

Tax havens – the game really will be over

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Last Thursday was the day of the G20. I suggested we made a step forward — but it was the first of a long journey.

I also challenged Gordon Brown to say if he saw the measures announced as the end of the end of the attack on tax havens or the beginning of the end of tax havens. In the process I asked him to confirm that tax avoidance as well as evasion would be addressed and to confirm developing countries would benefit from change.

He sought to assure me on all points, and Downing Street sought to convince me by sharing a letter he had written to the OECD with me demanding such changes.

All of that was very good news. But today, just a week later he has taken the whole process much, much further. Both John Christensen of the Tax Justice Network and I have been supplied with letters sent by Downing Street today to the Crown Dependencies and the British Overseas Territories.

The letters are quite extraordinary. In diplomatic terms they are incrtdibly blunt. I do not have time to detail all the issues now — and anyway John Christensen has already done so on the [TJN blog](#) as I have been committed elsewhere all day. I strongly suggest you refer to [his blog](#) where you will find links to the letters in question.

Let's be clear what these letters say. That to the Crown Dependencies says in diplomatic language that:

* The crowing about complying with international standards when just 12 TIEAs have been signed is nonsense. The UK expects many, many more to be signed. They also expect information to be exchanged. The point we have made, time and again, that Jersey has supplied just five pieces of data to the USA in 8 years has been well and truly noted.

* They are saying that even this is just the start of the process. Evasion has to be eliminated. More than that — these places have to rid themselves of their role in tax avoidance.

- * What is made clear that the Foot Commission will look at these issues, and means business. I understand it will be building scenarios for a post tax haven existence for these places on the basis that the trade they now undertake is unacceptable and unlikely to survive.
- * There's also clear indication given that if progress is not made the matter will go back to the OECD and sanctions will follow. As I suggested — this is not a static process this time — the standards required will go up over time.

The letter to the Overseas Territories is even more blunt. They have until September to get to the standard the Crown Dependencies have reached now (which by implication requires the Crown Dependencies to be way beyond there by then). If they fail sanctions will follow. And they too have to prepare for the elimination of avoidance as well as evasion. For them the changes required are beyond their capacity to imagine right now, I suspect.

Some, I know, thought I was wrong to trust Gordon Brown a week ago. I took the risk to do so then — believing I had judged him correctly on this issue. I did. I'm glad I did.

There is time for Gordon Brown to deliver on this policy. Time for him to gain from this policy too — not least because it is so clear George Osborne is completely ducking it because he so obviously believes in tax abuse.

But let's look at it more widely than that. Last week saw a step taken to eliminate the abuse that tax havens create in the world, with a hint afterwards of more to follow.

Today saw a massive leap forward. The UK is telling its havens that the days of evasion and avoidance through them are over — and I have good reason for thinking trusts will be at the forefront of attention. This announcement can best be seen as giving them notice of closure. They cannot and will not survive the planned process of change — it will ensure they have nothing left to offer, and the UK government knows that.

And this means Switzerland too is on notice — it too has limited time to comply or it will also suffer the sanction fate that will be immensely damaging to it.

But even that is not the end of the conclusion we can draw from these letters. They effectively give notice to the financial services community to quit these places and stop the abuse they have perpetrated from them. Put it another way; the UK government has bought the argument I, the Tax Justice Network and many NGOs have put to them that the activities of those financial services communities (mainly staffed by British expats) undermine democracy, facilitate the handling of stolen property, massively undermine development, destroy the effectiveness of regulation and prevent any prospect of the building of a sound new financial order.

So notice has been given. The party is ending soon.

Expect governments around the world to join in.

Full credit to Gordon Brown though for taking the lead. It's a day he can be proud of. And remember that this is a blog that has not always, and not by a long way, sung his praises. I am right now.

It's a very good day.