

NEARLY £50 BN IN UNPAID TAXES SMALL BUSINESSES & CRYPTO HIGH ON HMRC RADAR

The latest estimate of the tax gap shows that missing taxes are approaching £46.8 billion, with some 5.3% of total taxes going unpaid.

These figures are for 2023/24. HMRC will be particularly concerned that small businesses account for 60% of the missing taxes. The tax gap for corporation tax has increased from 6.4% in 2011/12 to nearly 16%.

The tax gap for wealthy individuals remains fairly constant at just 5% of the total. There is, of course, a range of fully legitimate tax-planning strategies available for those in that income bracket.

SMALL COMPANIES

It shouldn't come as a surprise that owners of small companies are taking measures to limit their tax exposure. Not only are companies now faced with higher rates of corporation tax, but it has become increasingly costly for owners to extract profits from their business:

- Owners may exploit the expensing rules by claiming non-work expenditure. For example, a deduction could be claimed for purchases of laptops, phones and tablets despite minimal business use, if any at all.
- Depending on the nature of the business, owners may avoid declaring income by accepting cash payments or using payment in kind.

HMRC has lacked resources to carry out extensive tax investigations, but this may change with substantial new funding being allocated by the Chancellor.

CRYPTOASSETS

Non-compliance is estimated to be quite high when it comes to cryptoassets, with HMRC struggling to keep up with what is a rapidly evolving sector.

It is one thing for HMRC to identify when cryptoassets are converted back into cash, but it becomes more complicated when one type of token is exchanged for a different one (such as Bitcoin converted into Ethereum) or when tokens are used to pay for goods or services (possibly using a cryptocurrency debit card). Both types of transaction are disposals for capital gains tax purposes.

HMRC's summary details of the latest tax gap figures can be found [here](#).

WE CAN HELP

If you need any further information, contact us on **01753 888 211** or email info@nhllp.com. We are here to help.