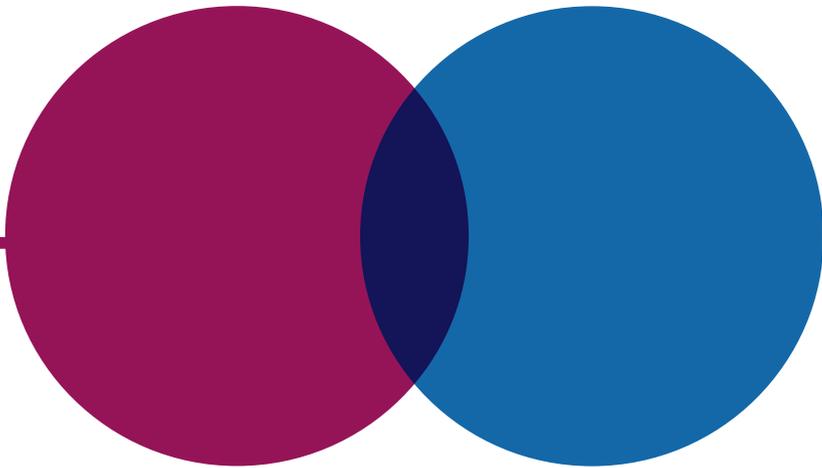




National Audit Office



REPORT

Taxing large businesses

HM Revenue & Customs

SESSION 2024–2026
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Taxing large businesses

HM Revenue & Customs

Report by the Comptroller and Auditor General

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Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

19 February 2026

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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.

Part One

The taxes paid by large businesses

1.1 This part sets out:

- the profile of large businesses managed by HM Revenue & Customs' (HMRC's) large business directorate;
- the amount and profile of taxes paid by these businesses; and
- the scale of tax compliance among them.

The profile of large businesses

1.2 HMRC's large business directorate has approximately 2,500 full-time equivalent staff. It works with most business groups in the UK with an annual UK turnover of £200 million, or those it considers have particularly complex tax affairs or operate within a complex business sector. The directorate's population of large business groups has stayed at around 2,000 since it was formed in 2014. For the purposes of this report, we describe large businesses to mean this distinct population.

1.3 Large businesses directly employ around 8 million people, over a quarter of payrolled employees in the UK. They account for approximately half of total UK private sector business turnover.

1.4 HMRC takes a more hands-on approach with large businesses because of their size, complexity and the large amounts of tax at stake. Particular challenges include the following.

- Many large businesses have complex group structures, with on average around 50 separate entities each (95,000 in total). Large businesses often have complex group structures where breaks in the ownership chain can occur. HMRC is investigating how it can use third-party data better to improve its understanding and visibility of multinational ownership structures.
- Large businesses can often take advantage of complex and sophisticated tax planning to legally reduce their tax burden. They invest significantly, through both in-house teams and professional tax advisers, to ensure their operations are tax-efficient and compliant with the rules, and to respond to HMRC's enquiries.

- The scale of a large business's operations means that HMRC is highly likely to intervene at some point. It is investigating the tax affairs of around half of large businesses at any one time. At 31 March 2025, HMRC's interventions were considering a total of £52.6 billion in tax from large businesses; nearly half (44%) covered three business sectors: banking, telecommunications and information technology, and retail (**Figure 1**).
- Nearly 90% of large businesses operate internationally. Base Erosion and Profit Shifting (BEPS) are tax-planning strategies where multinational enterprises may use gaps and inconsistencies in different countries' tax rules to artificially shift profits to low-tax jurisdictions, reducing the tax paid in the higher-tax jurisdictions where the economic activity takes place. Parliament, the government and the wider public have expressed concerns about the amount of UK tax that large digital companies pay, which can be very low compared with revenues they generate from their UK operations. HMRC recognises BEPS as a significant risk to tax revenue from large businesses.

The amount of taxes paid by large businesses

1.5 HMRC collected £337 billion in taxes from large businesses in 2024-25, including those 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 have been broadly stable for the last four years (**Figure 2** on page 16). In 2024-25, they included:

- **£145.2 billion in Income Tax and National Insurance Contributions (NICs)** (31% of all Income Tax and NICs paid), covering both employees' Income Tax and NICs liabilities through Pay As You Earn and large businesses' own liabilities through employer NICs;¹
- **£75.2 billion in VAT** (44% of all VAT paid), covering VAT liabilities paid by both their customers and the large businesses themselves; and
- **£44.8 billion in Corporation Tax** (49% of all Corporation Tax paid).

For some taxes, the liability falls almost exclusively on the large business population. In particular, large businesses accounted for 99.8% of fuel duties in 2024-25, 89% of tobacco duties, 80% of alcohol duties and 79% of Air Passenger Duty receipts.

¹ The figure on Income Tax and NICs paid by large businesses in 2024-25 is net of Income Tax repayments made by HMRC to large businesses' employees in that year.

Figure 1

Tax under consideration by HM Revenue & Customs' (HMRC's) large business directorate, and number of large businesses broken down by sector, 2025

The three sectors with the highest value of tax under consideration accounted for £23.4 billion (44%) of tax under consideration by HMRC's large business directorate as at 31 March 2025

Sector	Tax under consideration by HMRC's large business directorate as at 31 March 2025 ¹	Number of large businesses as at September 2025 ²
	(£bn)	
Banking	8.6	143
Telecommunications and information technology	7.8	118
Retail	7.0	241
Pharmaceuticals and healthcare	4.6	92
Oil and gas	3.9	130
Insurance	2.6	106
Business services	1.8	135
Transport	1.5	91
Utilities	1.2	69
Other sectors ³	13.6	809
Total	52.6	1,934

Notes

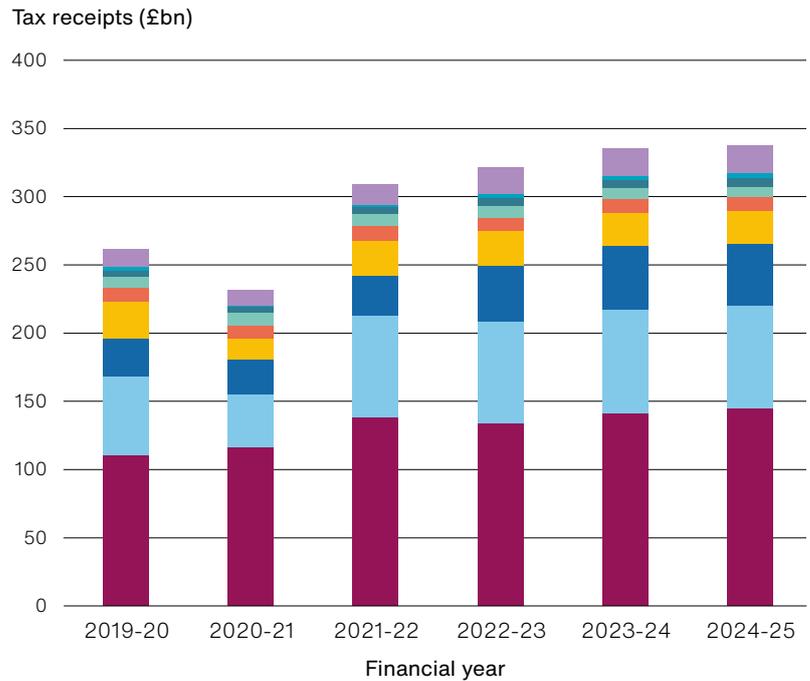
- 1 'Tax under consideration' is HMRC's estimate of the maximum potential additional tax liability that could result from its open compliance interventions before it has carried out a full investigation of the specific facts or analysis of relevant law.
- 2 The 'number of large businesses' refers to the number of businesses managed by HMRC's large business directorate. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.
- 3 Other sectors include those with tax under consideration under £1 billion as at 31 March 2025, sectors with particularly small populations, or businesses that do not fall neatly into another sector. These data include large businesses in the following sectors: alcohol; automotive; betting and gaming; construction; defence and aerospace; media; real estate; and tobacco.

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

Figure 2

Tax receipts paid by large businesses, 2019-20 to 2024-25

Tax receipts from large businesses have been broadly stable for the last four financial years



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Income Tax and National Insurance Contributions	111	116	138	134	141	145
VAT	57	39	75	74	76	75
Corporation Tax	28	25	29	41	46	45
Fuel duties	28	16	26	25	25	25
Alcohol duties	10	10	11	10	10	10
Tobacco duties	8	9	9	9	8	7
Insurance Premium Tax	5	5	5	6	6	7
Air Passenger Duty	3	0	1	3	3	3
All other taxes and duties	13	12	15	20	20	20
Total	262	232	309	321	335	337

Notes

- 1 These data show tax receipts for businesses covered by HM Revenue & Customs' (HMRC's) large business directorate, which works with around 2,000 of the UK's largest business groups. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.
- 2 Data on Income Tax and National Insurance Contributions are net of Income Tax repayments made by HMRC to large businesses' employees.
- 3 Values may not sum due to rounding.
- 4 Values are in cash terms and have not been adjusted for inflation.
- 5 Figures are provisional and may be revised in future years.

