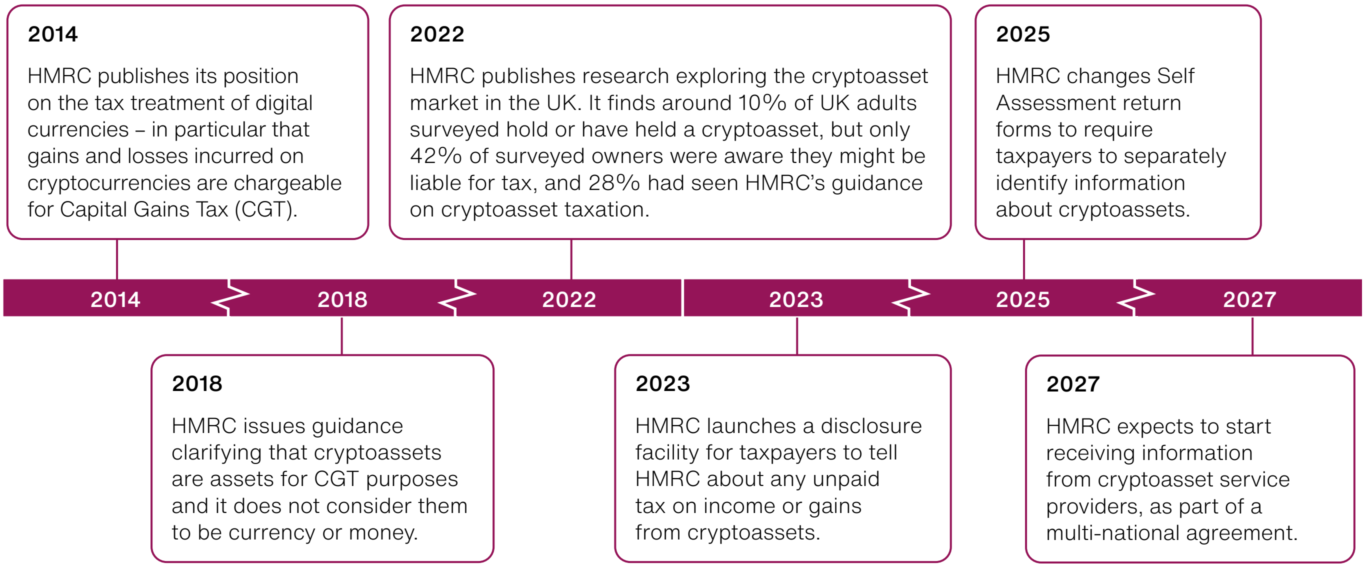
1 HMRC regularly receives some of the data shown in the figure. For some data shown above, HMRC must request the data from another source as part of a compliance check.

Source: National Audit Office analysis of HM Revenue & Customs information

Figure 9

Timeline illustrating what HM Revenue & Customs (HMRC) has done and is doing to develop its understanding of cryptoassets, 2014 to 2027

HMRC is improving the quality of information it gets from taxpayers and cryptoasset service providers to better understand this emerging risk



Notes

1 Cryptoassets (also referred to as 'tokens' or 'cryptocurrency') are defined by HMRC as cryptographically stored digital representations of value or contractual rights that can be transferred, stored and traded electronically.

2 To raise awareness about the tax implications of cryptoassets, HMRC has published a YouTube video. It told us it has also spoken to agents and written to 90,000 taxpayers it suspects has made gains on cryptoassets.

Source: National Audit Office analysis of HM Revenue & Customs information and guidance

Offshore non-compliance

2.16 UK residents are required to pay tax on all their taxable income or capital gains, including from other countries.[8] Offshore non-compliance can include taxpayers making careless mistakes or errors when declaring offshore income to HMRC, or deliberately hiding income and assets offshore, often in complex arrangements, to evade tax. To help identify the risk of offshore non-compliance, HMRC uses data on foreign bank accounts held by UK residents, shared with HMRC under international agreements. The most significant international agreement in place is the Common Reporting Standard (CRS).[9] As at February 2025, 116 jurisdictions had committed to share data under the CRS, and HMRC receives data on over 9 million accounts.

8 Prior to 6 April 2025, non-doms may not have had to pay UK tax on foreign income. Since then, new arrivals to the UK do not have to pay UK tax on foreign income for their first four years of tax residence.

9 The CRS was developed by the Organisation for Economic Co-operation and Development. HMRC first received data from the CRS in September 2017, relating to account balances in the 2016 calendar year.

2.17 HMRC systematically compares taxpayers' returns with data on foreign bank accounts to determine if additional tax is due, but it is limited by the quality and completeness of the data it receives. Limitations include the following.

- The data HMRC receives from international agreements provide it with only a limited picture of UK taxpayers' foreign income. For most CRS accounts, HMRC receives data on the account balance at the end of the year and the gross interest paid to it. However, HMRC told us it only receives data on the income generated from offshore financial assets (such as stocks and shares) when a financial institution holds custody of those assets and not when directly held by a taxpayer. These limitations mean that HMRC cannot use CRS data to identify all of the income which flows through offshore accounts. Since the introduction of the CRS, there is international evidence that an increasing number of individuals are holding their wealth in non-financial assets, such as property, the income from which is not covered through international agreements.
- HMRC receives foreign bank account data on a calendar year basis, rather than a UK financial year basis. This makes it more difficult for HMRC to determine the correct amount of taxable income for a given financial year. In October 2024 HMRC began a consultation to explore aligning the taxation of offshore interest with the calendar year.
- Some countries have not committed to share data with the UK, and some financial institutions may not comply with their responsibilities.

2.18 HMRC has secured more than £820 million of compliance yield by using data shared under international agreements. HMRC also believes these agreements will have deterred taxpayers with offshore interests from non-compliant behaviour, and is working to quantify this impact. However, given the limitations detailed above, HMRC needs to use a wider range of intelligence to identify offshore non-compliance and reduce any risk to revenue. Other information sources, including data leaks like the Panama papers, and other information collected and shared with HMRC's domestic and international partners, can help HMRC identify this non-compliance. HMRC leads groups representing international partners, in particular to use information in innovative ways and exchange data on internationally mobile wealthy individuals. However, the work to make use of this information is resource-intensive, and HMRC told us it needs further investment in its IT capabilities and intelligence management systems to better match and make use of these data. It plans to use artificial intelligence and advanced analytics to identify individuals trying to hide their wealth. It also announced, in March 2025, a new reward scheme for informants, based on successful schemes in the United States (US) and Canada, that will target the most serious cases of non-compliance, including for wealthy individuals, offshore and avoidance schemes.

