

Time to target tax evasion properly

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The [FT has reported](#):

Alistair Darling will on Wednesday announce punitive fines for taxpayers who hide money offshore in a Budget crackdown designed to protect at least £1bn of revenue under threat from evasion schemes, according to government officials.

The chancellor is expected to unveil plans to double the maximum penalty for offshore evaders to 200 per cent of the tax owed, under a series of measures that extends further a £5bn assault on tax evasion and avoidance announced in December's pre-Budget report.

"These people with large bank balances who are hiding money offshore should be running scared of this announcement," one Whitehall official said. "HMRC is becoming incredibly good at finding out who these people are and it's going to cost [the evaders] a hell of a lot."

Of course I welcome this.

I wish I was sure that "HMRC is becoming incredibly good at finding out who these people are". But I'm not.

There are three reasons. First, HMRC does [not have enough people](#). Like it or not IT can't do all this.

Second, Tax Information Exchange Agreements are the only real weapon available right now — and despite the bluster HMRC know they don't work or they would not have negotiated [the Liechtenstein deal](#) — which was way above TIEA levels. That's because TIEAs incorporate an inherent problem. A request for information under a TIEA must provide or state:

 (a) the identity of the person under examination or investigation;
 (b) what information is sought;
 (c) the tax purpose for which it is sought;
 (d) the grounds for believing that the information requested is held within the jurisdiction of which request is made;

 (e) to the extent known, the name and address of any person believed to be in possession of the requested information.

The reason for the low number of information requests becomes obvious immediately.

Third — we need automatic information exchange. This is possible and deliverable. I explain [how here](#). As I argue there:

Countries do not need to know the precise details of interest, profits, gains or other income accruing to offshore structures created by, owned by, or which benefit people resident within their jurisdictions to enable them to make an effective enquiry under a tax information exchange agreement. They simply need to know:

 1. That such a structure exists (a bank account qualifying by itself as a structure for this purpose);
 2. What each component (trust, company, or foundation) is called;
 3. Who manages it;
 4. Where it banks;
 5. Who in their jurisdiction benefits from it.

If this data were available it is likely that almost every country in the world could and would substantially increase the number of tax information exchange requests that they might make using the proposed network of Tax Information Exchange Agreements.

This data could be made available easily and quickly — states should already have access to it for anti-money laundering purposes. This is the way to kill offshore tax evasion for good. That’s what I really want to hear.