

Tackling tax evasion is possible - it just requires pol...

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The announcement that [£1 billion is to be raised](#) from tackling tax avoidance in the Budget has been greeted with near universal cynicism.

I [have been critical of the proposed measures](#) - which amount to nothing more than reiteration of past H M Revenue & Customs behaviour, with one minor exception and a couple of ongoing reviews. Others have shared the view.

The [Economist is of similar opinion](#), even if they have forgotten the difference between evasion and avoidance:

[Osborne's] other big measure was to raise £1 billion by clamping down on tax evasion.

Now we can probably all agree on disliking the principle of tax evasion. ...

More generally, eliminating tax evasion is something all finance ministers tend to promise but few achieve. It would be nice to see an analysis of previous efforts on this score (the last Labour government announced a few) and see how much tax was actually raised. It is a bit like eliminating waste in public spending; we all know it's there but getting rid of it is another matter. Evasion and waste are the Holy Grails of finance ministers.

Don't get me wrong. I'm all for eliminating corporate welfare and preventing the wealthy from hiding their money offshore. I'm just not convinced it will happen without internationally co-ordinated efforts. And I'm not sure that finance ministers should ever be confident enough to put a number on the proceeds. The tax giveaways announced today may be certain; that £1 billion is not.

I understand that scepticism: it is always hard to measure what is won from any such initiative. There is no yardstick available, anywhere, that lets the alternative scenario where action was not taken be measured. So of course there can be doubt.

But there is further good reason for doubt, and that is that so much of what is proposed is, candidly, in the form of tinkering with legislation. And as the Economist notes:

The trouble is that a lot of these loopholes result from previous attempts by finance ministers to fiddle with the tax code; the chances are that new fiddles will create new loopholes.

I have a lot of sympathy for that. It's why I support a general anti-avoidance principle. It's why I want one, soon. And hope we'll get one, soon. Even though I remain doubtful that George will deliver.

I think there is good reason for thinking that whilst plugging loopholes is important it is not enough. And that if that's true then we need something much more robust to tackle the problems of evasion in particular, and avoidance to a lesser degree (because [evasion is bigger than avoidance](#), lest we ever forget, and whatever the government chooses to do when spinning its statistics on this issue).

Evasion is invariably based on deliberate non-disclosure of data to H M Revenue & Customs. I estimate it's £70 billion a year. I know full well that HMRC says it's less. But then they base their estimate on the tax returns they receive. Which of course means they underestimate the issue. Tax evaders don't submit tax returns. This glaringly obvious point explains much of the difference between their estimate and mine.

So to tackle tax evasion we don't need new legislation. We need existing legislation requiring that information be submitted to be enforced. And we need new sources of data on who might be hiding their tax affairs from view. And we need resources to be made available to ensure that evaded tax can be collected.

All of this is possible. [We could require that banks tell HMRC when they open bank accounts](#) for limited companies and pass legislation allowing HMRC to demand that bank account information when the hundreds of thousands of companies that do not submit corporation tax returns and accounts each year fail to meet their legal obligations to do so. We could provide more staff at Companies House to [chase the 500,000 companies that disappear from view each year](#). We could ensure that more than [45% of companies submit a corporation tax return each year](#). How much do you think that might raise? I suggest the less if £16 billion. Suppose we got a quarter back?

We could demand automatic information exchange from tax havens. [I've designed a simple form of this](#). It's based solely on data tax havens / secrecy jurisdictions must hold. It requires no data on income to be exchanged. It just requires that every offshore account held by a UK resident in a tax haven would have to be disclosed to the UK tax authorities under the terms of new international agreements - agreements that HMRC opposes for reasons that are extremely hard to understand.

We could do more: we could reconcile Yellow Pages with tax returns. How many businesses do not pay?

We could send tax inspectors to car boot sales to police illegal trading.

We could monitor e-bay for undisclosed trading.

We could demand that the purchase and sale of all shares for a value of more than £10,000 be disclosed to H M Revenue & Customs, automatically.

Every business could be required to submit the names and addresses of its top ten customers and suppliers to HMRC. If they can't say they're at risk, or a cash business. That also means that they're at risk.

This is all easy stuff to do. Well within the bounds of possibility. It needs resources, but the yield would be enormous. And the argil cost of employing people to do the work when we have 2.5 million unemployed is tiny - as benefits are saved and tax paid out of wages paid. The contribution to deficit cutting would be enormous.

So don't tell me cutting the deficit without cutting services is not possible.

And don't tell me we can't tackle tax evasion.

We can do both.

But it needs political will.

The will to take money from cheats and give it to those who need it.

That's all it takes.

But Osborne has not got that will.

And the right question to ask is why he prefers cheats to the poor, disabled, young, unemployed, pensioners, sick and students (amongst others). Because by his actions we know he does.