

I don't want to live in a criminal society

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One of the perpetual obsessions of the right wing of politics is law and order. It is they argue the fundamental duty of the state to defend the citizen, and even more importantly, their property from all assaults from criminal wrong-doers. And I have to say I see a lot of good reason for thinking that true.

But they drop that demand when it comes to tax. On Friday [I published research with the Tax Justice Network](#) and the Tackling Tax Havens web site detailing tax evasion in 145 countries, including the UK. The UK, I suggested, loses £69.9bn a year as a result. I never once suggested it could recover all that: clearly it could not. No tax system is fool proof against crime. But it is very obvious we could do a great deal more - and I suggested that stopping sacking tax inspectors was the first and obvious step in the process.

What has the reaction been? Tim Worstall, that perennial spokesperson for all that is bizarre in right wing thinking, has given one response. [He has said](#) , quoting my paper:

we can see that the average tax as percentage of GDP in European countries is 38.9%. Let us imagine that the sensitivity of currently untaxed activities to taxation is 40%. So, we go off and collect, on the next £10 billion of economic activity, our 38.9%. We get £3.89 billion in tax revenue.

Well, actually, no we don't. For by taxing it we've reduced that economic activity by 40%. So, when taxed, there's only £6 billion in activity. We actually get £2.33 billion in revenue. But economic activity has fallen by £4 billion.

We're poorer overall.

We'd be better off just not worrying about what those criminal bastards, the tax dodgers, are doing over there in the last 10-15% of the economy. We're made richer by ignoring it.

Let's be explicit about what he's saying here: he's explicitly condoning crime. He's saying we should simply allow it. He says we're better off for this criminal conduct.

It's an astonishing argument. It's like arguing we would be better off if looting were allowed - which would certainly increase the consumption of some. Because let's be clear - that's what tax evasion is akin to. It's looting. It's looting from those who are honest and pay to support those who act criminally and will not pay.

And what would happen if Worstall was right? Well, of course, the tax system would fail, rapidly, as it already is when it comes to small businesses, where as I have shown [well over half of all small companies already fail to submit tax returns each year](#). So we'd rapidly descend to the point where Greece is. Where the welfare state would fail (as no doubt Worstall wants), where criminality was normal, where trust failed as everyone was fiddling and honesty was but a memory, and where business itself also collapses because in that environment the incentive to invest, produce or even work fails. You might just as well be criminal. That seems to be what Worstall wants.

He could, of course, be dismissed as the usual right wing libertarian extremist except for the fact that there are so many of them in the Tory party and even some highly placed Lib Dems who agree with him. But medium sized firms of accountants seem to share this view too. [In the Telegraph today](#) it is reported that Hacker Young have issued a new report in which they say:

extra investigations and more aggressive stance by the HM Revenue and Customs risks making the UK a less attractive jurisdiction for businesses.

"The Government and HMRC now seem to believe that they found the secret of alchemy," said Roy Maugham, tax partner at the firm.

"All they need to do is invest more money in tax investigations and compliance work and the extra tax income will keep flooding in.

"The reality is that much of the money that HMRC collects from compliance work is from businesses that feel intimidated into settling or where HMRC is able to outspend a less well-resourced small or medium sized company."

Mr Maugham said many UK companies have moved their domicile overseas to Ireland, Switzerland and Malta not just because of the UK's high business taxes but because of the increasingly aggressive attitude of HMRC to tax collection.

"There is a downside to their tough approach," he said.

Or in other words - despite the enormous losses to tax evasion and tax abuse this firm seems to be saying H M Revenue & Customs should back off and let business get away with what I might call an honesty box approach to taxation. Bluntly, if true that's another argument supporting what would be an inevitable step towards the

creation of a criminogenic business environment.

It is utterly irresponsible of this firm to argue as they do, in my opinion. And their representation of the taxpayer being bludgeoned into paying is so far from the truth it is ridiculous. I am under no illusion about how tough a tax investigation is - I have done them. But honest taxpayers also, I know, have nothing to fear from them. I have never seen a penny paid that was not owed. Not on my cases anyway. That's why this argument is so disingenuous.

Hacker Young should, I think, be ashamed of themselves. All accountants should be applauding a tough investigations regime. Honest business can only thrive on the basis of a level playing field - and that only exists when everyone pays their tax that is owing, in full.

But it seems many want a biased playing field - a playing field where the dishonest get all the advantages and rip off honest business and taxpayers until the point where society itself would collapse under the burden of their crime.

Is that what the right wing are coming to? It certainly looks like it. And it's something the left have to challenge. Robustly.