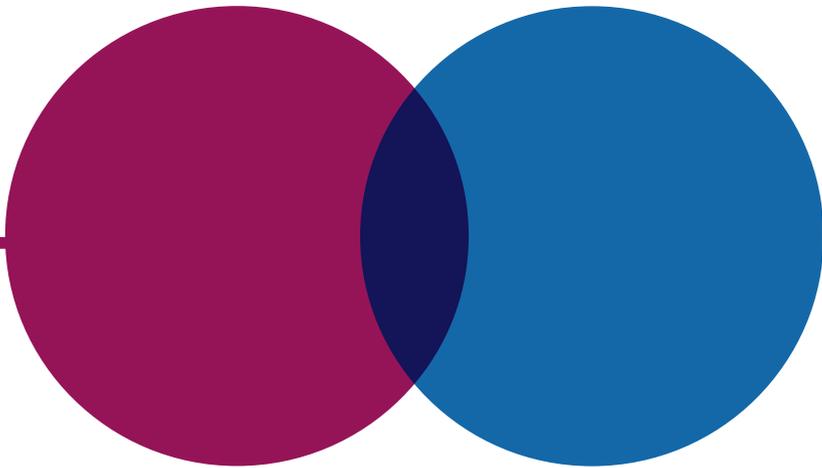




National Audit Office



REPORT

Taxing large businesses

HM Revenue & Customs

SESSION 2024–2026
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HC 1647

Key facts

£337bn

taxes collected by HM Revenue & Customs (HMRC) in 2024-25 from around 2,000 of the UK's largest businesses, including those taxes that large businesses pay directly and those they pay on behalf of their employees and customers

£15.8bn

HMRC's estimate of compliance yield (tax revenue collected or protected that would otherwise have been lost to the Exchequer) achieved by HMRC's large business directorate in 2024-25

£5.8bn

HMRC's estimate of tax revenue lost from large businesses in 2023-24, the latest data available

- £170 million** approximate tax collected by HMRC from each large business on average, 2024-25
- £70.1 billion** total tax under consideration by HMRC's open compliance interventions into large businesses, October 2025
- 33%** proportion of large business compliance interventions opened by HMRC in 2024-25 that originated from the business disclosing an issue itself
- £95** estimated return on investment for every £1 spent on staff pay within the large business directorate, 2024-25, compared with £25 across HMRC's entire compliance group
- 17 months** average duration for large business compliance interventions that HMRC closed in 2024-25, down from 35 months in 2021-22
- More than 4,000** issues resolved through HMRC's High Risk Corporates Programme between 2006 and March 2025, leading to HMRC collecting £32 billion in extra tax
- Zero** number of large businesses placed by HMRC into special measures since the regime was set up in 2016

Summary

Introduction

1 HM Revenue & Customs' (HMRC's) large business directorate works with around 2,000 of the UK's largest business groups to ensure they comply with tax rules. This covers most groups with an annual turnover in the UK of more than £200 million, and those which HMRC considers have particularly complex tax affairs or are operating in a complex business sector.

2 Around two-fifths of the taxes that HMRC collects come through large businesses, including those that large businesses pay directly and those they pay on behalf of their employees and customers. Their size means they are in regular contact with HMRC, with it investigating around half of all large business groups at any one time. As at October 2025, large businesses had a total of £70.1 billion of taxes under consideration by HMRC. Many large businesses have complex group structures, with an average of around 50 separate entities per business group. In this report, we use 'large businesses' to refer to business groups. The international nature of this population brings additional risks and challenges.

3 Given the complexity of the businesses, and the scale of the tax revenues involved, HMRC takes a more hands-on approach with large businesses than with other taxpayers. It divides the large business population into 19 business sectors so that teams can focus on the issues facing each sector. The large business directorate has approximately 2,500 full-time equivalent staff, costing £166 million in staff pay in 2024-25.

4 We last examined in detail an aspect of large business tax compliance in 2012 when we assessed HMRC's work in settling large tax disputes, following concerns raised by the Committee of Public Accounts. Since then, HMRC has changed its governance around tax disputes and, more recently, issued a public statement in 2022 to reiterate its position that it aims to make sure every taxpayer, no matter their size, pays everything they owe, with no special deals or reduced rates. In 2024, the government set HMRC a new strategic objective to close the tax gap – its estimate of the difference between the amount of tax that should be paid to HMRC (theoretical liabilities) and what is actually paid. While large businesses make up a relatively small proportion of this tax gap (12%), each large business accounts for around £3 million, on average, in lost tax, so there is value in examining whether HMRC's approach is as effective as it can be.

