

VAT increase enthusiasts are in action on the Guardian ...

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The Guardian have noted that a [proposal to charge a turnover tax](#) has been made by at least commentator on its Tax Gap series, with the claim being made that this will reduce avoidance and increase fairness.

Neither is remotely true.

I commented as follows:

There is a fundamental difficulty with this proposal. We do already have attacks of exactly the form that is described. It is called VAT. We already pay it at 15%, and is scheduled to increase to 17.5% (or more) at the end of this year.

Historically VAT has been heavily evaded. The Public Accounts Committee of the House of Commons has published regular reports on this issue over a number of years and the rates of evasion vary between about 14% and 17% of the time. I make this point for one simple reason: such attacks will not close the tax gap. Furthermore, if this tax was to collect the £45 billion a year that is currently collected by corporation tax and VAT rate would have to increase to at least 28%, way outside the limits are allowed by the European Union, and providing massive further incentive for the black economy.

In addition, the social impact will be enormous. VAT is quite clearly a tax upon consumers. Any tax on turnover is paid by consumers. Whatever we argue about incidence, in this case I think that is clear. Those who consume the most as a proportion of their income are, of course, those on the lowest levels of earnings. They have no savings. Those who consume the least as a proportion of their earnings are those with the greatest wealth. By definition they save.

Let us be quite clear therefore that any tax of the type that you propose is deeply regressive. It will increase the wealth and earnings gaps in the UK and it will not tax capital as a proper corporation tax without loopholes should. Your proposal will without doubt make the poor poorer, to spell this out in the bluntest of terms.

Maybe that is your reason for proposing this tax. I hope it is not, although it is quite

clear that this is why it is so popular with many of the right wing think tanks, and I am quite sure that it is also the reason why it will be proposed by the forthcoming Mirrlees commission from the Institute for Fiscal Studies, which seems to have the same overall orientation. I have noted this issue with regard to their work [here](#). If you search Mirrlees on my blog you will find plenty more on a similar theme, including costings and the evidence that they could not even do basic arithmetic.

I regret to say that for right-wing politicians apart, the superficial attraction of your proposal disguises a deeply unattractive proposal for the well-being of most people in the United Kingdom and that is why it is wholly unacceptable.