Cash for information: how HMRC is paying for intelligence

Management of taxes | General Features

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HMRC’s strengthened whistleblower reward scheme aims to enhance tax enforcement, while presenting challenges for reporting quality and operational capacity.

Key Points

What is the issue?
HMRC has introduced a strengthened informant and reward scheme that offers substantial financial incentives for whistleblowers to report serious tax avoidance and evasion, marking a significant shift in the UK’s enforcement strategy.

What does it mean to me?
The scheme could materially increase HMRC’s access to high-value intelligence, but

it also raises risks around opportunistic reporting, operational strain and fairness.

What can I take away?
The success of the scheme will depend on HMRC’s ability to triage information effectively, resource investigations adequately, and maintain transparency and trust in how rewards are assessed and paid.

In November 2025, HMRC formally launched an enhanced informant and reward scheme, marking a significant shift in the UK’s approach to tackling serious tax avoidance and evasion. Announced in the 2025 Budget, the initiative represents a deliberate move towards using financial incentives to encourage whistleblowers, closely modelled on established programmes in the United States and Canada.

The stated aim is to harness credible third-party intelligence to uncover hidden non-compliance, reduce the tax gap, and strengthen HMRC’s enforcement capabilities.

While the promise of increased compliance and deeper investigative reach is compelling, the introduction of a formal and potentially generous reward system raises a range of operational, ethical and resourcing challenges. These include the risk of a significant rise in vexatious or opportunistic reports, the strain on HMRC’s capacity to assess and pursue incoming information effectively, and the broader implications for enforcement culture in the UK. This article explores both the intended and unintended consequences of the scheme, and places it within a broader global trend towards incentivised enforcement.

The process of submitting information

HMRC accepts disclosures under the Strengthened Reward Scheme through its online reporting service for serious tax avoidance and evasion, hosted on GOV.UK. Reports are made via a secure web-based form, rather than by email. While anonymous reports are permitted, informants must provide contact details if they wish to be considered for a financial reward.

The reporting process is designed to capture structured intelligence rather than general suspicion. HMRC’s guidance makes clear that it is seeking specific, first-hand information that can be assessed and prioritised. Informants are advised not to

investigate matters themselves, alert the subject of the report or attempt to obtain information unlawfully.

When submitting a disclosure, HMRC expects sufficient detail to allow an initial credibility and risk assessment. In practice, this includes:

- A clear description of the suspected activity: explaining whether it involves tax avoidance, evasion or offshore non-compliance, and the nature of the arrangements involved.
- The identity of the individuals or entities concerned: including names, jurisdictions, and (where known) associated companies, trusts or intermediaries.
- How the informant came by the information: including their relationship to the subject (for example, employee, former employee, adviser, contractor or counterparty).
- The scale and duration of the conduct: such as how long it has been occurring and an estimate of the tax at stake, if known.
- An indication of supporting material: including documents, records or data that exist and could substantiate the disclosure. The online form does not allow attachments, but informants can explain what evidence is available and whether they can provide it if requested.

HMRC notes that the clarity and specificity of the information supplied will directly affect whether a report can be progressed.

Once a report is submitted, HMRC will acknowledge receipt but will not provide ongoing updates. Investigations arising from disclosures may take several years to conclude, and decisions about rewards are only made once additional tax has been successfully recovered. Even then, payments remain discretionary and are assessed against eligibility criteria, including whether the information was genuinely new, material and instrumental to the outcome.

The structure of the strengthened reward scheme

Under the strengthened reward scheme, individuals who provide information that enables HMRC to collect substantial unpaid tax can receive a share of the revenue recovered. HMRC's official guidance (see tinyurl.com/22sc247n) states that a reward may be payable where information leads to the collection of at least £1.5 million in

additional tax, with awards ranging from 15% to 30% of the amount collected (excluding penalties and interest). The scheme is primarily targeted at serious tax avoidance and evasion involving large corporations, wealthy individuals or complex offshore arrangements.

This marks a clear departure from HMRC's historical approach, which relied on a discretionary and relatively modest informant reward system. Prior to the 2025 reforms, HMRC did pay rewards for credible tip-offs, but amounts were limited and not calculated on a percentage basis. For example, during the 2024-25 tax year, HMRC paid out approximately £850,000 in informant rewards, despite receiving more than 160,000 reports of suspected tax fraud.

By contrast, the United States Internal Revenue Service (IRS) Whistleblower Program has, over many years, paid out substantial awards – often between 15% and 30% of recovered tax – and generated billions of dollars in additional revenue. Canada's Offshore Tax Information Program has similarly demonstrated the potential value of structured financial incentives. HMRC's new scheme explicitly draws on these international models.

Increasing credible disclosures

One of the scheme's principal aims is to increase the volume of high-quality, credible disclosures. By aligning economic incentives with compliance objectives, the policy is designed to encourage insiders and other knowledgeable parties to come forward when they might otherwise remain silent.