2.19 HMRC is collaborating with academic researchers to increase its understanding of offshore non-compliance. Other tax authorities have already benefitted in this area from making their data more accessible to researchers. For example, researchers in the US worked with the Internal Revenue Service (IRS) to understand the level of tax evasion undetected through random enquiries. It found the IRS's random enquiries had previously failed to capture sophisticated evasion via offshore accounts.[10] HMRC has had a Datalab since 2011, which allows approved researchers to submit proposals to analyse anonymised taxpayer information. HMRC does not commission Datalab analysis. Since 2011, six of the 108 research proposals to Datalab that HMRC has approved are relevant to wealthy individuals. HMRC told us that some of these six projects are among the largest Datalab projects.

Offshore tax gap

2.20 In October 2024 HMRC published its first estimate for undeclared income held in offshore accounts, a form of offshore non-compliance. HMRC estimated that, in 2018-19, £300 million in tax was lost due to UK residents failing to disclose their foreign income from some accounts held in the countries which automatically exchanged account information with the UK in 2017 and 2018.[11] HMRC's uncertainty over this estimate means it could be anywhere between £200 million and £600 million. HMRC based its calculation on an estimate that 4% of UK residents under-declared their tax liability on foreign income. HMRC's estimate is based on CRS data, and therefore largely covers non-compliance in relation to individuals' offshore savings income rather than other forms of foreign earnings, such as trading profits, dividends, and any other investment income besides interest.[12] Estimating offshore non-compliance is a notably difficult area and HMRC acknowledges its estimate does not capture the full extent of the offshore tax gap. It is consulting with stakeholders on how it can expand its coverage.

2.21 HMRC told the Committee of Public Accounts in March 2025 that it is difficult to measure the risk of offshore non-compliance or expand its estimate to a standard required for publication. Internally, HMRC has identified a much larger amount of tax at risk from all forms of offshore non-compliance, but it does not publish this figure. In total, UK residents held £849 billion in offshore accounts at the end of 2019, limited to those 93 tax jurisdictions that automatically exchanged account information with the UK under the CRS in relation to that year.[13]

10 J Guyton, P Langetieg, D Reck, M W Risch and G Zucman, *Tax Evasion at the Top of the Income Distribution: Theory and Evidence*, March 2021, revised December 2023.

11 Eighty-four jurisdictions sent CRS information to the UK in 2018 (relating to account balances in 2017), and 92 sent information in 2019 (relating to account balances in 2018).

12 Data HMRC receives under the CRS on offshore accounts can include dividend income from financial assets when a financial institution holds custody of those assets but not when directly held by a taxpayer.

13 This figure covers the CRS information sent to the UK in 2020, relating to account balances in the 2019 calendar year. The US automatically exchanges information with HMRC under a separate agreement, and so funds held by UK residents in US accounts are not included in this figure.

2.22 HMRC's published estimate of undisclosed foreign income is several years out of date. To produce that estimate, HMRC identified discrepancies between foreign income held in overseas accounts, as indicated in data shared under international agreements, and foreign income declared on Self Assessment returns (which are submitted 10 months after the end of the tax year). It then used a random enquiry programme into a sample of 400 cases to determine the scale and value of non-compliance in this population. HMRC's work to produce the estimate took four years, with the estimate finalised more than six years after the tax year in question, meaning it was significantly out of date when it was published. HMRC started the random enquiry programme in 2020, but the initial results were not available until September 2023. Quality assurance on the results then identified issues with the quality of data recorded from casework, which, HMRC said, took some time to resolve.

2.23 In addition to the limitations in quality and scope of the data shared under international agreements (see paragraph 2.17), HMRC also faces a number of practical challenges.

- HMRC's analysis is limited to the 2018-19 financial year and draws on data shared under international agreements from 2017 and 2018. Since 2017, the number of jurisdictions signed up to these agreements with HMRC has more than doubled.
- HMRC's analysis only relates to accounts in an individual taxpayer's name. It does not include indirectly held accounts such as those held in trusts or on behalf of someone else, although HMRC has access to some of these data. International research indicates that these accounts make up a large proportion of total assets held offshore, are concentrated among wealthier individuals, and are more likely than directly held accounts to be held in tax havens.
- HMRC was unable to trace 18% of foreign account holders to a HMRC record. It has assumed the level of non-compliance among these accounts is no different to what it identified in those accounts it could match to internal records.

Part Three

HM Revenue & Customs' (HMRC's) work to tackle non-compliance

3.1 In this part, we:

- set out how HMRC is organised to tackle non-compliance among wealthy individuals;
- examine its work to promote compliance and prevent non-compliance;
- assess its performance in responding to potential non-compliance; and
- examine HMRC's plans going forward.

