

US looking to hit avoidance hard?

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The US is focusing heavily on its 'tax gap' - the sum of at least \$345 billion it does not collect in tax a year, but should.

One of the latest proposals is featured in [Bloomberg](#):

U.S. lawmakers, searching for new sources of revenue, are reviving a proposal that would impose penalties on tax-saving financial transactions that don't otherwise have a clear business purpose.

This is a [general anti-avoidance provision](#) by any other name. And they're right. Tax compliance requires that those transactions that have legal structure but no economic significance but saving tax should be ignored for tax purposes.

I know people will argue what 'significant' means. Let's be clear. It means 'most'. So if it's obvious a step would not be there but for tax it should be ignored even if it does have other consequences. The message would be simple. It would be 'don't play games'. The outcome would be obvious. People would stop playing games.

You might ask, how do I know? Well, the UK did this in December 2004 when it effectively introduced such a provision for PAYE, and since then people have almost entirely stopped playing games in this area. They know they don't work.

That's why we need such provisions, universally.