TAXWATCH

HMRC wealthy plan consultation: written follow-up

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About TaxWatch

TaxWatch (www.taxwatchuk.org) is an investigative think-tank and registered UK charity, dedicated to compliance and sound administration of the law in the field of taxation. Established in 2018, TaxWatch publishes in-depth investigations looking at how the tax system is working on the ground. Its staff and advisors include journalists, financial investigators, lawyers and tax professionals.

TaxWatch is grateful for the opportunity to participate in this consultative exercise.

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Summary

1. **A cooperative compliance model for wealthy individuals needs to show how it works with the different incentives of wealthy individuals vs large businesses.** It can also learn lessons from large business compliance about protecting tools outside cooperative compliance to tackle the inevitable minority of taxpayers which don't engage constructively.

2. **The rising wealthy self-assessment tax gap indicates that agent standards are key for this taxpayer population**. The wealthy plan should set out how it will leverage new agent registration requirements to enforce tax agent standards, how existing 'enabler' penalties can be more effectively used, and how HMRC can promote meaningful enforcement of professional conduct standards by the tax professional bodies.

3. **Approaches to wealthy tax disclosure can learn lessons from large business disclosure requirements, which since 2015 have become increasingly focused on risk assessment and broad global disclosures of income, profits and assets; rather than on specific schemes and arrangements.** To help end cat-and-mouse disclosure processes, and provide the common basis of data that is essential for cooperative compliance approaches, HMRC could consult on what a standard 'Master File' might look like for the wealthiest individual taxpayers, comparable to Country-by-Country Master Files for large businesses; and what incentives might accompany such broad initial disclosure of worldwide income and assets.

1. Cooperative compliance for wealthy taxpayers

1.1 TaxWatch welcomes more bespoke and segmented approaches to ensuring the compliance of the wealthiest taxpayers. The 1.3 million individuals classified as 'wealthy' by the Wealthy and Mid-Sized Business Directorate are hugely diverse, and are growing as a cohort. A well-paid hospital consultant, a globally-mobile oligarch, a UK-born landowner and a London-based hedge fund manager will all have very different risk profiles, and the HMRC staff dealing with them require different information and technical expertise. Cooperative compliance delivered through closer and longer-term work with CCMs is one way to ensure such segmentation.

1.2 However, bespoke approaches to different high-value taxpayers should not be conflated with greater compliance discretion. For example, between 2021-22 and 2024-25, 71% of Large Business penalties were suspended due to good cooperation.[1] This figure may be surprising to taxpayers with smaller liabilities who find themselves in disclosure regimes that require calculation and up-front payment of penalties before settlement, even for fully cooperative taxpayers. To maintain tax morale, HMRC needs to be able to show that wealthy taxpayers with individualised CCMs – which will inevitably be viewed as 'tax concierges' - do not receive greater compliance discretion, or enjoy more preventive action than non-compliance detection, compared to less well-off taxpayers.

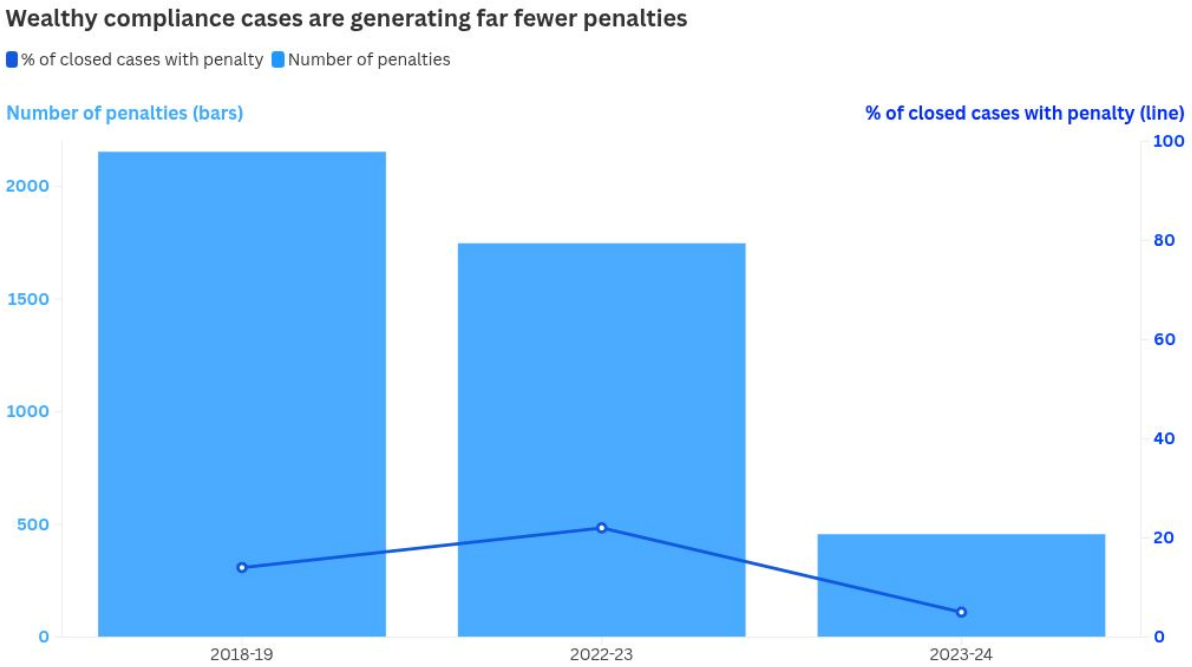
1.3 Cooperative compliance has also worked with large businesses because they have particular incentives towards cooperation. Multinationals' tax affairs are much more visible than those of individuals. They may be concerned about reputational risks with customers or suppliers, or the aversion of investors and shareholders to large contingent liabilities that uncertain tax positions or prolonged tax disputes may create on their balance sheets. A HNWI may simply not have these stakeholder pressures, and their tax affairs are also likely to remain entirely publicly invisible.

