

## DfID on tax: what they said

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The UK's Department for International Development published its new [White Paper on development](#) today. On tax it said:

*2.44 Prosperity is not just a matter of good economic policies. A fair and sustainable market economy depends on an effective state and strong political commitment. Without this enabling environment, individuals and firms will have no confidence to invest for the future.*

*2.45 The UK has supported improved governance for more than a decade. It has never been more important than in this downturn and recovery. Systematic political economy analysis is needed to inform our approach to growth, to identify policies that have broad political support. This is particularly important in fragile and conflict affected countries.*

*2.46 Effective tax systems are central to effective states. Raised in ways that encourage economic growth and promote political accountability, taxes provide the resources to fund public services, leading to an eventual exit from aid dependence.*

*2.47 The UK will consult on a proposal to create a new International Taxation Centre to improve research in this area. The Centre would be a partnership hosted by a research institution and would work with international partners such as the International Tax Dialogue. It would help developing countries build the legitimacy and effectiveness of their tax systems.*

*2.48 There is increasing concern that tax systems in developing countries are undermined by international banking secrecy, including in tax havens. The London Summit made real progress on this issue, and the UK will work to ensure that the commitments on standards and sanctions are met, as well as the decision to develop proposals by the end of 2009 to make it easier for developing countries to benefit from the new co-operative tax environment.*

*2.49 The UK believes it is important for all jurisdictions to implement their commitments to the international standard for the exchange of tax information and will work in*

*particular with its own Crown Dependencies and overseas territories to ensure that they can meet or exceed the agreed international standards.*

*2.50 Along with other members of the G20, the UK is ready to take action against jurisdictions that do not meet these international standards. CDC, which has sought to avoid unco-operative jurisdictions in the past, will in future only commit capital to new funds and direct investments in jurisdictions substantially implementing the international tax standard. CDC will also continue to invest directly in the developing countries they are trying to help. CDC will review all existing investments in jurisdictions committed to, but not yet implementing, the international tax standard, following the next G20 Summit in September 2009.*

*2.51 In addition the Government is discussing with its international partners whether other initiatives, including country-by-country reporting of tax payments, could offer an effective and suitable means of advancing the tax transparency agenda.*

I will comment in due course on the issues raised: right now this is their commitment.