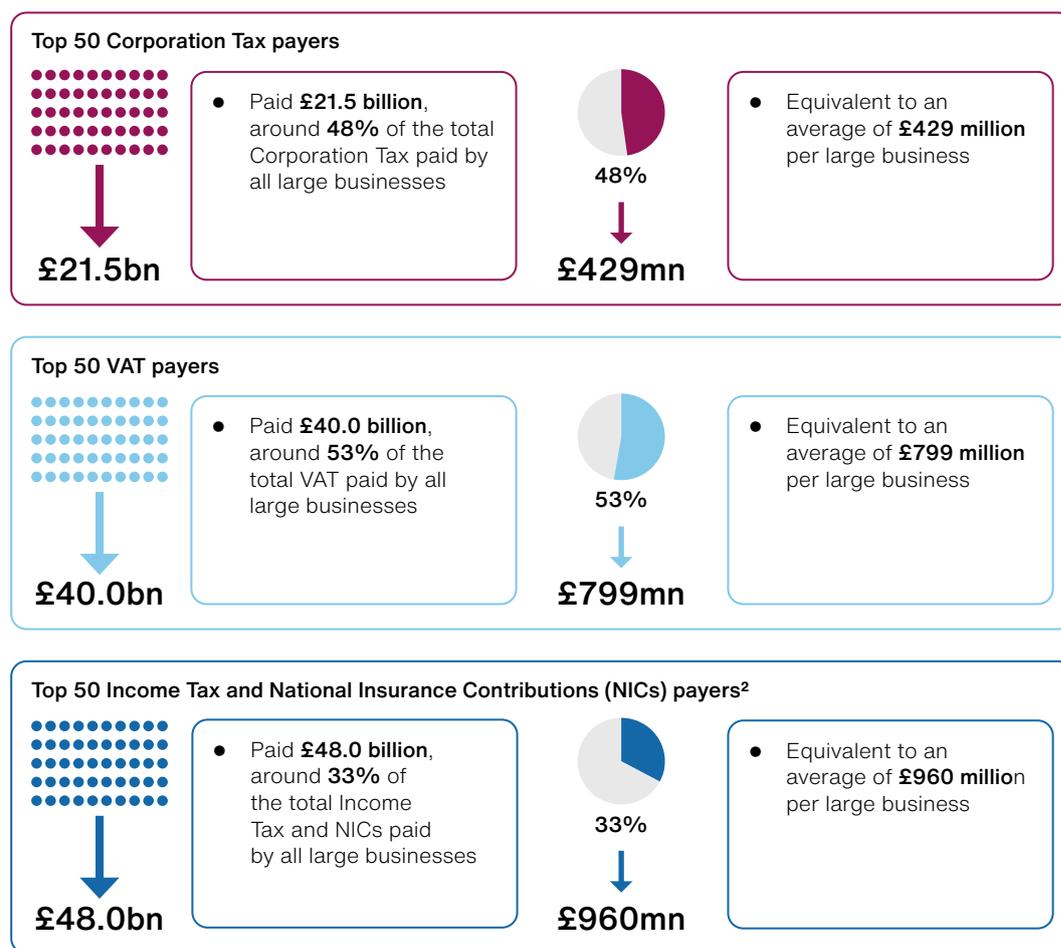
Source: National Audit Office analysis of HM Revenue & Customs data

1.6 HMRC does not collate data on a large business's liabilities across all taxes. Instead, it can examine what each business pays within each tax regime (**Figure 3**).

Figure 3

Highest-paying large businesses in the UK by type of tax, 2024-25

The top 50 highest-paying businesses for each type of tax paid a large proportion of the total tax paid by all large businesses



Notes

- 1 These data show tax receipts for businesses covered by HM Revenue & Customs' (HMRC's) large business directorate, which works with around 2,000 of the UK's largest business groups. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.
- 2 Data on Income Tax and NICs cover both large businesses' own liabilities through employer NICs, and their employees' Income Tax and NICs liabilities through Pay As You Earn. Data on Income Tax do not include any repayments made by HMRC in the year.

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

The scale of tax compliance among large businesses

1.7 HMRC estimates that large businesses accounted for £5.8 billion in lost tax revenue in 2023-24, the latest data available. This represented 12% of the overall tax gap, the difference between the amount of tax that should, in theory, be paid and the amount that is actually paid. Small businesses, in contrast, accounted for 60% of the overall tax gap. HMRC is one of the few tax administrations that publishes an annual estimate of its tax gap for different customer groups. It uses the estimates as an indicator of its long-term performance and to inform where to focus its compliance activity.

1.8 While data on tax gap behaviours at a customer-group level are largely illustrative, HMRC estimates that around half of the large-business tax gap comes from legal interpretation, where a large business has interpreted the law differently from HMRC, resulting in a different tax outcome. Around 2% of the large-business tax gap comes from tax evasion, much lower than across all customer groups (**Figure 4** on pages 19 and 20). There was no significant change in the behaviour profile of the large-business tax gap between 2019-20 and 2023-24.

1.9 As a proportion of the taxes owed by all taxpayers, the large-business tax gap has decreased over the long term, from 1.7% (£7.5 billion) in 2005-06 (the first year for which HMRC produced an estimate) to 0.7% (£5.8 billion) in 2023-24. There are, though, some indications that it is rising again. HMRC's tax gap estimates for 2022-23 and 2023-24 are both higher than its estimates for 2020-21 and 2021-22, in cash terms and as a percentage of total theoretical tax liabilities (**Figure 5** on page 21). Contributing to this is a large spike in the tax gap for VAT in 2022-23. HMRC says that its VAT gap estimates can be particularly volatile and that it is important to consider trends, rather than focus on year-on-year changes.

1.10 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 HMRC's estimates of how much tax revenue is lost to each risk, which HMRC uses to support operational planning. HMRC's current assessment is that net losses from large businesses' non-compliance increased by 16% between 2021-22 and 2023-24, the latest data available, consistent with the rate of increase estimated for all business taxpayers.

1.11 Data from HMRC's tax gap estimates feed into the SPR. HMRC's estimates of annual losses in the tax gap and SPR 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. This sensitivity to volatile data makes it difficult for HMRC to get a clear view on trends in compliance risks. For example, its previous SPR, from 2024, showed a 48% increase in net losses from large businesses' non-compliance between 2020-21 and 2022-23, three times the rate of increase estimated in its latest SPR for the years between 2021-22 and 2023-24.

1.12 In the absence of reliable short-term data on estimated losses, HMRC monitors compliance yield (the tax revenue collected or protected that would otherwise have been lost to the Exchequer) to provide some assurance that its activities sufficiently tackle compliance risks. However, HMRC's data on yield cannot on their own indicate the underlying level of risk its activities are not tackling. Nor does it show HMRC's success at tackling each SPR risk, as the large business directorate does not consistently record on its case management system data on which SPR risks are tackled by each intervention.

Figure 4

Large-business tax gap and total tax gap broken down by type of non-compliant behaviour, 2023-24

Half of the large-business tax gap comes from legal interpretation, while the proportion that comes from tax evasion is much lower than for all customer groups

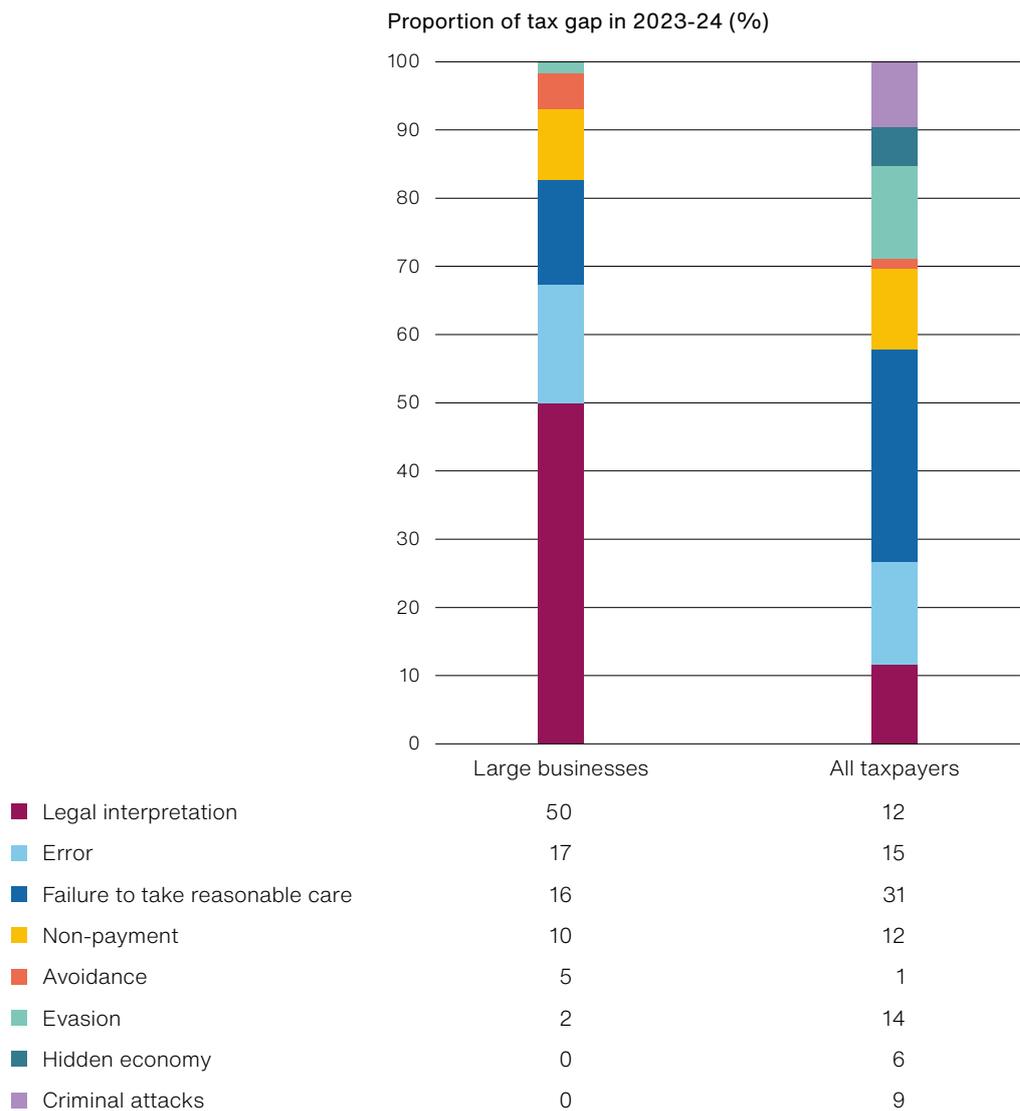


Figure 4 *continued*

Large-business tax gap and total tax gap broken down by type of non-compliant behaviour, 2023-24

