

The Tax Gap series - proving tax is where CSR begins

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The Guardian has concluded its Tax Gap series. In a [closing editorial](#) it said:

Denis Healey had his own definition of tax avoidance. It differed from outright evasion, he said, in only one respect: "the thickness of a prison wall".

Professionals do not call it avoidance; they prefer tidy names such as "tax-efficient supply chain management".

Yet Mr Healey's observation remains in essence true. Whatever one's choice of euphemism for the now near-epidemic engineering of minimal taxes, there is no mistaking the harm. In rich countries, the poor and the middle classes shoulder more of the burden of paying for essential services. In poor countries, governments are weakened. In an era in which strong, wise government is needed to contain market panic, tax avoidance just looks out of place. This is a truth to which politicians have belatedly tumbled. Barack Obama has railed against tax havens, while even Labour has commissioned (yet another) Treasury review into their use. At last, the tide appears to be turning. The public is not in a mood to look indulgently on ever more artificial ways of avoiding dues which the rest of us can't duck.

I, unsurprisingly concur.

Perhaps equally unsurprisingly (given I was consulted on the issue) I concur with what the Guardian thinks might be done to tackle the issue:

Here are some things Messrs Brown and Darling need to consider: a General Anti-Avoidance Rule; country-by-country reporting; the removal of secrecy from all British-controlled tax havens, replaced with the requirement for offshore companies to publish accounts and beneficial ownerships; harmonisation of the corporation tax regime within the EU (this does not mean identical tax rates, but a common basis for assessing taxes); the employment of many more tax inspectors; the penalisation - if not prosecution - of big business tax avoiders plus the blacklisting from government contracts of accountancy firms that sell artificial tax avoidance schemes; amending the

Companies Acts to require companies to publish (a) the actual annual payments of corporation tax to HMRC (b) the details of avoidance schemes they have disclosed to HMRC (c) a full list of subsidiaries appended to the annual report, regardless of length; amending of land registration law to require the disclosure of the beneficial owner of land and property; and the public listing in advance of pending tax tribunal cases.

[Will Hutton](#) addressed the issues like this:

Over the years I have had many heated arguments with "tax planners". Always it gets to the same core point: the state has no right to have my cash. Big Government is a moral bad and, worse, will necessarily squander my money on ill-conceived projects creating welfare dependency - for that is what governments do. I can spend my money better than it can. I am the buccaneering libertarian fighting an important moral battle in avoiding tax.

It is this ideology, generated and fanned by American neoconservatives, that the tax avoider tells him or herself as they purchase or devise the latest scheme.

It is first cousin to the ideology that justified financial liberalisation: Big Government had no place telling financial institutions how to organise and regulate their affairs, because markets of private financiers will always tend to deliver efficient results.

Much of the "deregulated" business of the structured investment departments of our big banks - the epicentre of the credit crunch - was driven by tax avoidance, justified by an appeal to the same set of ideas.

The economic wreckage is now all around us. [And] it is only because of the derided state that we have even the semblance of a functioning financial system. We now know that capitalism without the state is inoperable.

[T]he scale of tax avoidance could be radically reduced. What is required is the will. Neoconservatism has collapsed. The western financial system is bust. The need for the state, and for international collaboration, is now evident to all. President Obama is keen to act. If we cannot slay tax avoidance now, we never will.

On the same theme the Guardian editorial concluded:

Where there is complexity and secrecy, we need transparency. For all the laudable aims of the corporate social responsibility movement, it has been ineffective at pushing businesses to pay their way. A fair tax system may need new means of enforcement, but the principle is an old one. It was outlined centuries ago by Adam Smith, who called on "subjects [to] ... contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state".

Perhaps the last word should go (as it did in the paper) to my [Tax Justice Network](#)

colleague John Christensen:

"There are a significant minority of companies who agree that paying tax is a key part of corporate responsibility, if not the core corporate responsibility to society," Christensen says. "Tax is where CSR begins."

It is. That's the argument, in a nutshell.

And it's why, as we have, perforce, to build a new style of capitalism attitudes to tax will be transformed.