1.4 As noted in IMF policy work on expanding cooperative compliance to wealthy individuals, cooperative compliance for HNWIs is envisaged as one element *alongside* strengthened compliance tools, including better information powers, legislative action against avoidance, and stronger audit functions.[2] Precisely because wealthy individuals may lack the 'endogenous' incentives towards visible compliance outlined above, these other tools are even more important as a backstop to wealthy individuals' cooperative compliance than for large businesses. Yet use of some compliance tools is already declining. For instance, the National Audit Office noted last year that the proportion of wealthy compliance cases ending with a penalty fell to just 5 percent in 2023-24 compared to 14 percent in 2018-19; while the number of wealthy penalties overall has collapsed since the pandemic, falling from 2153 in 2018/19 to 456 in 2023/24, even as the number of wealthy taxpayers rose by 70 percent in that period.[3] This decline in penalties has been accompanied by a £2 billion increase in the wealthy tax gap over this period, which is now also increasing as a percentage of theoretical liabilities (Annex A).[4] While annual variations should not be over-emphasised with a small taxpayer group, nonetheless if this overall falling penalty trend has continued since 2023-24, especially

[1] National Audit Office, *Taxing Large Businesses* (HC 1647), 27 February 2026, p.9, https://www.nao.org.uk/wp-content/uploads/2026/02/taxing-large-businesses.pdf
[2] John Buchanan and Lucilla McLaughlin, *Revenue Administration: Implementing a High-Wealth Individual Compliance Program* (IMF Fiscal Affairs Department: April 2017), https://www.imf.org/-/media/files/publications/tnm/2017/tnm1707.pdf
[3] From 500,000 in 2018/19 to 800,000 in 2023/24. See HMRC Annual Report and Accounts for those years.
[4] HMRC, *Measuring Tax Gaps: 2026 edition*, statistical tables.

against the backdrop of a rapidly rising wealthy tax gap, then the case for adding more carrots and offering to suspend certain sticks through the 'cooperative compliance' approach needs to be very well-evidenced.

Figure 1: Wealthy penalties and penalty rates, 2018/19, 2022/23 and 2023/24



Source: National Audit Office, May 2025

1.5 Outcomes from Large Business compliance also underline the need to maintain credible penalty regimes alongside cooperative compliance and greater taxpayer certainty. As with the wealthy tax gap, a long decline of the large business tax gap in percentage terms since 2006 has stalled since 2020. Concentration of post-pandemic corporate profits means that that in absolute terms the large business gap has risen sharply: increasing by over 10 percent since pre-pandemic levels, an increase of around £2.5 billion in nominal terms. Yet despite a rising large business tax gap, tools to tackle a minority of persistent non-compliance remain underused or unused. The Large Business Directorate has never used its toughest non-criminal corporate sanctions (the 'persistently uncooperative large business regime') against any company since it was introduced in 2016, despite identifying at least three cases of such persistent non-compliance.[5]

[5] Oral evidence to Public Accounts Committee, 18 May 2026, Q.23, https://committees.parliament.uk/oralevidence/17594/html/https://publications.parliament.uk/pa/cm5902/cmselect/cmpubacc/86/report.html

2. Agent standards

2.1 Nearly three-quarters (73%) of wealthy individuals are represented by agents. For the wealthiest this figure increases to 90%.[6] If errors and failure to take due care in self-assessment tax returns are significant problems – as is suggested by the growing focus on upstream compliance – then with respect to wealthy taxpayers these are substantially problems with agent standards, not with systems for interacting directly with taxpayers. The new mandatory registration rules for tax agents introduced in Finance Act 2026, and the power for HMRC to refuse or suspend agent registration, are opportunities to increase adherence to the HMRC Standard for Agents, including for agents representing wealthy individuals.

