

Taxwash?

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The Guardian has published a [thoughtful blog by](#) ex tax inspector Richard Brookes this morning criticising the Revenue's tax risk weighting system for large companies.

I posted the following reply:

We should not criticise everything that HM Revenue and Customs does. The idea of ranking large companies as having high, medium or low risk is, in principle, a good one.

It is also important to understand what they mean by these categories. They are not saying that a low risk company does not tax avoid. They are saying that a low risk company is completely open with them about their tax avoidance whereas a high-risk company is both tax avoiding and not being as transparent or open with them as they would wish. At least, this is my understanding from discussion with HM Revenue & Customs. In consequence they are allocating resources to enquiries on those companies who are likely to have something to hide. That is appropriate.

There is, however, a good question about whether this is a sufficient approach. I do doubt that. There are several good reasons.

First of all, in an era when we know that the audit reports on our major companies are meaningless, as Prem Sikka has shown, then the risk assessments undertaken by HM Revenue and Customs could, for many of us, be the best guide to the quality of corporate governance with in these companies that we have available. I would certainly be influenced in my investment decision making if they were to be published, and for that reason believe that HM Revenue and Customs do have a duty to make this information available in the public domain, or that listing agreements do require that they be published in the corporate accounts of the entities who have received such ratings.

There are, however, alternatives. HM Revenue and Customs are aware of these. For example, the Tax Justice Network and Association for Accountancy and Business Affairs jointly published a code of conduct for taxation in 2007. [The code](#) is just two pages

long; the support notes just [a little longer](#).

For a discussion see [here](#).

We do believe that there is substantial benefit in bringing tax compliance (paying the right amount of tax at the right time in the right place where right means that the economic form of the transaction coincides) out of the closet, and for rewarding it - both by awarding a kite mark and financially. Of course, penalties for then breaching the Code should be high.

This is proactive tax management: precisely what we need.