

Pre-Budget blues

Published: January 14, 2026, 2:34 pm

I have to admit I found the [pre-Budget Report](#) depressing. It's not, and should not be, a big tax event. That's the role of the Budget. But reading through the report I was still left with quiet distaste at just what the tax profession gets up to.

Just about the only tax issue mentioned in the speech related to Managed Service Company of which the report says:

[these] schemes are used to avoid paying employed levels of tax and NICs. There are existing rules - the Intermediaries legislation - to ensure that the correct tax and NICs treatment is applied, but these rules are, in many cases, not being followed by MSCs. This gives them an unfair competitive advantage over compliant businesses and workers.

This is an abuse, contrived by professionals with the objective of tackling the credibility of our tax system. The analysis regarding competitive advantage is quite right in this case. I was also pleased to see use of the word 'compliant'. Progress is being made!

Other abuses have to be tackled as well, perhaps most depressing is this:

To enable the Government to respond to avoidance more swiftly and in a more targeted fashion, Budget 2004 introduced a disclosure regime. In order to ensure that the regime functions consistently, the Government will consult on a new power to investigate a scheme where there are reasonable grounds to believe that a promoter has failed to comply with its statutory disclosure obligations.

What does that say about some in this profession? If such promoters exist I hope the penalties are very harsh indeed.

As depressing was this one:

Legislation, effective from today, will also be introduced to tackle a number of artificial schemes used by companies to avoid tax that have been notified under the disclosure regulations. The Government is also removing the public quotation exemption from the

Controlled Foreign Companies regime to prevent specific avoidance.

The issue being tackled here is an entirely artificial arrangement where shares in subsidiary companies are quoted on stock exchanges of dubious value to ensure that low rates of tax can be enjoyed. This abuse, no doubt promoted offshore is designed to ensure that companies do not pay the tax needed to tackle the [poverty in this world](#). I do sometimes wonder if the accountancy and legal professions know the meaning of the word shame.

But most depressing of all, in the light of the [research the Tax Justice Network](#) published earlier today, is the fact that the size of tax legislation will be growing again, entirely to stop the abuse of the system by (un)professional advisers. When will this end?