Scope of this report

5 This report examines whether HMRC's approach to large business tax compliance is delivering value for money. It covers:

- the taxes paid by large businesses (Part One);
- HMRC's approach to working with large businesses (Part Two); and
- the effectiveness of HMRC's approach (Part Three).

6 We designed our work to test the effectiveness and productivity of HMRC's approach, with our focus on the work of the large business directorate. We have not examined in detail how each of the tax regimes affecting large businesses operate, nor the rules determining how much each business should pay. We have not examined the amount of tax paid by individual businesses, nor whether these amounts are correct.

Key findings

The taxes paid by large businesses

7 Around two-fifths of the UK's tax revenues flow through large businesses, justifying HMRC's enhanced focus. HMRC collected £337 billion in taxes from large businesses in 2024-25, including those taxes that large businesses pay directly and those they pay on behalf of their employees and customers. While there are significant variations across businesses, this equates to an average of around £170 million in tax collected from each large business, and accounts for 39% of all tax collected by HMRC. Tax receipts from large businesses in 2024-25 include: Income Tax and National Insurance Contributions (NICs) (£145 billion), which businesses pay on behalf of employees as well as their own NICs liabilities as employers; VAT (£75 billion), which businesses pay on behalf of themselves and customers; and Corporation Tax (£45 billion), for which the business itself is liable (paragraph 1.5 and Figure 2).

8 HMRC estimates that the amount of tax unpaid by large businesses has been on a long-term downward trend. The large-business tax gap was £5.8 billion in 2023-24 (0.7% of total theoretical tax liabilities), down from £7.5 billion (1.7%) in cash terms in 2005-06. Around half of this gap comes from large businesses interpreting the law differently from HMRC (paragraphs 1.7 to 1.9 and Figures 4 and 5).

9 HMRC does not have a clear view on how the level of compliance risk is changing in the short term. HMRC's estimates of annual losses are more volatile in the short term because businesses typically file tax returns several months after the accounting period to which they relate, meaning HMRC relies on assumptions and forecasts until data become available. Despite the long-term reduction, the large-business tax gap increased from £3.9 billion in 2020-21 to £5.8 billion in 2023-24. This trend is also reflected in HMRC's internal estimate of the scale of the main compliance risks posed by large businesses. Part of this increase was a spike in the tax gap for VAT in 2022-23. HMRC says the volatility of these data means it focuses on trends rather than year-on-year changes. In the absence of reliable short-term data on estimated losses, HMRC looks at trends in compliance yield (its estimate of the tax revenue collected or protected from its activities that would otherwise have been lost to the Exchequer) to provide some assurance that it is sufficiently tackling compliance risk. However, data on yield cannot on their own indicate the underlying level of risk its activities are not tackling (paragraphs 1.9 to 1.12 and Figure 5).

HMRC's approach to working with large businesses

10 HMRC relies on close contact with large businesses to uncover many compliance risks, with potential to grow intelligence from bulk data profiling.

Of compliance interventions opened, where HMRC needs to investigate an issue arising with a large business, over 33% in 2024-25 originated from businesses' own disclosures, and 19% came from HMRC's regular risk reviews of each business, which it uses to determine how much resource and scrutiny that business needs. Most compliance work for other customer groups in other directorates is driven by bulk data profiling. This profiling usually has more limited effectiveness when applied to complex corporate structures. In the large business directorate, the data analytics team enabled a quarter (£4 billion) of compliance yield in 2024-25, but due to limitations in data HMRC could not tell us the number of interventions that it identified through bulk data profiling. HMRC considers that the speed and effectiveness of the directorate's data profiling is limited by its legacy IT systems, affecting data quality and its ability to effectively link up and exploit the data. HMRC received £1.6 billion of funding as part of Spending Review 2025 to modernise its IT infrastructure, which the large business directorate expects will help it improve issues with data quality. The directorate has set out aspirations to exploit these system improvements to improve risk assessment, bulk data profiling, and productivity. HMRC says it is now developing detailed plans (paragraphs 2.5 to 2.13).

11 As well as supporting HMRC to effectively monitor large businesses, its cooperative compliance approach clearly brings benefits to large businesses themselves. HMRC assigns a customer compliance manager (CCM) to each large business to build in-depth knowledge and expertise of the businesses and to facilitate real-time, cooperative working and effective relationships. Large businesses are generally very positive about the relationship with their CCM, and this often drives a positive overall experience of dealing with HMRC. Large businesses hold more positive perceptions of HMRC than other customer groups (paragraphs 2.3 to 2.5 and 3.2, and Figure 6).

12 HMRC requests considerable volumes of data from large businesses as part of its interventions without always making it clear how it plans to use these data. The large businesses we spoke to felt that HMRC often asks for information without a clear objective of how it would help reach a judgement on how much tax is due. The large business directorate is planning to agree engagement expectations with businesses at the start of an intervention, which may provide better clarity on data usage. It can also share an action plan with the business setting out how it expects to investigate the issue, including what data it needs and why (paragraph 2.17).