Notes

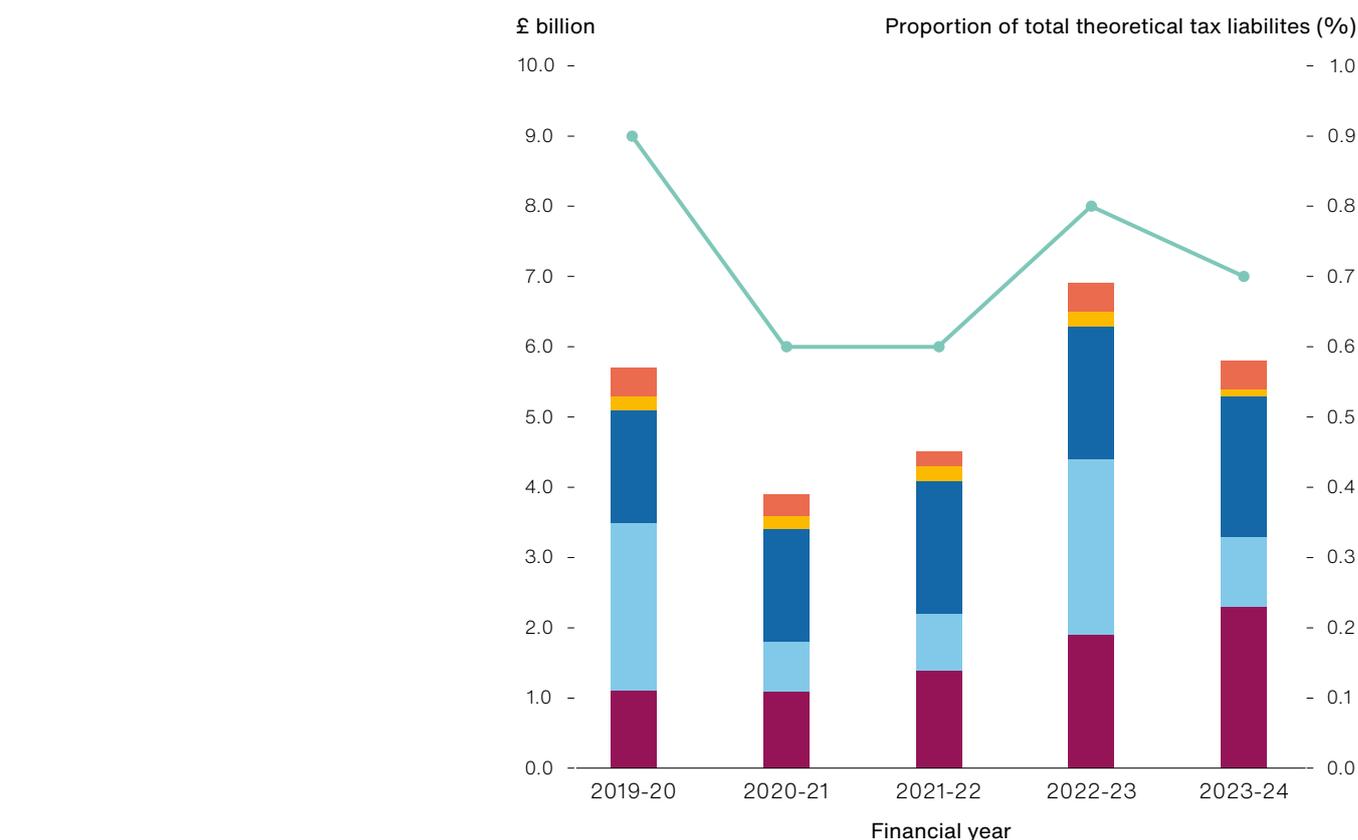
- 1 The tax gap is HM Revenue & Customs' (HMRC's) estimate of the difference between the tax theoretically owed and the tax actually paid.
- 2 HMRC defines its tax gap behaviours as follows.
 - Avoidance, where a taxpayer bends tax rules to try and gain a tax advantage that Parliament never intended.
 - Criminal attacks, where organised criminal groups undertake coordinated and systematic attacks on the tax system.
 - 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.
 - 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.
 - Hidden economy, sources of taxable economic activity entirely hidden from HMRC.
 - Legal interpretation, where a taxpayer's and HMRC's interpretations of the law and how it applies results in a different tax outcome.
 - Non-payment, tax debts that are written off by HMRC and result in a permanent loss of tax.
- 3 HMRC says that its estimates of the behavioural components of the tax gap are illustrative.
- 4 For the purposes of its tax gap estimates, HMRC defines large businesses as those with a UK turnover exceeding £200 million or more than £2 billion in assets.
- 5 HMRC uses a range of methods to estimate tax gaps, including external data sources, random enquiry programmes, surveys and management information.

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

Figure 5

Large-business tax gap broken down by type of tax, 2019-20 to 2023-24

The large-business tax gap in 2022-23 and 2023-24 was higher than in 2020-21 and 2021-22 in both cash terms and as a proportion of total theoretical tax liabilities



	2019-20	2020-21	2021-22	2022-23	2023-24
■ Corporation Tax (£bn)	1.1	1.1	1.4	1.9	2.3
■ VAT (£bn)	2.4	0.7	0.8	2.5	1
■ Pay As You Earn (£bn)	1.6	1.6	1.9	1.9	2
■ Self Assessment (£bn)	0.2	0.2	0.2	0.2	0.1
■ Other taxes, levies and duties (£bn)	0.4	0.3	0.2	0.4	0.4
Total large-business tax gap (£bn)	5.7	3.9	4.5	6.9	5.8
● Total large-business tax gap as a proportion of total theoretical tax liabilities (%)	0.9	0.6	0.6	0.8	0.7

Notes

- The tax gap is HM Revenue & Customs' (HMRC's) estimate of the difference between the tax theoretically owed and the tax actually paid.
- Total theoretical tax liabilities is HMRC's estimate of the total tax theoretically due from all taxpayers. We have presented the large-business tax gap as a percentage of this figure to align with HMRC's reporting of tax gap statistics.
- For the purposes of its tax gap estimates, HMRC defines large businesses as those with a UK turnover exceeding £200 million or more than £2 billion in assets.
- HMRC uses a range of methods to estimate tax gaps, including external data sources, random enquiry programmes, surveys and management information.
- Cash values are rounded to the nearest £0.1 billion. Percentages are rounded to the nearest 0.1%.

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

Part Two

HM Revenue & Customs' approach to working with large businesses

2.1 This part examines how HM Revenue & Customs (HMRC) works with large businesses to ensure they pay the right amount of tax. It covers:

- how HMRC manages compliance with large businesses;
- how it identifies and assesses potential non-compliance; and
- its approach to managing compliance risks.

Managing compliance with large businesses

2.2 Since 2006, HMRC has adopted a 'cooperative compliance' approach to managing risk with large businesses. The Organisation for Economic Co-operation and Development (OECD) estimates that 72% of tax authorities adopt a version of this approach, and has identified several principles that underpin it. **Figure 6** gives examples of how HMRC has implemented these principles.

2.3 The large business directorate allocates a customer compliance manager (CCM) to each large business. CCMs develop deep knowledge of a business's tax affairs, and liaise with sector or regime specialists across HMRC. CCMs interact with their allocated large businesses regularly, helping to resolve issues in real time. The approach is more resource-intensive for HMRC than in other customer groups, where engagement with taxpayers is often limited to active compliance interventions. HMRC estimates that it spent £340 million on large business compliance in 2024-25, an average of around £3,600 per individual business entity.² This compares with an average of £921 per mid-sized business, HMRC's next most resource-intensive group.

2.4 At March 2025 there were 168 large business CCMs, each assigned 12 businesses on average. More senior CCMs are allocated fewer but more complex and challenging businesses. Businesses generally report high levels of satisfaction with their CCM. In 2024, 91% of large businesses surveyed rated their overall relationship with their CCM as good; this often drove a positive overall experience of dealing with HMRC.

² This figure represents HMRC's estimated spend on the large business customer group across all of its compliance directorates, not just the large business directorate.