Confidential sources, employees of multinational companies, tax professionals and intermediaries with insight into avoidance schemes or tax evasion now have a tangible incentive to report wrongdoing. In theory, this could help HMRC to penetrate opaque corporate and offshore structures, uncover orchestrated avoidance strategies, and initiate enforcement actions that would otherwise lie beyond its immediate reach.

Linking rewards directly to the actual tax recovered, rather than to discretionary lump sums, also introduces a clearer and more proportional incentive. In systems such as the IRS whistleblower scheme, this approach has helped to generate a steady flow of high-value intelligence and deliver billions in additional tax revenue.

The rise of vexatious and opportunistic reports

Any regime offering potentially substantial financial rewards is likely to attract attention beyond legitimate whistleblowers. Generous incentives may result in an increase in vexatious, speculative or opportunistic reports – submissions that allege wrongdoing but lack credibility, substance or actionable evidence.

This concern is not merely theoretical. Even before the strengthened scheme was introduced, HMRC experienced a surge in tip-offs. During 2024-25, reports reached record levels, while average reward payouts declined, suggesting that many disclosures lacked sufficient merit to justify enforcement action.

In practice, a flood of low-quality reports risks absorbing significant investigative effort before viable leads are identified. There is also a heightened risk of strategic or malicious reporting, where individuals submit unfounded allegations to harm competitors, pursue personal grievances or simply test the boundaries of the reward thresholds.

Resource and operational challenges for HMRC

For the scheme to operate effectively and retain credibility, HMRC must be equipped to manage a potentially substantial stream of incoming intelligence. This includes resourcing for initial vetting, risk assessment, prioritisation and, where appropriate, referral to compliance or criminal investigation teams.

Unlike investigations generated by HMRC’s own compliance activity, third-party disclosures can vary widely in format, detail and evidential quality. Robust triage systems will be essential to distinguish genuinely valuable intelligence from speculative or spurious submissions. This may require investment in specialist skills, including data analysis, pattern recognition and financial forensics.

Insufficient resourcing risks creating bottlenecks and delays, undermining confidence in the scheme. Potential whistleblowers are more likely to come forward if they believe their information will be assessed promptly and taken seriously. Delays or opaque decision-making could discourage participation over time.

Another operational challenge lies in balancing confidentiality with accountability. Safeguarding the identity of informants – particularly in high-profile cases – is

critical. At the same time, the reward framework must be sufficiently transparent to maintain trust in how decisions are made and rewards calculated. This balancing act adds further complexity to HMRC's administrative burden and requires careful policy design.

Broader trends in enforcement: UK, US, Canada and beyond

The introduction of financial rewards for tax whistleblowers aligns with a broader global trend across enforcement bodies. In the UK, agencies operating in financial regulation and economic crime, including the Serious Fraud Office (SFO) and the Financial Conduct Authority (FCA), have expressed interest in incentivised disclosure. In its 2025-26 annual business plan, the SFO publicly advocated for financial incentives similar to those used in the United States, while FCA publications reflect ongoing engagement with the issue.

These developments mirror longstanding US programmes such as the IRS and Securities and Exchange Commission whistleblower schemes, which have demonstrated the value of third-party intelligence in supplementing traditional enforcement tools. Canadian programmes, though smaller in scale and subject to different eligibility thresholds, also illustrate how incentivised reporting can enhance enforcement reach and revenue collection.

The UK's adoption of a percentage-based reward model reflects an acknowledgement that traditional investigative methods may be insufficient in an environment characterised by complex international tax planning, offshore vehicles and increasingly digitalised economic activity.

Maintaining confidence

For the scheme to succeed, HMRC must ensure that it operates with credibility, fairness and accountability. Eligibility criteria, reward calculations, and the treatment of borderline cases must be clear, consistent and well-communicated. While discretion will inevitably play a role, it should be supported by objective benchmarks and transparent processes.

Crucially, the availability of appeal or review mechanisms – such as those built into the IRS whistleblower programme – could significantly enhance trust among

potential participants. Without meaningful avenues for challenge or redress, confidence in the system may be undermined.

Conclusion

HMRC’s strengthened informant and reward scheme represents a bold and potentially transformative development in the UK’s tax enforcement landscape. The policy seeks to elevate the role of third-party disclosures in detecting serious tax avoidance and evasion, drawing on international models that have delivered demonstrable results.

Ultimately, the scheme’s effectiveness will depend on how successfully HMRC manages the associated risks, including opportunistic reporting, operational pressures and the need to maintain fairness and confidence in reward allocation. Adequate resourcing, transparent governance and a carefully calibrated incentive structure will be critical to unlocking its full potential.

The official GOV.UK page for submitting information under the Strengthened Reward Scheme is: www.gov.uk/report-tax-fraud

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