

Just how daft can the Institute of Directors be?

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The UK's Institute of Directors (basically a club for those already rich who aspire to be richer, preferably, it often seems, at the expense of others), has made a real fool of itself [in announcing](#) that the UK should not tackle tax havens — but try to become more like one. This has now been picked up by the [Cayman News Service](#) — to whom it seems likely they gave an interview, which it has lapped up with joy.

CNS says:

Low-tax jurisdictions and tax havens play an important part in the global economy, says the UK Institute of Directors (IOD), which has warned the UK government that attacking such jurisdictions may not be particularly productive.

OK, IoD, please tell us what they do, precisely.

Richard Baron, Head of Taxation at the Institute, said while there were some problem jurisdictions many of them oil the wheels of commerce and nations have a right to choose their own level of taxation.

Just how do you “oil the wheels of commerce” when by definition nothing happens in a tax haven? Again, please tell us, IoD

The IOD has argued that national sovereignty must be accepted.

I agree entirely. But remember tax havens, or secrecy jurisdictions as we prefer to call them are places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction. To facilitate its use secrecy jurisdictions also create a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so.

Now, IoD, who's abusing national sovereignty here? I think you'll find it's the tax havens. Or can you explain otherwise?

The [Institute of Directors](#) noted that the obvious response may be for co-operation between higher-tax states, and while some co-operation can be beneficial, some would damage the economy because it would amount to a cartel between states. “Even co-operation that merely lessens the pressure to reduce administrative burdens can be damaging,” the IOS stated.

Are, it's a terrible thing when people to cooperate to enforce the law, isn't it IoD? Because that's what you're objecting to, isn't it? And since when, while we're about it, did the micro economic theory of the firm apply to states? Can you explain why it does?

Baron went on to explain that the places described as tax havens highlight the problems of high taxation rather than low. “Low-tax jurisdictions are also a constant reminder to us that tax burdens do not have to be high. The most constructive response to them would be to chart a gently downward course for tax rates, thereby promoting economic growth,” he said.

No Mr Baron, don't you know that many of your beloved tax havens actually only survive because they have massive subsidies from the UK and aid programmes? The BVI does, the Isle of Man takes half its government income out of UK coffers (as I remind them, often, to their chagrin - because it's true) — and most of the rest live on hand outs or are going bust — like Jersey. That's not an example of low tax — that's an example of free —riding (and that's being polite to them).

And you may not have noticed it — but actually, apart from lawyers, accountants and trust officials, there isn't much economic activity in most of these places. So just what economic growth are you referring to? It's true, I'm told, that man cannot live on a trust deed alone. So what shall we survive on when we're all tax havens? Dodgy memorandums and articles of association instead?

“There are some bad jurisdictions, which facilitate tax evasion or worse crimes.”

Amazing acknowledgment. Please tell my fiends at Oxford — they don't seem to have noticed.

“But we must also recognise that low-tax jurisdictions can oil the wheels of commerce. It is perfectly reasonable for other states to act to protect their tax revenues, but they must be careful not to throw grit into the mechanism. “

Grit called law enforcement against tax evaders you mean? Do you say the same about these you might label ‘benefit cheats’, I wonder? If not, why not?

And to cap it all:

Baron said the criticism by G20 nations at the London summit in April and the renewed push to eliminate low-tax offshore financial centres “may not be the most productive”

choices.

No, very dangerous thing to call for transparency and accountability isn't it, Mr Baron? Because no one said anything about low tax at all. It was information that was demanded. And good heavens, that might mean people are caught, and that would never do, would it, Mr Baron? How silly of us all to think that proving compliance with the law was a 'very bad thing'. But the IoD obviously think it is.

That's a strange place to be, I'd say.