Figure 6

Key features of cooperative compliance and examples of how HM Revenue & Customs (HMRC) implements them

The Organisation for Economic Co-operation and Development (OECD) identifies seven pillars of cooperative compliance

Pillar of cooperative compliance	Description	Examples of how HMRC implements each pillar
Commercial awareness	Revenue bodies should have a good understanding of the commercial drivers behind the activities of large corporate taxpayers.	HMRC segments the large business population into 19 sectors, with different regional teams responsible for businesses in a particular sector. Leads for each sector develop deeper insight and expertise into the issues facing that sector.
Impartiality	Revenue bodies should seek to resolve issues consistently and objectively.	HMRC's litigation and settlement strategy sets out its approach to resolving disputes through civil procedures for all taxpayer groups, including large businesses. For the most significant disputes, typically those with £15 million or more of tax under consideration, HMRC requires a separate board of senior officials, independent of caseworkers, to scrutinise and assure HMRC's approach.
Proportionality	Revenue bodies should allocate resources and prioritise taxpayers for enhanced review according to the risk posed and revenue implications.	HMRC carries out regular business risk reviews, which rate taxpayers as either low, moderate, moderate-high, or high risk. It uses these ratings to help determine how much resource and scrutiny each business needs.
Openness through disclosure and transparency (by revenue bodies)	Revenue bodies should engage in regular, transparent communication with taxpayers regarding tax treatment.	HMRC encourages early engagement on proposed business arrangements, particularly for complex or high-value transactions, with HMRC providing its view on potential tax implications before the business files its tax return. This can help HMRC identify risks early and reduce uncertainty.
Responsiveness (by revenue bodies)	Revenue bodies should be responsive and look to resolve issues in a timely way.	HMRC assigns a customer compliance manager to each large business to build in-depth knowledge and expertise of the business and to facilitate real-time, cooperative working.
Disclosure and Transparency (by taxpayers)	Taxpayers should operate an open and transparent relationship with revenue bodies, including disclosing tax risks in real time.	HMRC operates the Uncertain Tax Treatment regime, which requires large businesses to notify HMRC when they are uncertain whether tax is due and the tax advantage is at least £5 million.

Notes

- 1 The seven pillars of cooperative compliance in this figure are taken from: OECD, *Co-operative Compliance: A Framework*, 2013, available at: <http://dx.doi.org/10.1787/9789264200852-en>.
- 2 'Large businesses' refers to those covered by HMRC's large business directorate, which works with around 2,000 of the UK's largest business groups. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.

Source: National Audit Office analysis of HM Revenue & Customs and Organisation for Economic Co-operation and Development documents and information

2.5 CCMs conduct a business risk review to assess a business's overall tax compliance behaviour and assign a risk rating. This helps HMRC decide how much resource and scrutiny a business needs, with it allocating more resources to higher-risk businesses, subjecting them to greater scrutiny, and supporting them to lower their risk rating. As at 31 March 2025, HMRC had rated 1,084 businesses as low risk, 588 as moderate, 94 as moderate-high, and only 10 as high risk.

2.6 The large business directorate makes good use of learning from how other tax authorities have implemented cooperative compliance and has allocated staff to ensure a coordinated and effective approach. Since 2021, it has worked closely with four other countries (Australia, Canada, the Netherlands and the United States) to identify tools and approaches to improve compliance, transparency and certainty among large businesses. HMRC has adopted some aspects of good practice identified internationally; for instance, it based its guidelines for compliance on a similar concept reported by the Australian Tax Office. HMRC recognises it can learn more from a broader set of countries and has prioritised a number of additional countries to build closer ties with.

2.7 HMRC also collaborates with other tax authorities on international tax rules. For example, the OECD and G20 are leading work on a multilateral solution to concerns about multinational companies artificially shifting their profits to avoid tax (see paragraph 1.4). In 2021, around 140 countries, including the UK, agreed a 'two-pillar' solution to address the tax challenges arising from the digitalisation of the economy.³ Pillar 1 is expected to apply to the 100 largest multinational enterprises and will reallocate a portion of their profits to the countries where sales are made. International agreement has not yet been reached on Pillar 1. Pillar 2 has introduced a global minimum effective corporate tax rate of 15% for large multinational businesses. The UK has adopted Pillar 2, with UK large businesses liable to pay top-up taxes to hit the minimum rate wherever they operate and for which the first tax returns are expected in June 2026.⁴ HMRC is supporting businesses with their Pillar 2 obligations, including through a dedicated team, and is co-leading a programme of work to ensure a globally coordinated approach across tax administrations. In January 2026, the countries signed up to Pillar 2, including the UK, reached agreement on a package of reforms that included how Pillar 2 rules would operate alongside other minimum tax rules. One of the outcomes is that US-headquartered businesses, including their foreign subsidiaries, will remain subject to existing US minimum tax rules and will only be subject to domestic Pillar 2 top-up taxes in countries which have them. There is significant uncertainty over the impact and effectiveness of the two-pillar reforms over the coming years.

3 Organisation for Economic Co-operation and Development, *Statement on a two-pillar solution to address the tax challenges arising from the digitalisation of the economy – 8 October 2021*, October 2021.

4 In addition to paying top-up taxes on low-taxed profits generated in other countries through the UK's multinational top-up taxes or domestic top-up taxes operated by other countries, large businesses based in the UK can also be subject to UK domestic top-up taxes if their effective tax rate in the UK falls below 15%. At time of publication, the main rate of Corporation Tax in the UK was 25%. Companies subject to UK Corporation Tax may pay an effective tax rate lower than this through, for example, use of reliefs or deductions, which can result in liabilities to Pillar 2 top-up taxes.

Identifying and assessing potential non-compliance

2.8 The large business directorate identifies potential non-compliance in several ways, but the data HMRC holds can only be considered indicative, as the large business directorate has limited controls on how caseworkers should record how each intervention is identified. The data that are available indicate the following.

- The majority of interventions opened by the large business directorate result from its 'risk-assessment processes', in which it reviews sources of information to establish if a business has paid the right tax.
- HMRC has opened increasingly more interventions as a result of its business risk review processes and disclosures from businesses themselves. In 2024-25, 19% of interventions opened came from HMRC's business risk reviews, and 33% came from customer disclosures. Some of these disclosures arise through the business risk review process.
- The number of interventions opened as a result of HMRC's visits to businesses' premises has increased since 2021-22.

2.9 These limitations in its data mean that the large business directorate could not tell us how many of its interventions it opened as a result of data profiling. In other directorates, bulk data profiling led by HMRC's central risk and intelligence team – pulling together tax returns, commercial bulk data, and data from other government departments or other tax authorities – enables most compliance work. For the large business directorate, this work is led instead by a dedicated data analytics team. Its work enabled around £4 billion of compliance yield in 2024-25 (a quarter of the yield achieved by the large business directorate in total in that year). The size and complexity of large businesses' group structures and activities means successful bulk profiling approaches are not always accurate. HMRC has work underway to optimise bulk profiling for large corporate groups.

2.10 The large business directorate has improved its risk assessment capability in recent years. HMRC is identifying more potential non-compliance, with the total tax under consideration increasing from £42.8 billion as at October 2023 to £70.1 billion as at October 2025. HMRC explained that key improvements have included upskilling case workers on risk assessment best practice and introducing a new process to feed insights from casework into suggestions for future compliance interventions.

2.11 The large business directorate aims to use data profiling to automate more of its work identifying and prioritising compliance risks. Challenges that HMRC recognises include the following.

- **Issues with HMRC's IT and data systems:** HMRC has a fragmented network of legacy systems, set up historically for individual taxes, and a single common tax management platform for newer tax regimes. To undertake analysis across different tax regimes, it must combine and transform data from multiple systems and platforms, many of which HMRC considers are unsuitable for modern data exploitation techniques. These issues with HMRC's systems are longstanding, and previous programmes to combine all information into a single repository have been unsuccessful. Many of HMRC's data storage platforms require caseworkers to enter data from paper forms manually, with limited validation against other sources. This increases the likelihood of errors or inconsistencies, for example when matching up different entities within a single business group.
- **Managing the administrative burden on large businesses:** only 49% of large businesses surveyed by HMRC in 2024 agreed that the overall level of administrative burden relating to tax compliance was reasonable.

2.12 HMRC has an ambition to modernise its IT infrastructure by 2030. Spending Review 2025 allocated HMRC an additional £1.6 billion from 2026-27 to 2028-29 to achieve this. Key projects HMRC is undertaking under this investment include migrating legacy data stores to a single repository which can be used with a range of analytical tools; developing a unique customer record to build a single view of the data HMRC holds on each taxpayer; and a new case management system. The large business directorate expects this investment will help it improve some of its issues with data quality and its ability to use bulk data profiling to identify large businesses' non-compliance.

2.13 The large business directorate has set out high-level aspirations on how it wants to make use of these planned improvements. These include improving its early identification of new risks; enhancing its use of analytical tools and AI to improve risk assessment, bulk data profiling and productivity; and identifying and using additional data sources. These aspirations have significant potential to improve the work of the large business directorate. HMRC says it is now developing detailed plans. Extensive digital transformation programmes present significant challenges for large organisations. We have previously reported that, without detailed planning in digital projects, progress is typically shallow, as problems are not unearthed until the later stages when delivery is underway.⁵

5 National Audit Office, *Digital transformation in government: A guide for senior leaders and audit and risk committees*, February 2024.

Managing compliance risks

Promoting compliance and preventing non-compliance

2.14 HMRC's overall compliance strategy is to focus on activities that promote compliance and prevent non-compliance before it occurs. The large business directorate typically targets these 'upstream' activities at multiple businesses at once, for example through communication campaigns and updated guidance to resolve misunderstanding of tax rules in particular sectors, or warning notices to selected businesses it has identified may be more prone to a particular compliance risk.

2.15 HMRC's cooperative compliance approach creates opportunities for large businesses to work with HMRC to resolve issues in real time and before they have filed their tax returns, particularly for complex or high-value transactions. This can include statutory and non-statutory clearances, which provide rulings where there is uncertainty on how tax legislation applies to specific circumstances.

Responding to non-compliance

2.16 HMRC can intervene and investigate after a business has filed a tax return if it suspects the business has not complied with the rules. In 2024-25, the large business directorate opened 1,812 of these 'downstream' interventions and closed 1,722. This is an increase from 1,016 interventions opened in 2021-22, when the volume of casework significantly reduced due to the COVID-19 pandemic.

