

A possible ministerial code of conduct to perceptions o...

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I [have mentioned the fact that I was in exchange with Conservative MPs](#) at yesterday's hearing of the Treasury Select Committee.

Such was the time they spent questioning me we did not have time to discuss what might be done about the risk of perception of conflicts of interest on the part of treasury ministers on tax matters. As a result I sent the following letter to the chair of the Committee in question this afternoon (who I do know, hence the slight note of familiarity):

George Mudie MP

The House of Commons

London

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30 June 2011

Dear George

Treasury Sub-Committee inquiry into the administration and effectiveness of HMRC

Follow yesterday's hearing of the above committee and the evidence I gave I would like to follow up on one point that was discussed.

As you will recall, some members of the Committee appeared surprised at the comments I made about the unfortunate coincidence in timing between the announcement of a settlement of Vodafone's long running dispute with H M Revenue & Customs, the fact that the settlement was for approximately £1

billion less than the sum provided for such settlement by the company in its accounts, the fact that the settlement appeared unusual in the way it was managed according to reports made by other parties in the media and George Osborne's subsequent visit, little more than a week later, to India during the course of which according to other third party reports he intervened on Vodafone's behalf in its tax dispute with the Indian government.

I in turn was surprised to the reaction to my observation, which as I hope I made amply clear, did not imply impropriety on any part but did suggest that communication on this issue had not been as well managed as might have been possible and that as a consequence there was risk that the reputation of the UK's tax system for impartial, apolitical and equitable treatment of all tax payers had been put at risk, whether correctly or not. I consider that risk to be unfortunate, to say the least.

Due to the intensity and duration of the questioning of me on this issue we did not have time to discuss what might be done to prevent repetition of what I consider to be an unfortunate episode and I am writing now to make the suggestion I might have made if that time had been available.

It seems to me that as a principle of good governance for the tax system of the UK a very clear code of conduct for those who hold ministerial appointment as well as those who might be considered for ministerial office within the Treasury is essential if damage to the reputation of the tax system through repetition of such an incident is to be avoided. I would suggest that the necessary code of conduct might be as follows:

*** No Treasury minister shall at any time be seen to engage with or be seen to endorse the activities of any company that has a taxation dispute outstanding with H M Revenue & Customs that might with reasonable probability in the opinion of H M Revenue & Customs result in litigation, with that authority having the responsibility of advising the Treasury of the identity of such companies without in any way disclosing the details of the matters under dispute**

*** No person shall be appointed to a ministerial post if they shall within the period of two years before appointment to that office have received funding from any company that has a taxation dispute outstanding with H M Revenue & Customs that might with reasonable probability in the opinion of H M Revenue & Customs result in litigation, with that authority having the responsibility of advising the Treasury of the identity of such companies without in any way disclosing the details of the matters under dispute. Funding for these purposes shall include the payment of a salary or payment for advice as well as the funding of the potential appointees political campaigning, either directly or indirectly through the offices of**

the Party that they represent, and whether paid directly to them or provided indirectly through the provision of services for his or her office.

**** Ministers shall not be seen to engage in the taxation affairs of a company in a jurisdiction other than the United Kingdom for fear that it shall be presumed that they might take the same interest in its affairs within the United Kingdom***

**** No person who is engaged by any company that has a taxation dispute outstanding with H M Revenue & Customs that might with reasonable probability in the opinion of H M Revenue & Customs result in litigation, with that authority having the responsibility of advising the Treasury of the identity of such companies without in any way disclosing the details of the matters under dispute, be appointed to advise any treasury minister on any matter relating to any aspect of taxation.***

I think that if such a code had been followed some of the unfortunate consequences of this matter, innocent as each individual party might have thought their actions to be, could have been avoided and that would have been to the considerable advantage of the reputation of the UK's taxation system for even-handed impartiality. As such I hope the committee might give consideration to this suggestion that would enhance, in my opinion, the effectiveness of H M Revenue & Customs.

Yours sincerely

I'm not confident that the matter will be addressed, but something has to prevent George Osborne making serious errors of judgement again.