How HMRC is set up to tackle non-compliance among wealthy individuals

Compliance yield

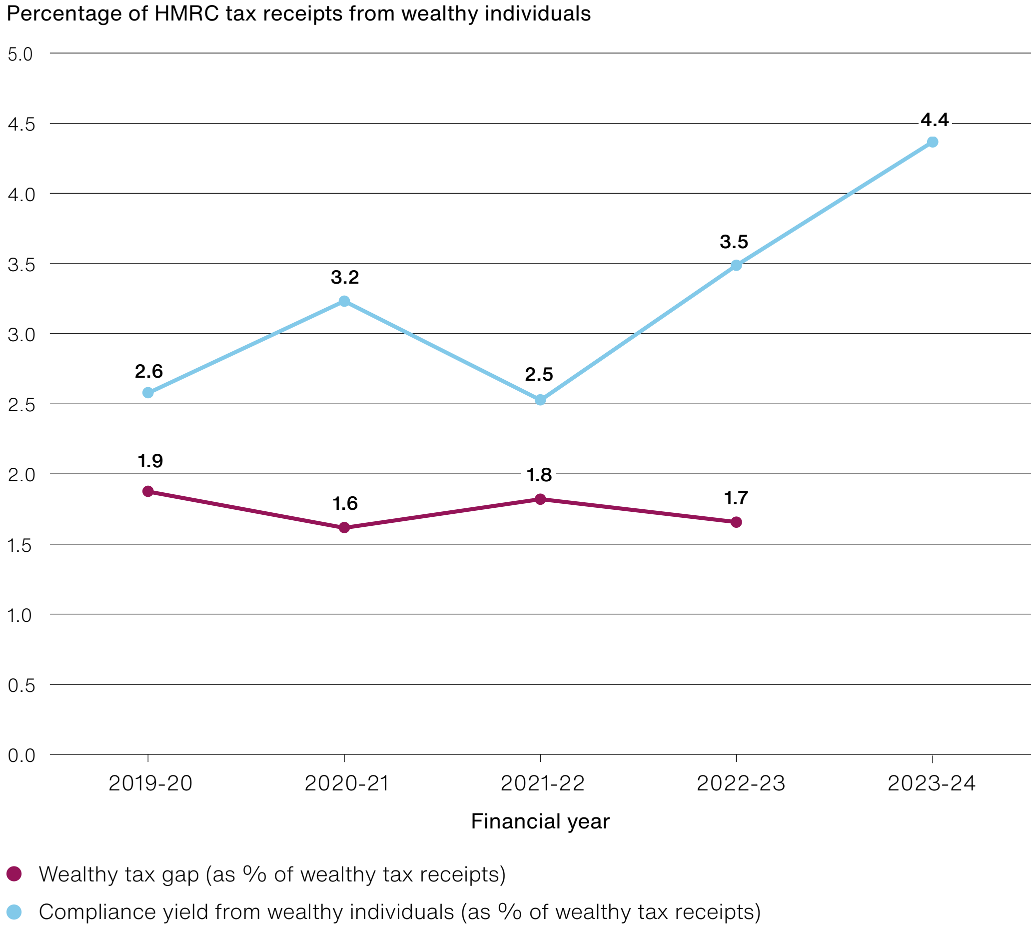
3.2 HMRC's primary measure of compliance performance is compliance yield, its estimate of the tax revenue HMRC collected or protected that would otherwise have been lost to the Exchequer. In 2023-24, HMRC reported £5.2 billion of compliance yield from wealthy individuals, up from £2.2 billion in 2019-20. Wealthy individuals contributed 14% of total tax receipts in 2023-24 and made up 12% of HMRC's total compliance yield, up from 6% of yield in 2019-20.

3.3 The large increase in compliance yield contrasts with a relatively stable tax gap for wealthy individuals (**Figure 10** overleaf). Compliance yield has increased by £3 billion, which is over £1 billion more than HMRC's estimate of the wealthy tax gap (£1.9 billion). It is difficult to explain these differing trends. HMRC's estimates would indicate that wealthy individuals have become much less compliant, but that HMRC has then been successful in tackling the increase in non-compliance through its compliance activity, such that the amount of non-compliance it is unable to stop has remained broadly the same. Alternatively, the large increase in compliance yield raises the possibility that underlying levels of non-compliance among the wealthy population were much greater than previously thought. HMRC has said it is difficult for it to compare trends in compliance yield with the tax gap as they are not on a comparable basis.

Figure 10

HM Revenue & Customs' (HMRC's) estimates of the wealthy tax gap and compliance yield as a proportion of wealthy tax receipts, 2019-20 to 2022-23

HMRC's estimates indicate that it is securing more compliance yield from wealthy individuals, while the wealthy tax gap remains relatively stable



Notes

1 Since 2019-20, HMRC defines wealthy individuals as those with incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.

2 HMRC defines the tax gap as the difference between taxes theoretically owed to HMRC and those actually paid.

3 Tax gap estimates for 2023-24 are not yet available.

4 HMRC defines compliance yield as the revenue collected or protected that would have otherwise been lost to the Exchequer if not for its interventions.

5 HMRC says it is difficult for it to compare trends in compliance yield with the tax gap as they are not on a comparable basis.

6 Wealthy tax receipts represent the receipts HMRC receives from wealthy individuals in each year. We have presented both the wealthy tax gap and yield as a proportion of this to account for the effect of inflation on both sets of figures.

Source: National Audit Office analysis of HM Revenue & Customs data

3.4 The compliance yield reported by HMRC's wealthy team nearly doubled from £0.8 billion in 2019-20 to £1.5 billion in 2023-24, nearly twice the level it expected at the start of the year. HMRC said the team has collected yield from a large case with a value of £2.5 billion which was processed over the years 2022, 2023 and 2024. The wealthy team's yield, however, only accounted for approximately 30% of the £5.2 billion yield that HMRC reports from wealthy individuals (**Figure 11** overleaf). Other teams within HMRC generated the remaining 70%. HMRC does not assess its yield by taxpayer wealth or income band, meaning it cannot assess the effectiveness of its interventions on different sub-sections of the wealthy population.

3.5 HMRC estimates that, in 2023-24, it spent £350 million on tackling non-compliance among wealthy individuals, up from £190 million in 2019-20. This equates to around £15 of compliance yield per pound spent, up from around £12 in 2019-20. The wealthy team's pay bill in 2023-24 was £56 million, just 16% of what HMRC estimates it spent tackling non-compliance among wealthy individuals. HMRC estimates that each full-time equivalent member of staff in the wealthy team returned £1.45 million in yield in 2023-24, on average. This exceeded HMRC's average of £1.27 million per caseworker from across its compliance work.

The wealthy team's workforce

3.6 The wealthy team comprises around 910 full-time equivalent staff. Around 90% work in one of nine local operational sites, with the remainder fulfilling strategic and enabling functions. Around 30% of the wealthy team's compliance yield in 2023-24 came from wealthy individuals with an assigned customer compliance manager (CCM). These provide a single point of contact for the taxpayer and their agent and develop an in-depth understanding of a wealthy individual's financial affairs to identify risks and support the taxpayer to be compliant.