13 HMRC uses a range of powers and initiatives to tackle poor behaviour among large businesses and has identified the need to use its strongest sanctions in very few cases. Since 2016, HMRC has had the power to put a large business into special measures, through which it can apply sanctions for continued poor behaviour. HMRC designed the regime to act as a deterrent; it has never used this power. Between 2019-20 and 2024-25, there were five criminal prosecutions related to large businesses' non-compliance, resulting in three convictions. Some stakeholders we spoke to felt that HMRC did not make best use of its powers against large businesses. HMRC, however, told us that large businesses are generally compliant and that cases of egregious behaviour are rare. It estimates that 2% of the large-business tax gap is from evasion, compared with 14% for all taxpayers. HMRC considers its tools for tackling lower levels of non-compliance are working well. For example, the number of penalties to large businesses has increased from 164 in 2021-22 to 636 in 2024-25. It suspended 71% of the £292 million in penalties it issued in that time, because the large businesses cooperated well or did not repeat the non-compliant behaviour. HMRC uses its High Risk Corporates Programme to accelerate high-risk interventions where it has concerns about a business's poor behaviour. This programme has resolved more than 4,000 issues between 2006 and March 2025 and led to HMRC collecting more than £32 billion in extra tax (paragraphs 2.18 to 2.21 and Figure 4).

14 HMRC's governance processes for resolving tax disputes are well established, and its testing indicates it consistently applies this governance in the vast majority of cases. Since we last examined HMRC's approach in 2012, it has improved its processes to minimise the risk of unfair settlements. This includes using governance boards to ensure separation of powers between those working on an intervention, where there is more than £15 million of tax under consideration, and those approving the settlement. In our review of compliance interventions, we found that case teams had followed all necessary governance and appeared committed to HMRC's litigation and settlement strategy for resolving disputes. HMRC has a range of processes in place to test whether it is consistently adhering to its governance arrangements, including independent review of a sample of interventions as part of the large business directorate's quality assurance programme, and testing of a sample of interventions as part of its tax settlement assurance programme. HMRC reports the results from its tax assurance settlement programme each year to Parliament, though the number of large business interventions it reviews (20 in 2024-25) is small. Of these 20 interventions, HMRC needed to refer only four to a governance board; it followed the correct processes in all four. Its other testing reviews larger numbers of interventions. Its quality assurance programme found that governance was correctly adhered to in 98.1% of reviewed interventions in 2024-25 (paragraphs 2.22 to 2.29 and Figure 6).

The effectiveness of HMRC's approach

15 HMRC's large business directorate had success in approximately doubling compliance yield between 2021-22 and 2024-25, to £15.8 billion, a return on investment of £95 for every £1 spent on staff pay. After adjusting for inflation and accounting for the distorting effect from any exceptionally large compliance interventions, the yield in 2024-25 exceeded the yield achieved in every year since 2017-18, the earliest comparable data HMRC could provide. HMRC's compliance operations overall delivered return on investment of £25 for every £1 spent on staff pay in 2024-25. In that year, 34% of the large business directorate's compliance yield came from 'upstream' activities that promote compliance and prevent non-compliance before it occurs, up from 15% in 2021-22 (paragraphs 3.4 to 3.6 and Figure 7).

16 The large business directorate has been closing compliance interventions more quickly in recent years.

Interventions in 2024-25 took 17 months on average to close, down from 35 months in 2021-22, when HMRC's ability to resolve interventions quickly was affected by the COVID-19 pandemic. Interventions where businesses have decided to litigate make up a small proportion (7% in 2024-25) but the average duration is much longer (97 months in 2024-25, the same as in 2021-22). HMRC has less control over the pace or progress of these interventions. The large business directorate has set targets for 2025-26 to conclude 85% of all interventions within 18 months and, for interventions open longer than this, to conclude half within the current financial year. It is scrutinising longer-running interventions through quarterly business reviews and plans to expand its use of time-bound reviews in 2026-27 to a broader set of interventions (paragraphs 2.25, 3.7 to 3.9 and 3.12, and Figure 8).

17 The large business directorate has processes in place that help it target its resources at higher-value interventions.

These include the following: thresholds for each tax regime which determine whether it starts an intervention; regular reviews of the tax at risk and expected closure date to decide whether to continue; and a significant risk programme for the highest-value interventions, providing priority access to legal and specialist expertise. There is some evidence these processes are working – 30% of the interventions that the large business directorate closed in 2024-25 resulted in no yield. This is down from 38% in 2021-22, and compares with 46% of interventions closed by the wealthy individuals team in 2023-24. These zero-yield interventions take on average twice as long to conclude as interventions that resulted in some yield. The large business directorate has not reviewed its zero-yield interventions to identify learning since 2013-14, nor do zero-yield interventions form a focus of HMRC's performance metrics (paragraphs 3.10 to 3.12).