2.17 During compliance interventions, HMRC may ask for considerable volumes of data from large businesses. We saw good examples of HMRC innovating through data analytics techniques to interrogate these data, including work to examine large caches of emails and documents. The large businesses we spoke to, however, said that HMRC did not always clearly explain why it was asking for these data and appeared to lack a clear plan for how the data requested would help it reach a judgement on how much tax is due. The large business directorate has been introducing two tools that could provide large businesses with more clarity: HMRC is planning to agree engagement expectations with large businesses at the start of an intervention, and HMRC can also share an action plan that sets out how it expects to investigate the issue, including what data it needs and why. HMRC showed us recent examples of information requests which demonstrate how it is trying to more clearly articulate its rationale to the businesses under investigation.

2.18 After investigation, HMRC may issue penalties to a business, particularly if it determines the business was deliberately non-compliant or failed to take reasonable care. In 2024-25, HMRC issued 636 penalties to large businesses, an increase each year from 164 in 2021-22. In the three years between 2021-22 and 2024-25, penalties to large businesses totalled £292 million, of which businesses paid £84 million (29%). HMRC suspended the remaining £207 million (71%) on the condition the business meets specific conditions, designed to incentivise it to cooperate with HMRC, improve its systems and avoid future non-compliance. HMRC issued only 19 penalties (3%) in 2024-25 for deliberate non-compliance. The majority of respondents to government's consultation on reforming penalties for inaccuracies and failures to notify, published in November 2025, agreed that HMRC could improve penalty suspension, with several believing HMRC did not suspend penalties consistently. In response, the government announced it will be developing draft legislation to reform HMRC's penalty powers, including changes to the suspension regime and stronger sanctions for deliberate non-compliance.

2.19 When HMRC suspects tax fraud, it uses civil investigations wherever appropriate. It reserves criminal investigations for cases where it needs to send a strong deterrent message, or the conduct involved means that only a criminal sanction is appropriate. HMRC told us that large businesses are generally compliant and that cases of egregious behaviour are rare. In 2022, the large business directorate introduced a new process for recording and reporting suspected fraud identified in casework to HMRC's Fraud Investigation Service. Since then, the directorate has identified around 200 suspicions of fraud or evasion and formally escalated 22 of these cases. HMRC could not tell us how many civil investigations of fraud it had completed into large businesses, but since 2019-20 its criminal investigations relating to large business non-compliance resulted in five prosecutions, leading to three convictions. Some stakeholders we spoke to felt that HMRC did not make best use of its powers against large businesses.

2.20 For some of the large business directorate's most complex or riskiest interventions, and where a business's behaviour is particularly poor, it uses its High Risk Corporates Programme. This programme aims to ensure senior-level engagement from both HMRC and the large business, prioritise engagement from technical and legal specialists, and accelerate progress on longstanding issues. Between its inception in 2006 and March 2025, the programme resolved more than 4,000 issues and led to the collection of more than £32 billion in extra tax. HMRC has put 70 businesses through the programme since 2006. In addition, there are 16 large businesses currently in the programme, of which one joined in 2006; a further five have been in the programme for at least five years.

2.21 HMRC considers its tools for tackling lower levels of non-compliance are working well, but it recognises it needs to modify its cooperative compliance approach for those businesses that persistently do not comply with the rules. For such large businesses, it has developed a series of escalations; for example, HMRC may reduce the level of service a large business receives from its CCM. For those large businesses that persistently engage in aggressive tax planning or refuse to engage with HMRC in an open and collaborative way, including those already in the High Risk Corporates Programme, HMRC has a special measures regime. HMRC gained legislative powers for the regime in 2016, through which it can apply sanctions for continued poor behaviour. HMRC told us it designed the regime to act as a deterrent. It has never put a large business into special measures, although it has considered it for a small number of businesses.

Resolving civil tax disputes

2.22 A tax dispute arises where HMRC disagrees with a taxpayer on how much tax is legally due. They can be resolved in a range of ways: the taxpayer pays the tax and penalties HMRC assesses are due; HMRC and the taxpayer reach an agreement on what they consider the right amount, securing the best practicable return for HMRC and in accordance with the law; or a tribunal or court reaches a decision, following an appeal from the taxpayer. In interventions where HMRC suspects tax evasion, it will consider whether a criminal investigation is more appropriate than pursuing a resolution through civil procedures.

2.23 HMRC uses its litigation and settlement strategy, first published in 2007, to frame its decisions and actions around resolving civil tax disputes. This states that HMRC should not usually persist with a dispute unless it secures the best return for the Exchequer and it has a case it believes would be successful in litigation. It says HMRC will not settle by agreement for an amount less than it could reasonably expect to obtain through litigation. The large business directorate requires caseworkers to document how each resolved dispute satisfies the strategy. For a sample of interventions, this documentation is checked by HMRC staff independent of the case. In our conversations with HMRC staff, and walkthroughs of closed interventions, we observed repeated references and a strong commitment to the terms of the strategy.

2.24 Although HMRC collects information on the mechanism or route through which it resolves each compliance intervention, these data are inconsistently recorded on HMRC's management information system. This means HMRC cannot reliably analyse the expenditure, return and time investment associated with different closure routes, limiting its understanding of factors influencing productivity and how transparent it can be about the number of tax disputes it resolves by agreement with large businesses.

2.25 From the limited data available, we were able to establish the following.

- Of interventions that HMRC closed in 2024-25, 7% (117 of 1,792) were ones large businesses had chosen to take to litigation, down year on year from 23% (351 of 1,556) in 2021-22.
- A tribunal or court decision resolved 51 appeals involving large businesses in 2024-25. A further 153 appeals were concluded without a tribunal or court decision. HMRC could not provide data on how these interventions concluded, for example, how many were concluded because it or the large business withdrew from proceedings, legal precedent from a separate 'lead' case determined the outcome, or HMRC reached an out-of-court settlement with a large business.⁶
- HMRC reports that some 46 (90%) of the 51 decisions in 2024-25 were those in favour of HMRC or where substantive elements of HMRC's case succeeded. This proportion has been consistently high since at least 2019-20.

2.26 The National Audit Office and Committee of Public Accounts raised concerns in 2011 and 2012 about weaknesses in, and limited adherence to, HMRC's governance processes for resolving tax disputes with large businesses, and a lack of transparency.⁷ Around the same time, there was significant media reporting around alleged 'sweetheart deals' between HMRC and large businesses. We reported in 2015 that HMRC had responded positively to these concerns and implemented changes to improve transparency and accountability.⁸ This included HMRC introducing a tax assurance commissioner role in 2012 to provide assurance to Parliament and the public that HMRC handles tax disputes in accordance with the law and its litigation and settlement strategy. HMRC 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.

2.27 The current governance arrangements for settling disputes are shown in **Figure 7**. These include dispute resolution boards to assure HMRC's approach in its highest-value and riskiest interventions, made up of HMRC staff who are independent of caseworkers who worked up the possible settlements. In these interventions, tax experts and caseworkers set out the details of the intervention to a separate internal board, which makes the final decision on a resolution, ensuring separation of powers. The board also receives legal advice, as well as an opinion on whether the proposed resolution is compliant with the litigation and settlement strategy.

6 The data on settled appeals are drawn from a different dataset than the data on closed interventions where HMRC decided to litigate, therefore the numbers are not comparable.

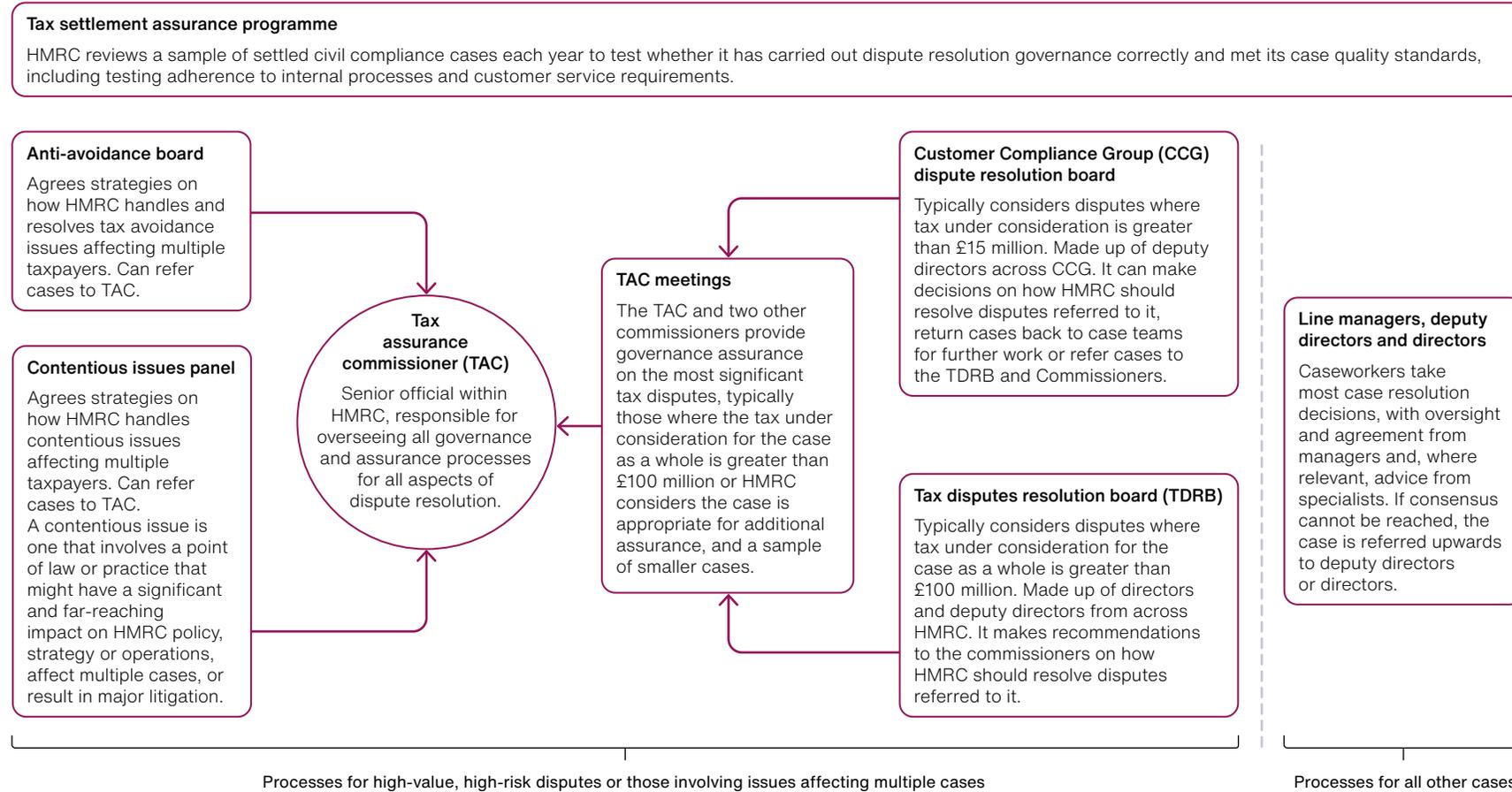
7 See: House of Commons (HC) Committee of Public Accounts, *HM Revenue & Customs: 2009-10 Accounts*, Eighteenth Report of Session 2010-11, HC 502, February 2011; Comptroller and Auditor General, *Report by the Comptroller and Auditor General*, published in *HM Revenue & Customs Annual Report and Accounts 2010-11*, HC 981, July 2011; HC Committee of Public Accounts, *HM Revenue & Customs 2010-11 Accounts: tax disputes*, Sixty-First Report of Session 2010-11, HC 1531, December 2011; and Comptroller and Auditor General, *Settling large tax disputes*, Session 2012-13, HC 188, June 2012.