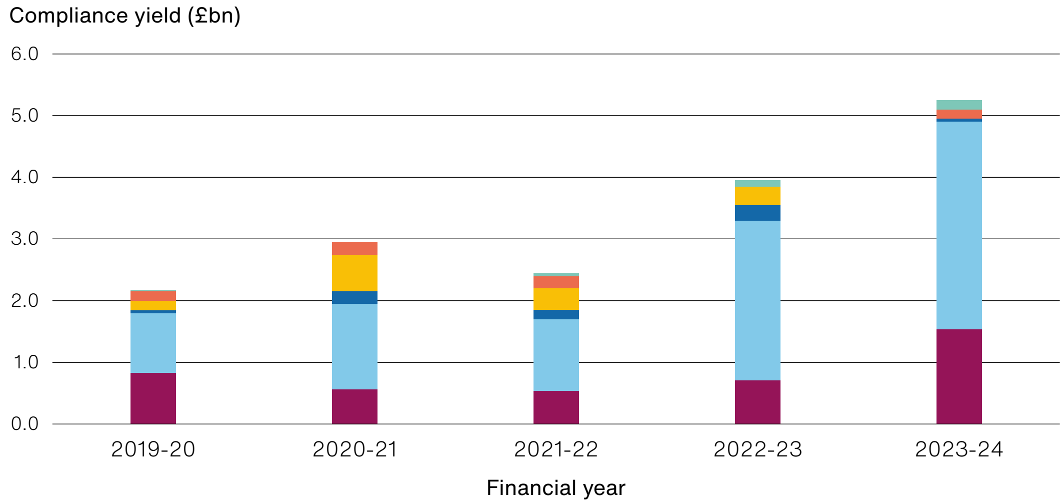
3.7 The wealthy team has around 100 CCMs in post and, as at February 2025, had assigned a CCM to around 15,000 taxpayers it perceived to have the highest levels of complexity or opportunity for non-compliance (2% of wealthy individuals). CCMs may also cover related cases, for example where several wealthy family members are associated through a complex family structure. HMRC expects that a CCM will spend no longer than five years allocated to a customer.

3.8 It is not clear that the CCM model is providing sufficient coverage of the wealthiest taxpayers. HMRC told us that only around half of the top 60 Income Tax and top 50 Capital Gains Tax payers currently have a CCM, but that these were assigned on the basis of risk. HMRC is developing a tool to better monitor and evaluate the effectiveness of its CCM model, including enabling comparisons with similar customers without a CCM.

Figure 11

Breakdown of compliance yield from wealthy individuals reported by HM Revenue & Customs (HMRC) teams, 2019-20 to 2023-24

HMRC has increased its compliance yield from wealthy individuals in recent years, but the majority of this is generated outside of its dedicated wealthy team



	2019-20	2020-21	2021-22	2022-23	2023-24
WMBC wealthy	0.8	0.6	0.5	0.7	1.5
Other areas of WMBC	1.0	1.4	1.2	2.6	3.4
Fraud Investigation Service	0.1	0.2	0.2	0.3	0.1
Counter Avoidance	0.2	0.6	0.4	0.3	0.0
Customer Strategy & Tax Design	0.2	0.2	0.2	0.0	0.2
Customer Services Group	0.0	0.0	0.1	0.1	0.2
Total compliance yield from wealthy individuals reported by HMRC	**2.2**	**3.0**	**2.5**	**4.0**	**5.2**

Notes

1 Since 2019-20, HMRC defines wealthy individuals as those with incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years.

2 HMRC defines compliance yield as the revenue collected or protected that would have otherwise been lost to the Exchequer if not for its interventions.

3 'WMBC' is HMRC's Wealthy and Mid-sized Business Compliance directorate; 'WMBC wealthy' is HMRC's wealthy team which sits within this directorate.

4 Numbers may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data

3.9 At Autumn Budget 2024, the government set HMRC the aim to raise £6.5 billion in additional tax revenue per year by 2029-30. The Spring Statement 2025 announced further funding. In total the government has given HMRC funding to recruit 5,500 more compliance staff, but HMRC has not yet determined how many of these will be assigned to the wealthy team. It expects most new recruits will be at entry level, whereas the wealthy team has identified its priorities as more experienced tax professionals with particular expertise in tackling offshore and international risks. HMRC plans to increase the number of people tackling wealthy offshore non-compliance by around 400 people over the next five years. However, HMRC has highlighted the challenge in recruiting people with experience and expertise in wealthy individuals and their complex tax affairs. In March 2025 it announced it would be actively recruiting experts in private sector wealth management. It is also exploring changes to the international tax training element of its Tax Specialist Programme to ensure it develops its internal expertise.

How HMRC promotes compliance and prevents non-compliance

3.10 The wealthy team has been generating more of its compliance yield from promoting compliance and preventing non-compliance (upstream compliance) so that taxpayers get things right first time and there is less need for HMRC to open a compliance investigation (downstream compliance). This is in line with HMRC's overall compliance strategy. HMRC's upstream activities include legislative changes, educating agents, and digital prompts within tax software. HMRC has set itself an expectation that 25% of compliance yield will come from upstream activity by the end of 2024-25, increasing to 40% by 2030. HMRC is already exceeding this expectation within its wealthy team. In 2023-24, 46% of the wealthy team's yield came from upstream activities, compared with 34% across HMRC overall. We have not audited any of HMRC's yield figures or evaluated its methodology for calculating them. We have previously reported issues relating to HMRC's retention of evidence to support its calculations of upstream yield.[14] HMRC told us it has since been working to address these concerns.

3.11 Part of HMRC's approach involves 'one to many' projects, whereby it sends a standard letter, email or text to multiple customers who it believes have a similar compliance risk. HMRC uses one to many projects both to increase compliance upstream, for example by educating customers about tax issues or prompting them about their obligations pre-filing, and in downstream campaigns targeting those customers who HMRC believes made an error when filing. In 2023-24 HMRC's wealthy team wrote to 60,300 taxpayers as part of one to many projects, up from 32,300 taxpayers in 2021-22. The wealthy team reports that, in the three years between 2021-22 and 2023-24, its one to many projects achieved £148 million in compliance yield.

14 Comptroller and Auditor General, *Managing tax compliance following the pandemic*, Session 2022-23, HC 957, National Audit Office, December 2022; and Report by the Comptroller and Auditor General, in *HM Revenue & Customs Annual Report and Accounts 2023 to 2024*, Session 2023-24, HC 47, July 2024.

3.12 Professional bodies representing tax agents have raised concerns that one to many letters are sometimes not well targeted. They told us that these letters do not always take account of all the information that HMRC holds on a taxpayer. HMRC accepts it can do more to bring together learning from its one to many projects to improve their effectiveness and understand when best to use different types of letters, and is developing a repository to support this. However, professional bodies were positive about how HMRC had used an external forum to test the messaging, timing and potential impact on customers of planned one to many projects, often adjusting the content and wording of letters and in some cases not issuing letters following feedback.

3.13 Professional bodies told us that many wealthy individuals and their agents would value getting greater certainty over key tax planning decisions and their tax returns. They told us that wealthy clients want to pay the correct amount of tax, and it is often more important to them to determine this early. They said the stress and uncertainty of prolonged investigations can affect trust in HMRC and the tax system and, where appropriate, their view of where to be resident for tax purposes. HMRC invites a small proportion of wealthy individuals with complex tax affairs for a pre-filing conversation to discuss any queries ahead of submitting their tax return; however, take-up has been low. In 2023-24, only 3% of the wealthy individuals that HMRC invited proceeded to a full pre-filing conversation, down from 5% in 2022-23.