2.2 Beyond error and failure to take due care, there is evidence that tax advisors and agents abetting deliberate non-compliance by wealthy individuals are not being sufficiently dissuaded either by HMRC action or professional disciplinary mechanisms. Use of some key 'enabler' penalties remains limited: from 2021-22 to 2023-4 there were fewer than five penalties for enablers of defeated avoidance schemes, and though 2024-25 saw 180 such penalties they averaged just £9055 each. There were also fewer than five penalties for dishonest conduct by tax agents from 2021-22 to 2024-25. (It remains to be seen if the new 'sanctionable conduct' penalties in Finance Act 2026 will see greater use). No enabler of offshore tax evasion – by definition likely to involve wealthy taxpayers - has yet been penalised since such penalties were introduced in 2016.[7]

Likewise architects of major disguised remuneration avoidance schemes remain members in good standing of professional bodies. In one recent case subject to a disciplinary complaint from TaxWatch to a professional body (PB), the PB has taken four years to decide not to sanction a member for violating the Professional Conduct in Relation to Tax (PCRT) standards: despite accepting that that member was the sole director of a firm that the First-Tier Tribunal (FTT) found failed to disclose three DOTAS-disclosable schemes; directed another that operated a scheme subject to a Spotlight Alert; received a six-figure penalty for failing to comply with an Information Notice; and was criticised by the FTT and Upper Tribunal (UT) for giving evidence described in the tribunals' decisions as ""disingenuous", "evasive", "seriously misleading" and "lacking in candour".[8]

2.3 Given the importance of agents to the wealthy taxpayer cohort – both in representing clients and facilitating a minority of aggressive tax planning – the Wealthy Plan could usefully set out its strategy to agent registration conditionality, agent penalties, and supporting the more effective enforcement of professional standards.

3. Disclosure requirements for the wealthiest taxpayers

3.1 The information that large businesses disclose to tax authorities, including HMRC, is undergoing a quiet revolution. This includes: non-public country-by-country reporting since 2016;

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[6] Public Accounts Committee, *Collecting the right tax from wealthy individuals*, Fortieth Report of session 2024-25 (HC 827), para. 13, https://committees.parliament.uk/publications/48823/documents/256443/default/

[7] Figures from Freedom of Information, presented in TaxWatch, *State of Tax Administration 2025*, p. 28, Figure 22, https://www.taxwatchuk.org/state-of-tax-administration-2025/

[8] Disciplinary complaint details on file.

GLoBE information returns from 2025-26 showing where businesses are incurring effective tax rates under 15 percent; and, from 2028 ,the International Controlled Transactions Schedule.

3.2 All these measures, whether by design or effect, constitute a shift from *disclosure of specific tax-driven schemes or arrangements*, to *data for tax risk assessment*: particularly geographical breakdowns of entities, income, profits, assets and activities. Large businesses also typically make public disclosures of structure and some geographical financial breakdowns in published annual reports, and in accounts filed with company registries.

3.3 Ultra-wealthy individuals, some with cross-border tax affairs as complex as a modest multinational group, have none of these reporting requirements. It seems unlikely, moreover, that cooperative compliance approaches alone will lead to comparable voluntary disclosure. Recent discussions on HMRC's emerging 'wealthy compliance' plan have underlined that many HNWIs and their advisers intend to continue taking a 'don't ask don't tell' approach to HMRC even under an enhanced cooperative compliance regime. SA100 and SA106 forms, with few exceptions, do not gather information about assets and income that taxpayers judge to be outside the UK tax net – a question which is itself often a core area of dispute with HMRC.[9]

3.4 Nor can third-party data fill in all the gaps. To take two examples: minority shareholder data in many company registries, including UK Companies House, generally lack unique taxpayer identifiers, often do not require individual identifiers such as dates of birth or nationality, and are often not included in APIs and data feeds. Likewise around a fifth of overseas financial accounts reported to HMRC via the Common Reporting System lack unique taxpayer identifiers; and over 45 percent of the account balances are held via trusts and companies whose individual ownership may be difficult to untangle.[10] In most cases, moreover, CRS reporting does not include non-savings income such as dividends, trading income or rent.

3.5 Discussions with Large Business CCMs indicate that basic information on taxpayers' structure, and a comprehensive picture of their income and assets, are an essential precondition to effective cooperative compliance relationships. With wealthy individuals, the absence of a basic agreed picture of a wealthy international taxpayer's financial affairs may often lead to more, not fewer, demands for disclosure, necessitating lengthy questionnaires and iterative requests for documentation. This leads to annoyance, delay, cost and frustration on both sides.