8 Comptroller and Auditor General, *Increasing the effectiveness of tax collection: a stocktake of progress since 2010*, Session 2014-15, HC 1029-I, February 2015.

Figure 7

Overview of HM Revenue & Customs' (HMRC's) processes governing the resolution of tax disputes with large businesses

HMRC has processes in place to ensure that it resolves its high-value and riskiest disputes consistently, and that oversight of decisions is independent of those who worked up the possible settlements



□ Governance process ○ Oversight role → Direction of case referral

Notes

- For non-large business interventions, the threshold for referral to the CCG dispute resolution board is £5 million.
- 'Large businesses' refers to those covered by HMRC's large business directorate, which works with around 2,000 of the UK's largest business groups. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.

Source: National Audit Office analysis of HM Revenue & Customs documents and processes

2.28 HMRC has processes in place to test whether it is adhering to its governance arrangements, but it only reports a limited amount of this testing to Parliament. HMRC reviews a sample of 400 closed interventions each year as part of its tax settlement assurance programme. Through this, HMRC tests adherence to governance and internal case quality standards and reports the results to Parliament in its annual tax assurance commissioner report. In 2024-25, 20 of the 400 interventions reviewed by HMRC related to large businesses, equivalent to 1% of interventions closed by the large business directorate in that year. Four of the 20 interventions reviewed by HMRC were those requiring referral to a governance board. As a comparison, 55 large business interventions in 2024-25 went through these boards. The large business directorate also monitors adherence to governance, including reviewing a random sample of 10% of interventions each quarter as part of its quality assurance programme, and independently reviewing interventions as part of checks on yield calculations. HMRC does not publish the results of these reviews. Some other countries go further in assuring tax disputes; for example, the Australian Tax Office uses former Federal Court judges to independently review all large settlements and reports these results.

2.29 We examined 21 large business interventions, most of which closed in 2024-25, partly to see how governance arrangements were working. In these interventions, the case teams had followed all necessary governance processes, including the right person or board signing off each settlement amount. The results from HMRC's own testing also indicate that governance is adhered to in the vast majority of cases. Its tax settlement assurance programme found that HMRC followed the correct processes in 100% (four of four) of the large business interventions it reviewed in 2024-25 that required referral to a governance board. Its internal testing indicated that governance was correctly adhered to in 98.1% of reviewed interventions in that year.

Part Three

The effectiveness of HM Revenue & Customs' approach

3.1 This part examines:

- trends in the indicators of HM Revenue & Customs' (HMRC's) effectiveness;
- how HMRC ensures its effectiveness; and
- HMRC's thinking on expanding cooperative compliance to more businesses.

Indicators of HMRC's effectiveness

3.2 HMRC uses a basket of indicators to assess the effectiveness of its cooperative compliance approach with large businesses. Its key metrics include compliance yield, return on investment, and the length of time it takes to conclude its interventions. It also tracks the results from its annual survey of large businesses, in which over 80% of respondents every year since 2016 rated their overall experience dealing with HMRC as positive, far higher than ratings from its surveys of other customer groups. It uses the tax gap to inform long-term strategy, but the uncertainties and availability of its estimates mean it does not use the tax gap as a measure of success in the short term (see paragraph 1.11).

3.3 HMRC considers that it is difficult to record and quantify the totality of benefits from its approach, particularly the impact that closer working relationships have on businesses' behaviour change. HMRC often lacks meaningful data on its impact on the filing positions businesses have taken, and there is a risk of double counting other, overlapping initiatives or interventions. This challenge is acknowledged as common by international academics and other tax administrations.

Compliance yield and return on investment

3.4 In 2024-25, HMRC's large business directorate achieved a compliance yield of £15.8 billion.⁹ When adjusted for inflation, this has nearly doubled since 2021-22, when the yield from HMRC's compliance activity was affected by the COVID-19 pandemic. The pandemic limited HMRC's ability to visit businesses, and some compliance staff were redeployed to work on COVID-19 measures. The timing of when HMRC resolves particularly large interventions can skew trends in compliance yield. HMRC achieved exceptionally large yield from a single intervention in both 2019-20 and 2024-25; once these two interventions are excluded, HMRC's compliance yield performance in 2024-25 exceeds every year since 2017-18, the earliest comparable data HMRC could provide (**Figure 8**). HMRC expects annual yield from its large business directorate to increase to £19.1 billion in 2029-30, supported by investment in IT, data and additional staff.

3.5 Yield from upstream activities has increased from 15% of the total in 2021-22 to 34% in 2024-25. HMRC expects 40% of overall compliance yield will come from upstream activity by 2030.

3.6 The large business directorate spent £166 million on staff pay in 2024-25, meaning its return on investment in that year was £95:£1.¹⁰ This compares with a return on investment across HMRC's entire compliance group of £25:£1. In line with trends we observed in compliance yield, return on investment for the large business directorate has broadly returned to pre-pandemic levels. HMRC could not provide us with data or insights into the marginal returns it would expect from investing further in large businesses relative to other customer groups, or on different types of compliance interventions within the large business directorate. If available, these data could inform how HMRC decides to prioritise spending in different areas.

Case duration

3.7 The interventions closed by the large business directorate in 2024-25 lasted 17 months on average, the same as in 2019-20, and down from 35 months in 2021-22, when HMRC's ability to resolve interventions quickly was affected by the COVID-19 pandemic (**Figure 9** on page 36).¹¹ However, the duration of those interventions that large businesses took to litigation has remained high. Litigation interventions tend to be much longer and are subject to delays and pressures often outside of HMRC's control. HMRC therefore monitors the duration of litigation interventions separately from non-litigation interventions.

⁹ HMRC also reported £19.7 billion compliance yield in 2024-25 from activities undertaken in respect of large businesses, up from £10.2 billion in 2021-22. These figures includes compliance yield achieved by multiple HMRC directorates, not just the large business directorate. HMRC's data facilitates a more granular understanding of the yield achieved by the large business directorate and so this is what we have focused on in this report.

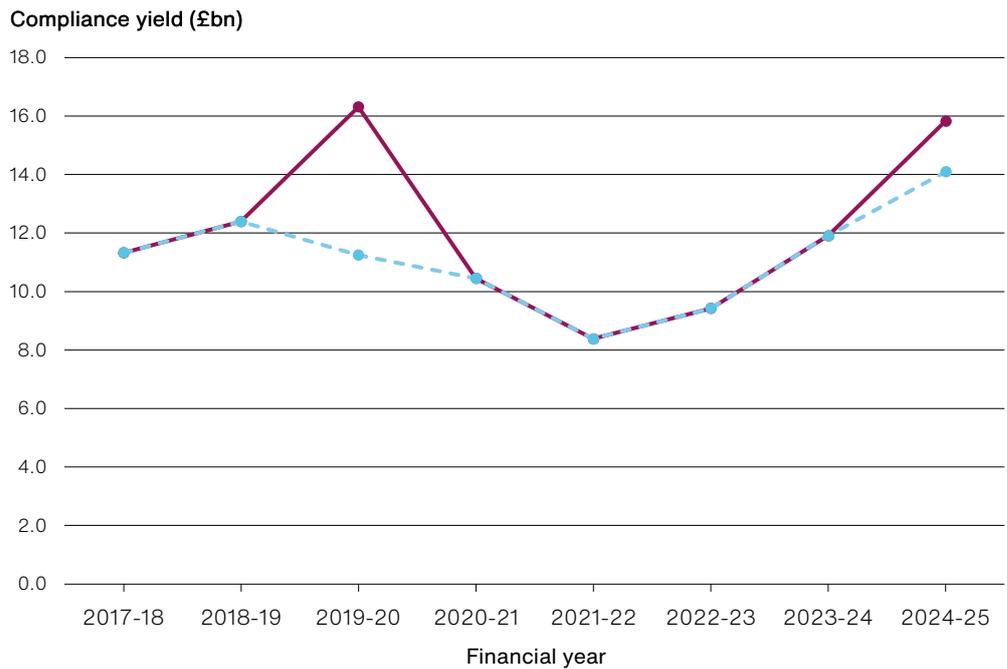
¹⁰ When we include staff costs and overhead spending from all parts of HMRC on large business compliance, and all compliance yield for large businesses, we calculate return on investment to be around £58 for every £1 spent in 2024-25.