3.14 HMRC has consulted with other tax authorities that run pre-filing initiatives. The Australian tax authority ringfences particular transactions examined in pre-filing, which provides guarantees that these transactions will face no further scrutiny. HMRC's pre-filing conversations currently offer no such guarantees, but HMRC told us it is considering its future plans in this regard.

How HMRC responds to non-compliance

3.15 HMRC's key downstream activity is one-to-one investigations. The wealthy team has increased its downstream yield despite conducting fewer of these investigations. HMRC has returned its level of downstream yield to pre-pandemic levels while also increasing upstream yield (**Figure 12**). It has reduced the number of investigations significantly in recent years, but each case is securing more yield on average (**Figure 13** on page 42).

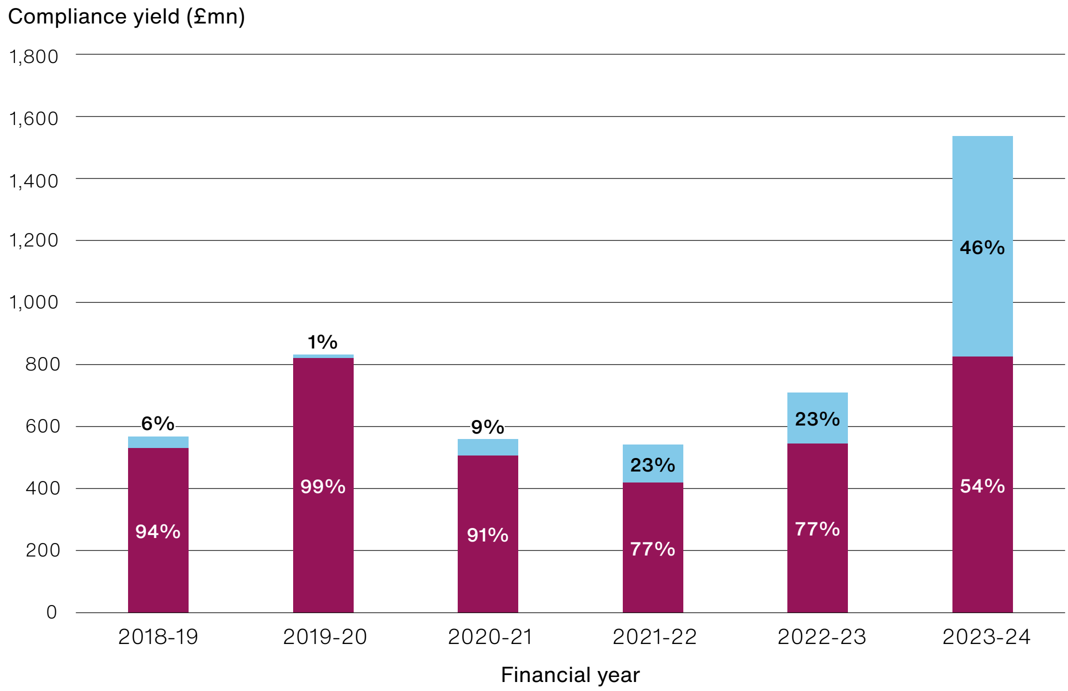
3.16 Downstream yield is dependent on a small number of high-value cases each year: in 2023-24, some 213 cases (2.4% of casework) yielded £500,000 or more, and collectively delivered 77% of downstream yield (£626 million). In 2023, HMRC secured £652 million in unpaid tax, interest and penalties from one case alone, involving a billionaire who failed to declare offshore trusts.[15] At the same time, a significant proportion of the wealthy team's compliance investigations close with no yield — 46% in 2023-24, though down from 63% in 2022-23.

15 HMRC is considering how the taxes paid in this one case will affect its estimate of the wealthy tax gap.

Figure 12

Compliance yield reported by HM Revenue & Customs' (HMRC's) wealthy team, 2018-19 to 2023-24

HMRC's wealthy team greatly increased its yield from upstream activities in 2023-24, while returning yield from downstream activities to pre-pandemic levels



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Downstream yield (£mn)	531	822	508	419	546	826
Upstream yield (£mn)	36	11	52	123	164	710
Total wealthy team yield (£mn)	**567**	**833**	**560**	**542**	**710**	**1,536**

Notes

1 Since 2019-20, HMRC defines wealthy individuals as those with incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years. In 2018-19, HMRC defined wealthy individuals as those with incomes of £150,000 or more, or assets equal to or above £1 million.

2 HMRC defines compliance yield as the revenue collected or protected that would have otherwise been lost to the Exchequer if not for its interventions.

3 The compliance yield presented in this figure represents only the yield reported by HMRC's wealthy team. Since other teams also conduct compliance work relating to wealthy individuals, it does not represent the total compliance yield that HMRC reports from wealthy individuals.

4 Downstream yield is yield from HMRC's work to respond to non-compliance after it has occurred. This includes, for example, compliance investigations.

5 Upstream yield is yield from HMRC's work to prevent non-compliance before it occurs and promote compliance. This includes, for example, educational campaigns, nudges and prompts.

