

The fight back on bank tax begins

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The [FT has noted](#):

UK companies looking to restructure debts have had their plans thrown into doubt after the Treasury tightened up tax rules around debt buy-backs. The changes — which follow fears that the government was thought to be losing hundreds of millions of pounds of lost revenue — will force companies that buy back debt at a discount to recognise immediately any profit on the buy-back.

Banks „¶ have been buying back debt. In March, Royal Bank of Scotland launched a £14.8bn debt exchange and buy-back programme that the bank said resulted in an aggregate pre-tax gain of £4.6bn.

As the [Treasury notes](#) in the statement on this:

Many [companies], for good commercial reasons, are seeking to buy their debt back from the market. However some are taking advantage of the rules set up to help company rescues in order to avoid being taxed on the profit they make when their debt is cancelled for less than the amount they borrowed. They do this by setting up a new company to buy the debt.

Such abuse should not be allowed. It's good that the Treasury is stopping it.

According to the FT Deloittes thinks the number of debt buy backs will decrease as a result. So be it. Paying tax on profits is a proper responsibility of business and not one to be artificially avoided.