¹¹ The average for 2021-22 reported here differs slightly from the average of 36 months previously reported by HMRC, as our analysis includes both downstream and upstream interventions.

Figure 8

Compliance yield achieved by HM Revenue & Customs' (HMRC's) large business directorate, 2017-18 to 2024-25 (2024-25 prices)

When adjusted for inflation and the distorting effect from exceptionally large compliance interventions, the yield in 2024-25 exceeded the yield achieved every financial year since 2017-18



● Compliance yield	11.3	12.4	16.3	10.5	8.4	9.4	11.9	15.8
● Compliance yield (exceptional cases removed)	11.3	12.4	11.3	10.5	8.4	9.4	11.9	14.1

Notes

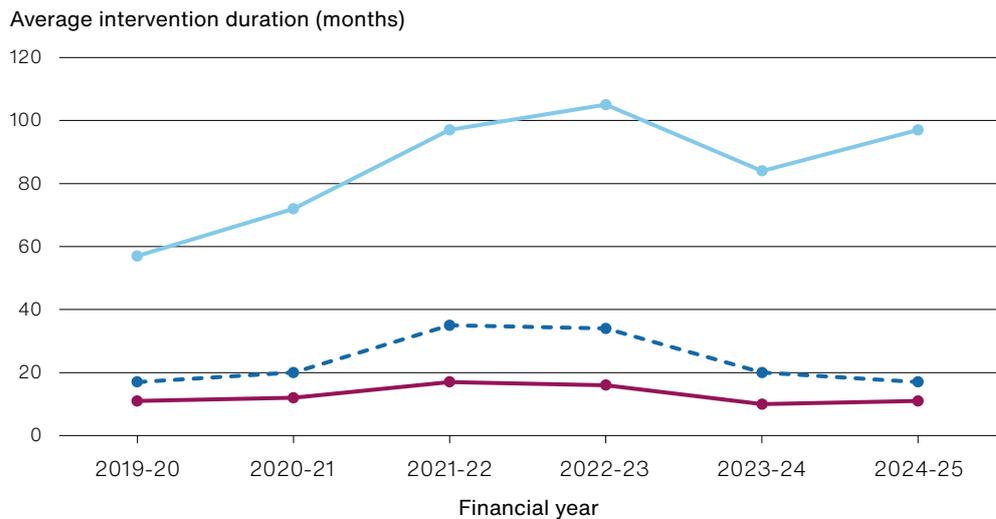
- 1 HMRC's large business directorate works with around 2,000 of the UK's largest business groups. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.
- 2 Compliance yield is HMRC's estimate of the tax revenue collected or protected that would otherwise have been lost if not for its interventions.
- 3 Data have been adjusted to represent compliance yield in 2024-25 prices, using GDP deflators published by HM Treasury on 6 January 2026.
- 4 HMRC told us it achieved an exceptionally large yield from a single intervention in 2019-20 and in 2024-25. To illustrate the effect of these interventions on the underlying trend, we have included data that exclude these interventions in the figure.

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

Figure 9

The average duration of compliance interventions closed by HM Revenue & Customs' (HMRC's) large business directorate, 2019-20 to 2024-25

Average duration for non-litigation interventions returned to pre-pandemic levels in 2024-25, while the time taken to resolve interventions involving litigation has remained high



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
● Non-litigation interventions	11	12	17	16	10	11
● Litigation interventions	57	72	97	105	84	97
● All interventions	17	20	35	34	20	17

Notes

- 1 HMRC's large business directorate works with around 2,000 of the UK's largest business groups. This broadly includes businesses with UK turnover greater than £200 million, but HMRC also looks at other factors such as complexity and level of risk.
- 2 Data are rounded to the nearest month.
- 3 A 'litigation intervention' means that HMRC has prepared to litigate and informed the large business it is about to begin litigation. It does not mean that the litigation process started or that the intervention reached a court or tribunal.
- 4 The UK entered its first national lockdown for COVID-19 on 23 March 2020. For the purposes of this report, we define pre-pandemic as 2019-20 and earlier.

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

3.8 The large businesses we spoke to raised concerns about a perceived decline in technical expertise and its impact on case progression. They felt case teams lacked the ability to make decisions; HMRC has had feedback from large businesses that they felt customer compliance managers (CCMs) also too often deferred issues rather than resolving them. Over the last few years, CCMs in the large business directorate have on average become less senior: in 2024-25, 40% of CCMs (67 of 168) were Grade 6 or Senior Civil Servant, HMRC's more senior roles, down from 47% (79 of 169) in 2020-21. HMRC says it is strengthening its CCM development programme. It also has various initiatives and programmes to recruit and develop more skilled technical staff, particularly to tackle two of HMRC's cross-cutting priority strategic tax risks – legal interpretation and international tax.

3.9 The large business directorate has developed additional productivity metrics and objectives to increase its focus on any delays and to incentivise staff to accelerate interventions. For 2025-26, these include reducing the average elapsed times on downstream non-litigation interventions to 20 months; reaching a settlement or decision point on 85% of interventions within 18 months; and concluding 50% of interventions by 31 March 2026 that are older than 18 months. In 2024-25, it closed only 33% of these older interventions. The large business directorate has introduced quarterly business reviews within each regional team, which include scrutiny of longer-running interventions. Its senior leadership discussion and management information products have increasingly examined trends in case duration metrics.

How HMRC ensures its effectiveness

3.10 The large business directorate has processes to ensure it focuses on the most valuable or risky interventions. These include:

- low-value thresholds for each tax regime of the tax at risk, below which HMRC does not typically begin an intervention;
- a significant risks programme, whereby it subjects higher-value interventions to added scrutiny and prioritises access to wider expertise across HMRC, including from legal or policy teams; and
- regular monitoring of the tax at risk and expected closure date to ensure continuing with an intervention is worthwhile.

3.11 There is some evidence that these processes are working. In 2024-25, 30% of the interventions closed by the large business directorate concluded with no yield recorded across the lifetime of the intervention. This has reduced from 38% in 2021-22. In contrast, we reported in May 2025 that 46% of interventions closed by HMRC's wealthy individuals team in 2023-24 closed with no yield.¹² Those zero-yield large business interventions in 2024-25, however, took on average 17 months to close, even when excluding litigation interventions from the analysis. This compares with an average of nine months for interventions that did result in some yield. HMRC told us that zero-yield cases may occur if it finds no additional tax is due following investigation, or if it picks up any additional tax due as part of a related but separate intervention.

3.12 The large business directorate reviews the progress of its interventions, but there are opportunities for it to go further, to ensure interventions get the focus and resources they need, or so they are brought to a quick resolution if yield is not likely. HMRC uses expert panels to oversee and challenge its international tax interventions. It said this governance was partly informed by a review of zero-yield interventions in 2013-14. However, it has not repeated this review for international tax interventions or for other types of zero-yield intervention, nor do zero-yield interventions form a focus of HMRC's performance metrics. HMRC also uses time-bound reviews to regularly review progress on its international tax interventions and plans to expand their use to a broader set of interventions across all tax regimes in 2026-27.

3.13 The large business directorate uses time-and-task data recorded by its staff to understand how they spend their time. This gives it some insight into the relative productivity of different teams, projects or interventions. In 2024-25, 55% of staff time was on customer-facing activities (2023-24: 51%), against a target of 60%, and for those in tax professional roles, 71% of staff time was on customer-facing activities (2023-24: 67%), against a target of 75%.

¹² Comptroller and Auditor General, *Collecting the right tax from wealthy individuals*, Session 2024-25, HC 876, National Audit Office, May 2025.

Expanding cooperative compliance to more businesses

3.14 Given the value that HMRC perceives from its cooperative compliance approach, it is investigating whether it should expand it beyond the current large business population. HMRC currently manages approximately 1,000 businesses with UK turnovers of £200 million or more within its mid-sized business team, which uses only limited aspects of cooperative compliance. This team manages a further 1,500 businesses with UK turnovers between £100 million and £200 million. Businesses within its mid-sized population are significant in terms of growth potential. HMRC currently reviews potential transfers between the mid-sized business team and large business directorate on a quarterly basis but does not re-review businesses after it has made its initial decision. HMRC's plans include developing an automated tool to enable it to reconsider businesses for transfer into cooperative compliance if turnover or complexity changes.

3.15 HMRC's plans to expand cooperative compliance are at an early stage and it recognises it still needs to establish the following.