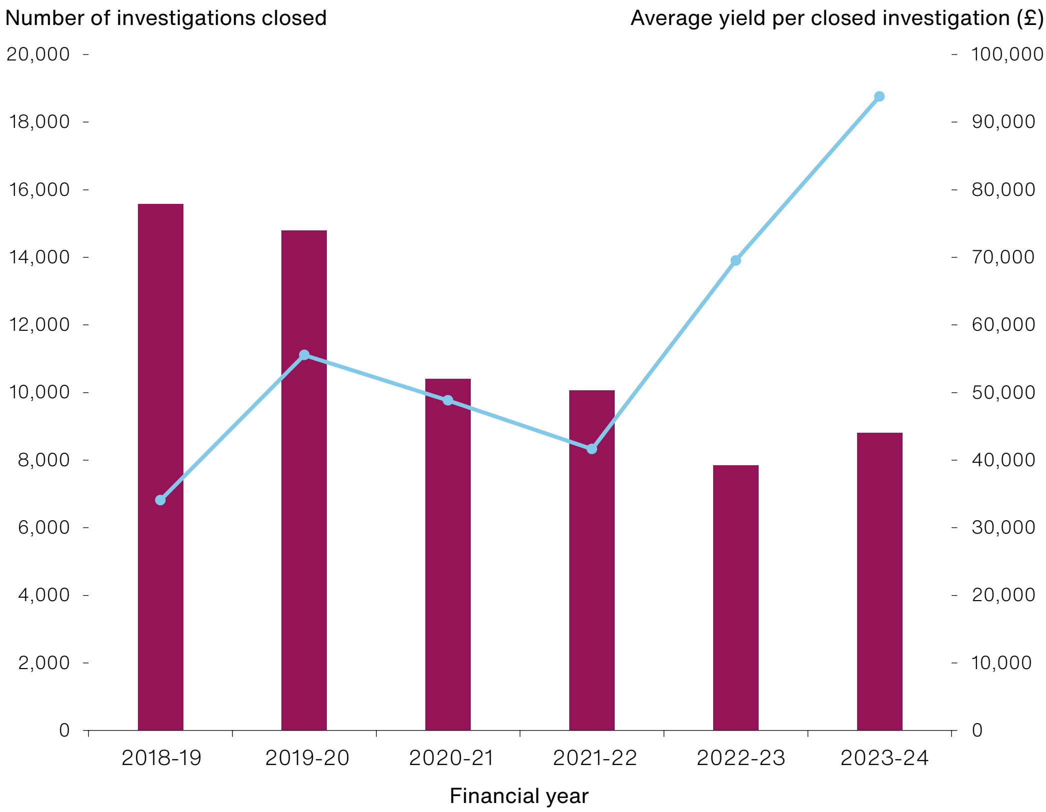
6 The percentage labels on the columns represent the proportion of total compliance yield. For example, in 2023-24 54% of HMRC's wealthy team's total compliance yield was downstream yield.

Source: National Audit Office analysis of HM Revenue & Customs data

Figure 13

Compliance investigations closed and average yield per closed investigation for HM Revenue & Customs' (HMRC's) wealthy team, 2018-19 to 2023-24

The wealthy team has reduced the number of investigations it is carrying out, but it is reporting more yield on average per investigation



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Wealthy investigations closed	15,569	14,792	10,400	10,060	7,844	8,807
Average yield per investigation (£)	34,106	55,557	48,837	41,650	69,544	93,800

Notes

1 Since 2019-20, HMRC defines wealthy individuals as those with incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years. In 2018-19, HMRC defined wealthy individuals as those with incomes of £150,000 or more, or assets equal to or above £1 million.

2 HMRC defines compliance yield as the revenue collected or protected that would have otherwise been lost to the Exchequer if not for its interventions.

3 The compliance yield and investigations presented in this figure represent only the yield reported and investigations closed by HMRC's wealthy team. Since other teams also conduct compliance work relating to wealthy individuals, it does not represent the total compliance yield and investigations closed which HMRC reports from wealthy individuals.

Source: National Audit Office analysis of HM Revenue & Customs data

3.17 While the wealthy team has increased its downstream yield, it has issued fewer penalties to taxpayers for not getting their tax right. In 2023-24, HMRC issued 456 penalties to wealthy individuals (representing 5% of cases the wealthy team closed), totalling £5.8 million. This compares with 1,747 penalties (£20.5 million, 22% of closed cases) issued in 2022-23 and 2,153 penalties (£16.2 million, 14% of closed cases) issued in 2018-19. The value of the penalty that HMRC issues depends on the amount of tax due and the nature of the non-compliance, with deliberate non-compliance attracting a higher penalty than careless errors.

3.18 HMRC initiated compliance investigations in the majority of instances where it identified a risk of non-compliance. During 2023-24, it opened 8,110 investigations. There were 673 times when the wealthy team did not open a compliance investigation after HMRC had identified potential non-compliance. HMRC said that, in some instances, it obtained new information which meant it was no longer suitable to proceed to a full investigation. Professional bodies representing tax agents told us that, when HMRC issues one to many letters as part of its downstream work, it often provides insufficient information on the suspected error or the source of information that HMRC has used. This makes it difficult for taxpayers to then correct their filed returns in the way HMRC expects. HMRC said that it purposefully does not provide taxpayers with specific data to enable them to amend their return, and instead designs one to many activity to prompt customers to consider the content of their tax return.

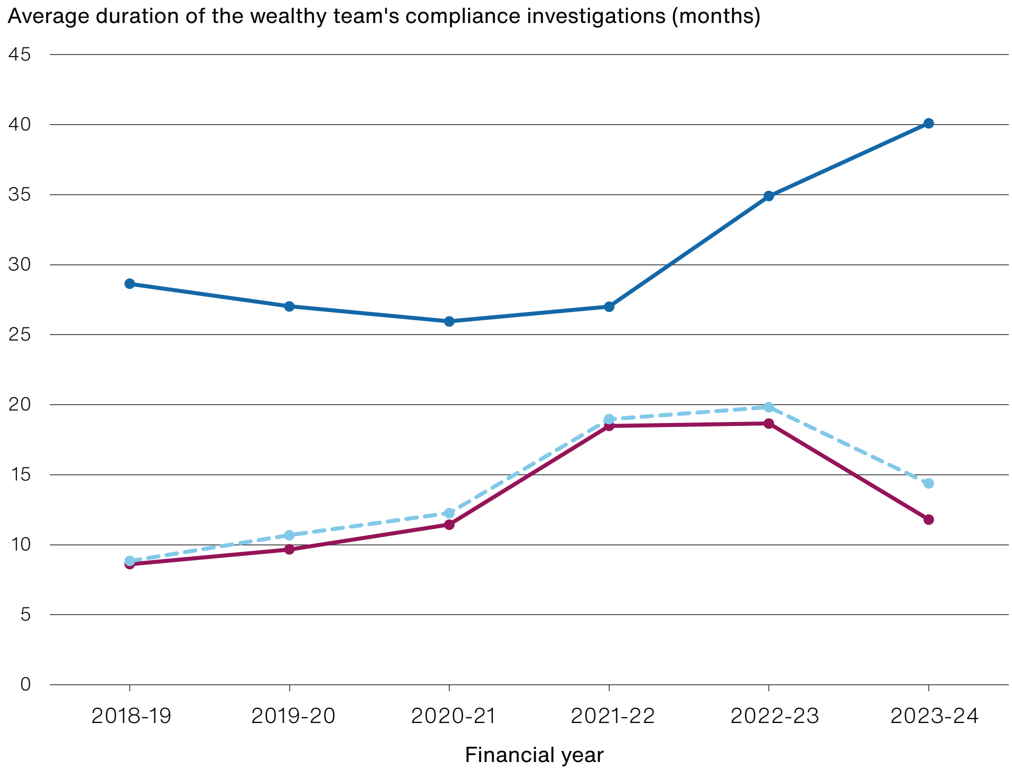
3.19 When HMRC opens an investigation, it must notify the taxpayer within 12 months of the taxpayer submitting their tax return. HMRC missed this deadline in 40 instances in 2023-24 (less than half a per cent of investigations). We examined seven instances where HMRC did not open an investigation. Two of these instances resulted from ineffective resource management or limited time for further review.