3.6 HMRC should consider making cooperative compliance and/or advance rulings conditional on disclosure of a standard mapping of income, assets, financial accounts, trusts, corporate entities, movable and immovable property related to a wealthy taxpayer, wherever located and whether or not the taxpayer or their adviser judges that income is within or outside the UK tax net. This would be comparable to the 'Master File' prepared and exchanged by large businesses under OECD Country-by-Country Reporting standards.

3.7 In return, taxpayers could be offered immunity from certain penalties, such as 'failure to notify' or 'offshore moves' penalties, if they involve income, assets and entities disclosed on the wealthy individual's Master File.

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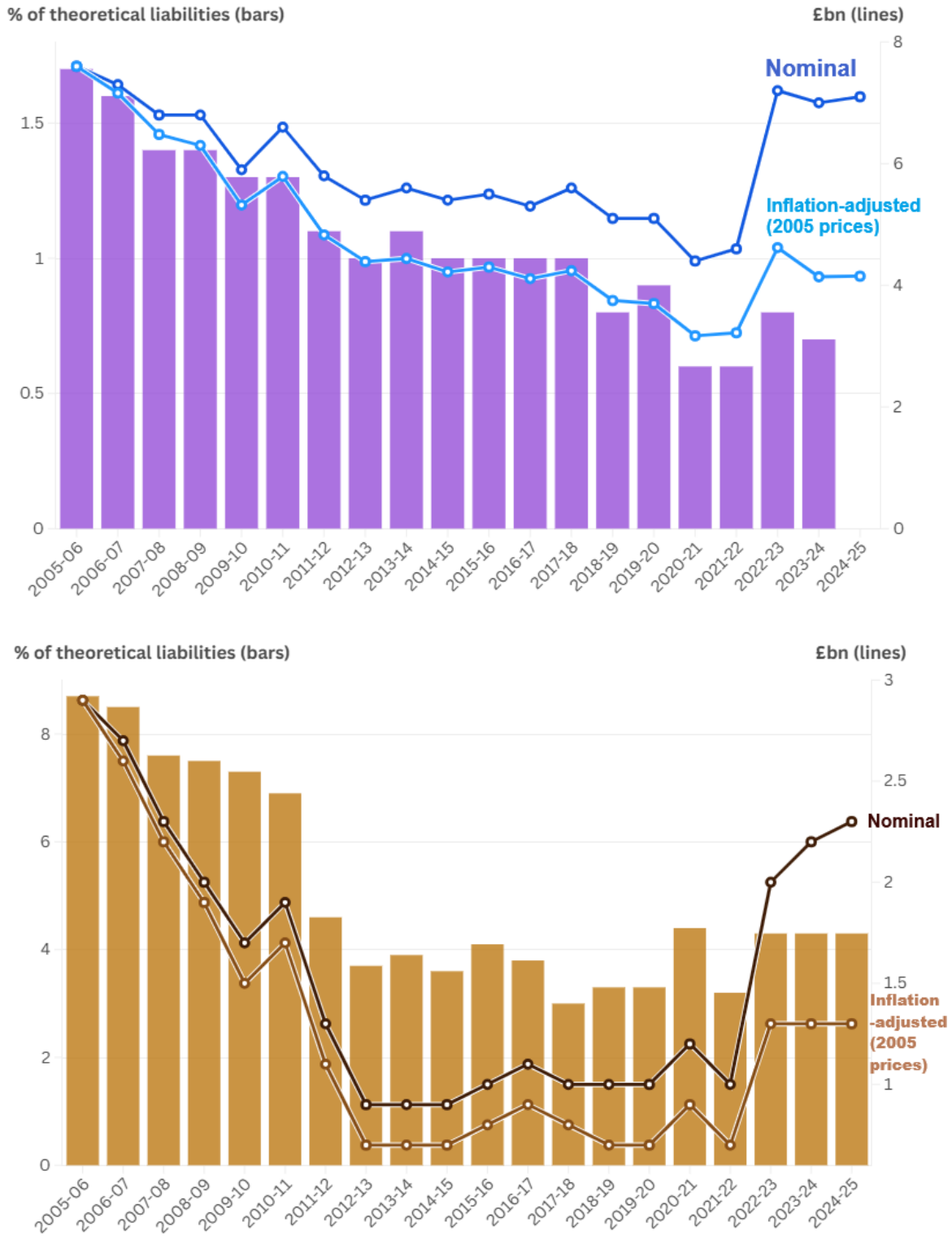
[9] See e.g. Cogefin (Bermuda) Limited & Anor v The Commissioners for HMRC, [2026] UKFTT 1108 (TC)
[10] CRS balances data and taxpayer identifier prevalence figures are for 2024, obtained by TaxWatch via FOI.

Annex A: Wealthy tax gap (top) and wealthy self-assessment tax gap (bottom), 2005-6 to 2024-5



Source: HMRC, Measuring Tax Gaps, 2025 and 2026 editions