- **How many businesses to include:** HMRC says it needs to strike a balance between improving assurance and providing an appropriate level of support to businesses. The 2,500 businesses in the mid-sized business team with turnovers greater than £100 million represent around 1% of the team's population and 28% of its open interventions. HMRC said that its prior experience indicates that cooperative compliance will benefit businesses of this size, though will likely deliver lower return on investment than the existing large business population. To inform its thinking on how many businesses to expand the model to and the resources it requires, HMRC is carrying out pilots to test variations in the number of businesses allocated to each CCM, the grade of CCMs, and the size and makeup of supporting teams. However, HMRC does not yet have the evidence to demonstrate there are enough businesses that would benefit. When HMRC has previously reviewed businesses to transfer in or out of the large business directorate, 290 businesses transferred out between 2019 and 2025, while only 110 businesses transferred in. HMRC has been monitoring changes in the performance of those businesses that recently transferred but said it needs more time to draw meaningful conclusions.
- **What cooperative compliance will mean for each business:** HMRC's vision is that its traditional CCM model will be reserved for its most complex large businesses. It may support those currently within its large business population but with lower risks through a temporary CCM as and when particular issues arise, or a pool of CCMs where responsibilities are shared around a wider team. HMRC said that current large businesses would not notice any change in the support they receive. HMRC's plans rely on identifying more risk through automated data profiling rather than through intensive and close contact with a CCM. HMRC recognises that this data profiling relies on further investment in its IT infrastructure, which has been provided as part of Spending Review 2025.

- **How to best identify the businesses to include:** To target its approach, HMRC is developing a more sophisticated way to identify businesses beyond simply annual turnover, bringing together data on, for instance, a business's assets, its impact on other businesses, and its compliance behaviour, to give a measure of complexity. HMRC said applying this measure of complexity across potential businesses for inclusion also relies on IT and data improvements being funded as part of Spending Review 2025.

3.16 Other countries segment their large business population differently. For example, the Netherlands' tax authority segments its large business population into three segments according to size, with the top 100 businesses receiving a resource-intensive, individualised compliance approach, and the smallest businesses only accessing cooperative compliance through a tax professional company. The Inland Revenue of Singapore invites its top 200 largest tax contributors to an enhanced programme, focusing on developing boardroom-level ties with businesses. In determining its new approach, HMRC could use its international network of tax authorities to learn what segmentation of the population has worked well elsewhere.

Appendix One

Our audit approach

Our scope

1 This report examines whether HM Revenue & Customs' (HMRC's) approach to large business tax compliance is delivering value for money. It covers:

- the taxes paid by large businesses;
- HMRC's approach to working with large businesses; and
- the effectiveness of HMRC's approach.

2 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.

Our evidence base

3 Our independent conclusions were reached following our analysis of evidence collected primarily between August and November 2025.

Departmental teach-ins and meetings

4 Between September and November 2025, we held eight teach-ins with HMRC officials, primarily from the large business directorate, to understand HMRC's strategy for large business tax compliance, how it engages with other tax administrations, its approach to risk assessment and horizon scanning, and its approach to workforce planning. We also held a teach-in with officials from HMRC's mid-sized business team to understand how HMRC's approach to these businesses differs from its approach to large businesses, and how the teams work together to manage common risks.

5 We prepared for each teach-in by performing desk-based research, reviewing our evidence base, and producing topic guides. We took comprehensive meeting notes, which captured key points and actions, and noted any important documents or avenues of enquiry we needed to pursue further. Teach-ins lasted from one to three hours and were carried out virtually.

6 We also held regular update meetings with officials from HMRC throughout the study. We discussed our study questions and sources of evidence. When we needed to clarify specific points of detail, we engaged in further meetings or corresponded through email.

Case walkthroughs

7 We examined 25 compliance interventions, most of which had been closed by the large business directorate in 2024-25. We designed our sample so that we covered a range of tax risks, tax regimes, amount of yield collected, case durations and governance arrangements. We also aimed to see examples of both upstream and downstream interventions. We selected 17 closed interventions from a population of 1,792, in line with our sampling criteria, and invited HMRC to put forward eight interventions to highlight areas of good practice and ensure that we saw a wide range of governance arrangements.

8 We used the case walkthroughs to gain a better understanding of:

- how HMRC identifies potential tax risks;
- how HMRC engages and works with large businesses throughout enquiries;
- the information HMRC requests from businesses under enquiry and why, and how it considers the administrative burdens on businesses;
- the processes that interventions go through and how they progress over time; and
- how different teams and specialists become involved in compliance interventions.

9 We also used the case walkthroughs to:

- verify that appropriate governance and quality assurance procedures are in place and routinely followed; and
- understand how HMRC follows its litigation and settlement strategy in practice.

Third-party interviews

10 We conducted seven interviews with a range of stakeholders with good knowledge of how HMRC engages with large businesses. In total, we spoke with representatives from 25 organisations. We identified these stakeholders through desk-based research and invited them to participate via email. We interviewed some stakeholders on a one-to-one basis and others through roundtables arranged by professional bodies. Stakeholders we interviewed included:

- academics working in the field of large business tax compliance: Prof Lynne Oats and Dr Junwei Xia;
- TaxWatch;
- representatives from a range of tax advisory firms at a roundtable organised by the Institute of Chartered Accountants in England and Wales (ICAEW);
- representatives from a range of tax advisory firms and large businesses at a roundtable organised by the Chartered Institute of Taxation (CIOT);
- representatives from large businesses operating in the finance sector at a roundtable organised by UK Finance; and
- representatives from large businesses operating across various sectors at a roundtable organised by the Confederation of British Industry (CBI).

11 We conducted these interviews between August and October 2025, with some additional engagement with stakeholders after this period. We took a comprehensive note for each interview, which covered key points, further actions, and new documents or avenues of enquiry we needed to explore. Interviews typically lasted one hour and were carried out virtually.

12 We used these third-party stakeholder interviews to get an external perspective on HMRC's approach to large business tax compliance, both to test the narratives we received from HMRC and to triangulate findings where appropriate. We also used these interviews to identify new avenues of enquiry. The stakeholders we spoke to make up only a small proportion of the total population, and so we have not treated the findings from these interviews as generalisable.

Document review

13 We reviewed a broad range of published and unpublished documents from HMRC to help define the study's parameters, develop the team's knowledge regarding the work of HMRC's large business directorate, and to evidence assertions made by HMRC officials during interviews. The documents we reviewed included:

- technical notes;
- annual reports and accounts;
- internal reports and papers;
- risk treatment plans;
- policy documents;
- governance documents;
- strategy documents; and
- research papers.

14 We also received and reviewed narrative documents created by HMRC for the purpose of this study.

15 We reviewed HMRC's annual survey of large businesses, which it commissions from external research agencies. This survey includes questions on overall experiences of dealing with HMRC, businesses' impressions of their customer compliance managers, and the administrative burden of complying with the UK's tax system. The 2024 research included a telephone survey with 548 large businesses and follow-up interviews with 30 of these businesses to examine particular issues in more depth.

16 We reviewed the National Audit Office's previous relevant reports, including: *Collecting the right tax from wealthy individuals* (May 2025); *Investigation into the Digital Services Tax* (November 2022); *Settling large tax disputes* (June 2012); and *Management of large business corporation tax* (July 2007). We also reviewed reports published by the Committee of Public Accounts, including *HM Revenue & Customs 2010-11 Accounts: tax disputes* (December 2011) and *Corporate tax settlements* (February 2016).

17 We reviewed published reports and documents from other organisations that were relevant to large business tax compliance. These documents included academic papers, and reports from TaxWatch and the Organisation for Economic Co-operation and Development.

18 We carried out our document review between August and October 2025.

Quantitative analysis

19 We primarily reviewed and analysed quantitative data relating to yield, performance, staffing, costs, and the duration of interventions. Where appropriate we compared these data against HMRC's entire compliance group. Most of these data are not published and were therefore taken from HMRC's systems for the purposes of this report.

20 For some analysis, we reviewed anonymised datasets of individual interventions either opened or closed by HMRC's large business directorate, taken from its case management system. Primarily, this enabled us to examine data on zero yield interventions and how HMRC had identified the risk in each intervention.

21 We also collected and analysed data published by HMRC on:

- the tax gap;
- tax under consideration; and
- compliance yield.

22 For the purposes of this report, tax revenue figures and compliance yield estimates are generally presented in cash terms to align with established convention when reporting tax revenues.

23 To evaluate the performance of the large business directorate over time, compliance yield data are presented in real terms, adjusted using the GDP deflators for 2024-25 which were published by HM Treasury in January 2026. Where this has been done, values are stated in 2024-25 prices, and this has been clearly indicated.

24 Compliance yield estimates are a combination of yield claims stated in cash terms at different points in time. For example, 'future revenue benefit' scored in a year will be the value put in by the caseworker when the intervention was completed, which is likely to have been in an earlier year. This means that it is difficult to estimate the real-terms value of compliance yield in any year as a whole. For consistency, we have therefore treated estimates of the compliance yield as cash terms in the year it was scored and included in HMRC's annual report, and have deflated to 2024-25 prices as described above.

25 In our analysis we generally considered trends across a six-year period from 2019-20 to 2024-25. Exceptions to this approach included the following.

- Where data were unavailable, such as tax gap data – which are only available to 2023-24 – or data from HMRC’s case management platform – for which HMRC did not record data in the same way prior to 2020-21.
- Compliance yield data, for which we considered trends over a longer period, from 2017-18 to 2024-25. We did this to provide a longer baseline to explore any effects on compliance performance from the COVID-19 pandemic, which affected HMRC significantly from 2020-21.

International benchmarking

26 We used the International Survey on Revenue Administration (ISORA), published by the International Monetary Fund, to benchmark and compare HMRC’s approach to large business tax compliance against the approaches of other tax administrations. However, performance statistics produced by different tax administrations are often not comparable, which limited our ability to do so successfully.

27 To gain an understanding of what other approaches to large business tax compliance exist, as well as what good practice might look like, we also carried out desk-based research into the approaches of tax administrations in other countries, drawing on publicly available information published online by those administrations.

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