3.20 The wealthy team is taking longer to resolve its compliance investigations for higher-value cases. The average time it took to close wealthy casework increased during the pandemic before falling to 14 months in 2023-24. For investigations which yielded more than £100,000, the average duration has continued to increase and is now 40 months (**Figure 14** overleaf). Following initial trials, in April 2025 the wealthy team has introduced mandatory checks for all cases at defined points in a case's lifecycle, with the aim of assuring casework against HMRC's compliance standards.

Figure 14

Average duration of HM Revenue & Customs' (HMRC's) wealthy team compliance investigations, 2018-19 to 2023-24

HMRC's wealthy team is taking longer to complete its higher-value compliance investigations



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Average investigation duration – lower-value investigations (months)	9	10	11	18	19	12
Average investigation duration – all investigations (months)	9	11	12	19	20	14
Average investigation duration – higher-value investigations (months)	29	27	26	27	35	40

Notes

1 Since 2019-20, HMRC defines wealthy individuals as those with incomes of £200,000 or more, or assets equal to or above £2 million, in any of the last three years. In 2018-19, HMRC defined wealthy individuals as those with incomes of £150,000 or more, or assets equal to or above £1 million.

2 The investigation duration is the period of time between the investigation being opened by HMRC and it being closed. In each financial year, we have calculated the average duration of the investigations HMRC closed in that year.

3 Investigation duration data in the table are rounded to the nearest number of months.

4 We have defined higher-value investigations as those which yielded more than £100,000 in compliance yield, and lower-value investigations as those which yielded less than £100,000.

5 The compliance investigations presented in this figure represent only the investigations closed by HMRC's wealthy team. Since other teams also conduct compliance work relating to wealthy individuals, it does not represent the totality of HMRC's investigative work into wealthy individuals.

Source: National Audit Office analysis of HM Revenue & Customs data

Civil and criminal investigations

3.21 In the most serious cases of non-compliance, HMRC may conduct a civil or criminal investigation.

- Most of HMRC's work to tackle tax fraud makes use of its civil powers. In 2023-24 HMRC's Fraud Investigation Service opened 45 civil investigations into wealthy individuals suspected of fraud, and closed 34. Separately, HMRC is currently investigating 273 wealthy individuals suspected of fraud or evasion involving corporate interests in the UK.
- HMRC reserves criminal investigations for when it needs to send a strong deterrent message or where only a criminal sanction is appropriate. HMRC's criminal investigations into wealthy individuals led to five prosecutions in 2021-22, down from 30 in 2019-20. HMRC's policy has been to reduce the overall number of prosecutions for all taxpayers in order to focus on high-value, high-harm fraud, while also facing delays in the criminal justice system as a result of the COVID-19 pandemic. Prosecutions of wealthy taxpayers rose to 25 in 2023-24, in line with pre-pandemic levels. HMRC is currently undertaking analysis to examine the deterrent effect of its criminal investigations resulting in prosecutions. It expects to complete this by September 2026. HMRC told the Committee of Public Accounts in December 2024 that it is increasing the size of its Fraud Investigation Service, and in March 2025 the government set HMRC the aim to increase the number of individuals it charges with criminal offences by 20% by 2029-30, including for tax evasion by the wealthy.

3.22 The complex and technical nature of civil and criminal cases means they may stay active for several years. HMRC often needs to correspond multiple times with the wealthy individual or agent to obtain the information it needs to support court or tribunal cases. Closing cases involving marketed avoidance schemes can take a long time as processes to close an individual's case, including any appeals lodged by the taxpayer, need to wait for any litigation and appeals involving the scheme owner to conclude.

Accelerated response programmes

3.23 The wealthy team runs two programmes that aim to close its most complex and highest-risk cases quicker by bringing together its technical expertise and experience. HMRC's High Risk Wealth Programme (HRWP), run since 2018, prioritises access to technical support and facilitates regular meetings between wealthy individuals, their agents, and senior HMRC officials to investigate and reach agreement on technical issues. The Wealthy Accelerated Response Programme (WARP), operational since 2022, adopts some of the internal features of HRWP without such intensive engagement with the taxpayer or agent.

3.24 HMRC has gradually increased the number of cases going through these programmes, although the number remains low. As at November 2024, there were 21 active HRWP cases and 17 active WARP cases. Together, 17 completed cases have delivered a compliance yield of £97 million. HMRC has not fully evaluated these programmes on the basis that the unique characteristics of the cases make them difficult to compare with non-programme cases. As HMRC increases case numbers, it should become more meaningful to carry out an evaluation. We saw examples of cases where the programmes had clearly improved customer engagement and behaviour, including better compliance with filing and payment obligations. The programmes had also brought together the necessary technical and legal expertise to determine the correct approach in particularly complex cases, beyond the skills or remit of a single caseworker or CCM.

HMRC's plans going forward

3.25 The government has signalled an increased ambition to tackle non-compliance among the wealthy. This has included changes to non-dom rules and to some tax reliefs, and increased compliance activities, including the recruitment of more skilled staff. HMRC has recognised it needs to treat the wealthy customer segment as a significant area of risk; it is considering how to design a cross-organisational approach to address this risk.

3.26 HMRC has set out only a limited strategic approach for tackling wealthy non-compliance. Much of HMRC's compliance work with the wealthy is disaggregated among different specialisms. It has said its aim is to close the tax gap for the wealthy through a modern, flexible and responsive whole customer approach to non-compliance. It has not published a detailed strategy, unlike its work to tackle offshore non-compliance, and instead has shared some strategic ambitions it wants to achieve, including enhanced reporting, providing taxpayers with greater pre-filing certainty where possible, and better understanding the links between individuals' personal wealth and their connected entities. It is focused on developing a whole of customer approach, which may mean it needs to make greater use of the CCM model and the accelerated programmes that bring together a range of specialisms. HMRC can go further by developing a more sophisticated approach to the different segments within the wealthy population and considering what combination and balance of approaches are most effective for each.