18 Limitations in the information the large business directorate records consistently restricts its understanding of how to improve productivity.

The large business directorate uses time-and-task data recorded by its staff to understand how they spend their time. However, it lacks other key data that would give it greater insights into the relative effectiveness of its work. For instance, although the large business directorate collects information for each intervention on the key risks identified, how these have been identified, and how the intervention closed, caseworkers record these data inconsistently on HMRC's case management system. This limits HMRC's understanding of the drivers of productivity (paragraphs 1.12, 2.8 to 2.9, 2.24 and 3.13).

19 Expanding the cooperative compliance approach to more businesses could increase cost-effectiveness but requires further analysis to ensure HMRC targets its approach at those businesses that will benefit most. HMRC is exploring whether it can get better value by extending its intensive oversight from CCMs beyond the large business population, for example, to some of the businesses currently managed by its mid-sized business team. HMRC is yet to determine how large a revised population working to a cooperative compliance approach should be. It requires more pilots and analysis to demonstrate there are sufficient businesses that would benefit. Between 2019 and 2025, HMRC transferred 290 businesses out of the large business directorate and only 110 businesses in. HMRC is still developing a method to identify complexity in businesses, which it plans to use to target its cooperative compliance approach. As part of this targeting, HMRC expects that some lower-risk or less complex businesses within the current large business population may not need the same level of CCM support. However, this relies on HMRC identifying more risk through automated data profiling rather than regular and close contact from CCMs. This is dependent on successful investment in its IT infrastructure to resolve current limitations (paragraphs 3.14 and 3.15).

Conclusion

20 There is little doubt that HMRC's compliance work with large businesses offers good value for money. HMRC collected £337 billion in taxes from large businesses in 2024-25, including those taxes that large businesses pay directly and those they pay on behalf of their employees and customers. Large businesses also carry particularly significant tax risks, and so HMRC's enhanced focus on them through a separate directorate makes sense. Large businesses rate their experience of dealing with HMRC highly, relative to other customer groups, and the size of the large-business tax gap, relative to revenue, is low. The collection of £15.8 billion in additional taxes by this directorate, bringing in £95 for every £1 spent on staff pay – four times more than what HMRC achieves across all taxpayers – represents good return on investment. HMRC's performance, in terms of the taxes its compliance activity brings in and the time it takes to resolve interventions, has recovered to pre-pandemic levels.

21 Key to HMRC's success with large businesses is its cooperative compliance approach, in particular the use of dedicated customer compliance managers to provide an effective relationship with the business. This approach is resource-intensive but delivers benefits for both HMRC and large businesses. HMRC's arrangements to minimise the risk of unfair settlements are well established, and its testing indicates these arrangements are consistently applied in the vast majority of cases. HMRC is considering expanding its cooperative compliance model to cover more businesses, focusing its efforts on more complex and higher-risk businesses, while relying on data profiling to identify risks among lower-risk businesses. Key to the success of any expanded approach lies in HMRC identifying and testing the complexity and risk factors that warrant a more resource-intensive approach, so that it can ensure it focuses its efforts where it will add the most value.

Recommendations

22 HMRC's large business directorate should:

- a** continue to develop detailed plans for making effective use of upcoming improvements to IT systems and risk identification, with particular focus on how it will make greater use of advanced data analytics and profiling;
- b** improve the quality of the data it records on its IT systems to improve its understanding of productivity – this should include ensuring caseworkers consistently record details about how each compliance intervention is identified and resolved, and which compliance risk each intervention relates to;
- c** continue to improve how it communicates to large businesses under investigation the clear purpose of any data it requests as part of a consistent approach across compliance interventions – recognising the often high administrative burden involved, it should be precise and circumspect with any requests;
- d** explore any barriers it faces in using more of the legislative powers it has to tackle egregious behaviour by large businesses, particularly its special measures regime, which HMRC designed to act as a deterrent but which it has never utilised;
- e** ensure it carries out detailed planning and analysis to inform its approach to potentially expanding cooperative compliance to more businesses – this should include further analysis to inform how many, and which, businesses to include, a cost-benefit analysis to assess different options, and a plan for monitoring and testing the impact of any changes; and
- f** build on the areas of good practice we have identified in this report, including how it measures and monitors productivity and how it prioritises what it considers as high-value interventions, to identify what is working well in its approach and share its learning and insights with other compliance directorates in HMRC.