

# Tax havens: new PCS report sets out the problems, and t...

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PCS launched its new tax haven report last night in the House of Commons. I declare an interest here, I wrote it.

I talk about what I said at the launch last night [on my Forbes blog today](#).

But the most important thing about the report is that it is solution focused. I've never been interested in simply, discussing problems to which I have no solutions. I want reform and the report suggests no less than 18 of these, split into groups as follows:

### **International reforms**

- \* The UK should now demand Tax Information Exchange Agreements with all identified secrecy jurisdictions so that they are forced to raise their standards of information exchange;
- \* Improved standards of information exchange should be developed, including multilateral agreements between countries so that complex enquiries can be raised simultaneously in all countries involved;
- \* Automatic information exchange should be put in place so that each country has to report to the country where a person really lives any source of income arising which they might have that is located outside their normal country of residence. As a result, for example, all tax haven bank accounts would have to be notified to the countries where their owners live. Nothing could be more effective in stopping tax evasion by individuals.

### **UK domestic law**

- \* The UK's domicile rule, that helps make this country a tax haven, should be abolished;
- \* The UK's tax residence laws should be reformed to make it harder for people to leave the UK and claim tax haven residence;
- \* Introduce general anti-avoidance principles into UK tax law to tackle artificial use

of tax haven structures;

- \* UK law should require significantly better disclosure from UK companies and trusts so that we set the international standard for transparency by which others can then be judged;
- \* HM Revenue & Customs should promote a Code of Conduct for all involved in tax management that requires tax compliance, which this report defines as seeking to pay the right amount of tax (but no more) in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the place and form in which they are reported for taxation purposes. There should be greater scrutiny for those who refuse to participate, including professional advisers;

### **Investing in tackling abuse**

- \* Increased resources to be made available to HM Revenue & Customs to tackle tax haven / secrecy jurisdiction abuse as well as tax avoidance and evasion in general;

### **Reform in the UK's tax havens**

- \* The UK must demand an increase in the level of corporate transparency in the UK's Crown Dependencies and Overseas Territories to match that now found in the UK;
- \* The UK must create a Registers of Trusts, equivalent to the current Register of Companies, and demand that its related territories do the same since trusts are still commonly used for tax avoidance;

### **European reform**

- \* The UK must support reform of the EU Savings Tax Directive so that all affected jurisdictions must offer automatic information exchange in full and this must be extended to companies and trusts and not just be applied to individuals;
- \* The UK must promote geographic extension of the European Union Savings Tax Directive to as many countries as possible, including those outside the European Union;
- \* The UK should support the introduction of a Common Consolidated Corporate Tax Base within Europe to tackle the problem of transfer pricing and tax avoidance between member states and should demand its extension beyond the European Union to ensure that tax haven abuse is eliminated by the use of this form of tax computation;

### **Accounting reform**

- \* The UK must actively demand that the European Union, the International

Accounting Standards Board, the Organisation for Economic Cooperation and Development and stock exchanges must all require that multinational corporations prepare their accounts on a 'country-by-country' basis so we would know how much profit and tax was paid in each country in which they have operations. This would tackle the biggest single cause of corporate tax avoidance through what is called transfer pricing, would highlight the tax haven activities of companies, and would provide data on comparative labour conditions worldwide;

### **Financial services regulation**

- \* Credit card companies should be held to account for the use of their cards from offshore jurisdictions and be required to provide information on the beneficial ownership of those cards on demand, irrespective of their place of issue;
- \* The tax profession should clarify their approach to tax haven activity and make clear the limits to professional good conduct in such places;
- \* Secrecy jurisdiction banks and financial services institutions should be regulated from major financial centres such as London if that is where their parent company headquarters are located.

This is an ambitious package of reform. PCS is proposing it because it believes that the cost of inaction is now much higher than the cost of action. This report suggests that whilst the current economic crisis did, inevitably, have its causes in the major world economies, those secrecy jurisdictions that played an extensive role in repackaging sub-prime debt (Cayman and Jersey being of significance in this respect amongst British jurisdictions) played a major part in creating the climate of mistrust that precipitated the global financial failure which is now imposing an enormous burden on ordinary people throughout the world. This cost cannot be ignored, nor can the risk that it might recur be taken. That's why we need reform, now.