Appendix One

Our audit approach

Our scope

1 In this report we examine the extent to which HM Revenue & Customs (HMRC) is well placed to support wealthy individuals to pay the right tax and intervene in good time if people get things wrong. We cover:

- the amount of tax paid by wealthy individuals;
- HMRC's understanding of the risk of non-compliance among wealthy individuals; and
- HMRC's work to tackle non-compliance among wealthy individuals.

2 Our focus was on HMRC's collection of personal taxes from wealthy individuals. These taxpayers may also pay a range of business taxes through the companies they own. While there may be a relationship between the personal and business taxes collected, we have not examined this here.

3 We have excluded HMRC's work to recover tax debts from wealthy individuals, and the range of services that wealthy individuals use that fall under HMRC's Customer Services Group.

Our evidence base

4 Our independent conclusions were reached following our analysis of evidence collected primarily between September 2024 and March 2025.

Departmental interviews and teach-ins

5 We held five teach-ins with HMRC officials between September and November 2024 to understand HMRC's strategy and compliance approach to wealthy individuals, its understanding of the wealthy population and the associated risks, what the department knows about the tax that is not paid, and how the department engages with agents and intermediaries.

6 Between December 2024 and February 2025, we carried out 13 semi-structured interviews online with HMRC staff representing different teams across the wealthy team, plus HMRC's Assets team, Risk and Intelligence Service and Centre for Offshore Strategy team. Officials were selected to participate because of their job role and relevance to the audit.

7 We also held regular update meetings with officials throughout the study, in which we discussed our study questions and sources of evidence. We had further meetings, emails or Microsoft Teams messages to clarify specific points of detail.

8 We carried out most fieldwork interviews between November 2024 and February 2025. We prepared for interviews by performing desk research, reviewing our evidence base and producing topic guides. We took a comprehensive meeting note for each interview, capturing key points, actions and further documents and interviews to pursue. Interviews typically lasted one hour.

Third-party interviews

9 We spoke to stakeholders who had a good understanding of how HMRC engages with wealthy individuals and their agents. We identified stakeholders via desk research and invited them to participate in an interview via email. Interviewed organisations and individuals included:

- academics working in this field: Arun Advani, Niels Johannesen and Andy Summers;
- the Chartered Institute of Taxation;
- the Institute of Chartered Accountants in England and Wales; and
- TaxWatch.

10 Interviews were voluntary, and we invited the organisations that we approached to select suitable members to attend.

11 We conducted nine interviews between September 2024 and March 2025, with additional engagement with some stakeholders after this period. We prepared for interviews by performing desk research, reviewing our evidence base and producing topic guides. We took a comprehensive meeting note for each interview, capturing key points, actions and further documents and interviews to pursue. Interviews typically lasted one hour.

12 We used interviews with third-parties to get an external perspective of HMRC's approach to wealthy individuals, and to triangulate our audit findings.

Case walk-throughs

13 We examined 22 compliance investigations that HMRC's wealthy team completed in 2023-24. We selected the cases to get a good mix of the tax risks involved, case duration, the amount of yield collected, and the HMRC teams involved. HMRC staff walked us through each case during a two-day site visit to HMRC's Salford offices in January 2025.

14 We used the case walk-throughs to gain further understanding into:

- how HMRC identifies and develops cases to investigate;
- how cases progress through HMRC's processes;
- the data available to HMRC and the systems used;
- how different teams and specialists are involved at various stages; and
- how HMRC reviews the progress and quality of each case.

15 We also examined seven cases that HMRC had chosen not to take forward to the investigation stage. We conducted virtual meetings with officials who were familiar with these cases to understand the reasons why HMRC did not open compliance investigations in these instances.

16 We took notes that were detailed, while still protecting the confidentiality of individual taxpayers.

Document review

17 We reviewed a wide range of published and unpublished departmental documents to assist with defining the parameters of the audit, developing and deepening the study team's understanding of HMRC's wealthy compliance function, and securing documentary evidence of assertions made by HMRC in interviews. This included a review of:

- past and current strategies;
- policy documents;
- risk treatment plans (HMRC sent us the four plans for which ownership sits within the wealthy team, from which we reviewed three; HMRC also sent us the risk treatment plan for offshore tax compliance);
- workforce data;
- organisation charts;
- internal progress reports and papers;
- internal audit reports;

- governance documents;
- research papers;
- business cases;
- data reported to national and area leadership teams; and
- terms of reference and meeting minutes of the Wealthy External Forum.

18 We also received narrative documents and data produced by HMRC specifically for the purposes of this study.

19 We also reviewed reports and other documents published by HMRC, including recent Annual Report and Accounts, its Charter annual report, its Outcome Delivery Plan, and policy papers on offshore tax compliance.

20 We reviewed the National Audit Office's back catalogue, including *HMRC's approach to collecting tax from high net worth individuals* (November 2016), *Tackling the tax gap* (July 2020), *Managing tax compliance following the pandemic* (December 2022) and recent reporting alongside HMRC's Annual Report and Accounts.

21 We also reviewed published reports and documents produced by other organisations covering, or relevant to, wealthy tax compliance, including academic papers, surveys and reports by the Centre for Policy Studies, the Office for Tax Simplification, the Organisation for Economic Co-operation and Development (OECD) and TaxWatch.

22 We carried out our document review primarily between September 2024 and March 2025.

Quantitative analysis

23 We primarily reviewed and analysed performance, cost, yield, staffing and activity data for the wealthy team and, where relevant to provide a comparator, HMRC's Customer Compliance Group and other teams within it. Most of these data are unpublished and were drawn specifically from HMRC's systems and reports for the purposes of this study.

24 We also gathered some published data from HMRC's statistics on:

- distribution of taxes for Income Tax, Capital Gains Tax and Inheritance Tax;
- the tax gap; and
- cost estimates of tax reliefs.

25 We primarily focused our quantitative analysis on identifying trends. Gaps in HMRC data placed some limitations on our analysis, including:

- the distribution and total amount of tax paid per wealthy individual across all taxes;
- a breakdown of HMRC's compliance yield for wealthy individuals or by the wealthy team, by behaviour;
- a breakdown of HMRC's compliance yield for wealthy individuals by wealth or income band;
- the stock of open compliance investigations over time; and
- the use of staff and resources across upstream and downstream projects.

International benchmarking

26 We used the International Survey on Revenue Administration published by the OECD to analyse and compare HMRC's organisational set up and practices for overseeing and monitoring the tax affairs of high net worth individuals to other tax authorities internationally.

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