

Tax is a moral issue

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Stephen Timms has delivered a good speech this morning. He has said to an [HMRC conference](#):

I want to set out why I think these are particularly interesting times to be examining the questions on your conference programme. Because from my vantage point the political context for tax administration has changed markedly over the past year.

Today I am highlighting recent action, domestically and internationally, that changes the game for those who bend the rules on tax, and for those who break them. We're in a different world now, and I want it to become increasingly clear to taxpayers and tax agents that, for tax cheats, the game is up.

And ahead of the G20 summit in Pittsburgh, I call on my overseas counterparts to build further in this area on the achievements of the UK presidency this year.

The crisis has powerfully reaffirmed what we have always known — that values like responsibility, integrity and trustworthiness are essential to economic life.

The vast majority of business people live out these values every day, through fair dealing with each other. When values are weakened or abandoned, trust dwindles. The economy is damaged — and can come to a shuddering halt. So values matter.

He's right.

He's also right to say:

On avoidance, let me start by saying that I recognize there will always be areas where there may be legitimate uncertainty among businesses and their representatives about how the law applies to specific commercial transactions.

But there is a minority of tax agents who think of Government's role as setting a corridor of permission: permission to bend the rules to breaking point. They seem to think we play a game with them and their clients.

Every Budget and PBR we set out measures to improve efficiency and equity in the tax system. They then look for ways to convert them into avoidance schemes. In turn, we point out these are ineffective, or we close them down again at the next legislative opportunity. We can already start to see all this happening with the 50p rate of income tax.

This behaviour — the behaviour of a minority — is not in the wider interests of businesses. It leads us down a road to mutually assured complexity in the tax system. And it is corrosive to the business environment.

The vast majority of individuals and families in the UK work hard and pay their taxes in full. It is right for those who pay their fair share to resent — to see, in fact, as morally wrong — the actions of a small minority, who use their resources to create a new set of rules for themselves. Who think they can pay tax on a “do it yourself” basis. To rob public services of vital resources.

That kind of behaviour certainly won't wash in the aftermath of the crisis, in a period when spending is going to be tighter. Yet examples of tax avoidance products are readily available. They can severely damage how business is seen. Customers and shareholders, the public and — yes, the Government — should be united in expecting better.

This is aimed at the heart of the tax profession, and rightly so. In which case it is good to note that he says:

The Pre-Budget Report will therefore set out a programme of work to strengthen the disclosure regime, making disclosure requirements broader, increasing the penalties for the non-compliant, and giving HMRC more information on who are using the schemes. New powers to tilt the game back towards honest, hard working taxpayers.

He concluded:

We are today in a different world for tax. The crisis has underlined the importance to economic life of values like responsibility and honesty. It has shown the scope for governments to shape events, through moral suasion and international co-operation.

We and our counterparts overseas are applying these lessons to tax avoidance and evasion. We will continue to help the vast majority who want to live up to their responsibilities. But those who try and cheat will find themselves increasingly isolated:

by their peers; by Governments; by the international community — as the G20, and, in Britain, our pre-budget report, will show.

The changed strategic context should be clear.

Tax cheats need to think again.

Which includes tax avoiders. And that is good news.

I applaud this message.