

Time to blow the whistle?

Nicholas McLeman considers HM Treasury's new incentive scheme to tackle tax evasion

In March 2025, the UK Treasury unveiled a package of new initiatives, including a bold new whistleblower reward scheme aimed at tackling tax evasion and aggressive avoidance.

HM Treasury intend to offer financial incentives to individuals who provide actionable intelligence that leads to the collection of unpaid liabilities. It is envisaged that this scheme will tackle tax evasion and aggressive avoidance, departing from the UK's historically opaque and underfunded approach to whistleblowing.

According to HMRC's latest figures, the UK tax gap for 2022–23 is estimated to be £39.8 billion, representing 4.8% of total theoretical tax liabilities. While this marks a long-term reduction from 7.4% in 2005–06, HM Treasury remains concerned regarding the absolute value of the tax gap which has grown steadily – driven by rising tax liabilities and persistent non-compliance – and are seeking new tools in its enforcement arsenal.

The Treasury is not, however, starting from scratch, as they are openly taking inspiration from our allies across the Atlantic. Both the US and Canada have long operated structured, incentivised whistleblower programmes, and HMRC has been taking notes.

Stars, stripes, and snitches

While the US Internal Revenue Service (IRS) Whistleblower Program, established in 2006, is widely regarded as the gold standard in tax informant schemes, the US has a long-established history of rewarding tax informants.

Since 1867, the Secretary of the Treasury held the discretionary power to pay such amounts to individuals as they deem necessary in reward blowing the whistle. These powers were largely unchanged for the first 140 years after its implementation.

The Tax Relief and Health Care Act of 2006 overhauled the US's approach. The IRS Whistleblower Office was created to oversee the implement the law, making fundamental changes to the IRS whistleblower programme by providing a structured approach to reward that has served as the inspiration for similar schemes in other territories.

The key change in 2006 was amending the IRS's power to grant discretionary rewards to a mandatory obligation.

Eligible whistleblowers are now entitled to between 15% to 30% of any tax amounts recovered as a result of any tip, provided the income of the relevant taxpayer exceeds \$200,000 for at least one of the tax years in question, or where the tax and penalties recovered exceeds \$2 million.

The actual percentage received depends on several factors that either increase or decrease the award. For example, taking professional or personal risk, providing original (not publicly available) information, or aiding the IRS when blowing the whistle will increase the reward. On the other side, being involved in the conduct that led to the loss in tax, or providing vague reports with no further assistance, will reduce the reward obtained.

The Act also provided whistleblower rights of appeal against the amount awarded or the denial of a claim.

The 2006 changes are widely seen as a considerable success, with the mandatory element of the reward provision being a core reason for the success of the programme; from 2007 to 2020, the IRS Whistleblower Office collected over \$5.9 billion in additional tax, and made awards to eligible informants of over \$1 billion.

In 2020 alone, the IRS recovered an additional \$472 million as a result of whistleblowers' tips, and made 169 awards totalling \$86 million, an average payout of \$512,538.

Payouts under the US programme can be significant, with the largest reward to date being for \$104 million to Bradley Birkenfield, an international banker who blew the whistle on illegal offshore accounts held in Switzerland by US citizens.

In July 2019, the programme was further strengthened via the Taxpayer First act, providing anti-retaliation protection to whistleblowers and enhancing communication between whistleblowers and the IRS about the status of their submissions.

From Ottawa with intel

The UK will also take inspiration from Canada's Offshore Tax Informant Program (OTIP), which launched in 2014. Whilst explicitly modelled on the IRS whistleblower programme, Canada's implementation has a much narrower scope than the US.

The Canadian model offers between 5% to 15% of any federal tax collected to individuals who provide credible information about international tax non-compliance only. This ranges from failing to report foreign income to avoiding the payment of taxes they owe using international methods.

The OTIP is also primarily focused on larger offenders with a minimum threshold of at least CA\$100,000 in recovered tax before eligibility to reward is considered.

Though more conservative than the US system, the OTIP is also widely seen as effective and a success, largely as there is a strong focus on whistleblower confidentiality.

By 2020, it had triggered over 180 audits, identified CA\$62.2 million in additional taxes and penalties, and paid out over CA\$1 million in rewards. Experts have described the Canadian scheme as a measured but meaningful deterrent, balancing incentives with administrative caution.

All whistle, no reward

Until now, the UK's whistleblower reward system has been more of a footnote than a feature of the UK tax system.

HMRC has long accepted tips via its fraud hotline, but rewards have been discretionary, opaque, and modest, totalling less than £1 million in payouts last year. Looking for a silver lining, this was nearly double the rewards paid during the previous year, but considering this was paid in respect of over 150,000 tip-offs, rewards have been minimal compared with the schemes run by the US and Canada.

The rewards previously paid have been a mere drop in the ocean when compared with the billions lost to tax fraud every year. With no clear criteria for rewards, no legal protections for whistleblowers, and little transparency about outcomes, the UK's approach has often seemed ad hoc and under-resourced.

As HMRC are under increasing pressure to both close the tax gap and to increase tax yield, reform and improvement is therefore a welcome measure.

A hybrid model for HMRC?

If the UK wants its new scheme to succeed it must learn from both the ambition of the US and the caution of Canada.

From the US, it is clear that the UK should adopt:

- Clear reward thresholds tied to tax recovered.
- Legal protections for whistleblowers, including anonymity and anti-retaliation measures.
- A dedicated whistleblower office to manage and triage disclosures.

From Canada the UK can borrow:

- A focus on offshore and high-value cases to start.
- Rigorous vetting to avoid being overwhelmed by low-quality tips.
- A measured rollout, allowing the system to build credibility over time.

Ultimately, the success of the UK's scheme will depend not just on how much it pays, but on how seriously it treats those who come forward. If HMRC can strike the right balance, it may finally turn whistleblowing from a last resort into a cornerstone of tax enforcement.

The detail and scope of the UK's scheme is currently in development, and it intended for full details to be announced later this year.

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