

What Labour has said on tax havens

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The [following is a blog post](#) by Shadow Labour minister Owen Smith MP on tax havens, published yesterday. I reproduce it as it seems to be the Labour line on the announcements made this weekend:

These are tough times for families and businesses. Bills are going up, jobs are being lost, incomes are being squeezed.

And as Ed Miliband and Ed Balls have made clear, if Labour was in government now we'd be making different choices.

We wouldn't be cutting spending and raising taxes as far and as fast as David Cameron and George Osborne. Their reckless plan has choked off the recovery and put more people out of work, which means £158 billion more borrowing than planned.

And the reality is that this Tory-led government's failure on the economy means tough times are set to continue.

But when unfair choices are being imposed on people — like cuts to tax credits, or changes to child benefit — everything needs to be done to ensure those that owe tax pay their fair share.

I have been urging ministers to get a grip of the rumbling controversy about supposed sweetheart deals cut by HMRC with some of the world's biggest businesses and we will continue to raise questions about that.

And today, Ed Miliband has highlighted another vital issue where rising public anger shows more than ever the need for real action now.

UK residents with money abroad are still required to pay UK tax on the income they receive. The biggest problem with making sure they pay that tax is that they often do not declare that they have money stashed abroad.

There are existing rules in place to make sure that HMRC gets information about British

resident taxpayers who hide their money abroad within the EU, and importantly in tax havens that are linked to EU members like the Channel Islands and the Isle of Man — the EU Savings Tax Directive.

But we have known for some time that there were major loopholes in these rules:

- People could disguise their income behind front companies and trusts that mean the tax havens do not have to let HMRC know which British taxpayer is involved.*
- And people who choose to have the money they've hidden abroad invested in complex financial products, rather than in simple bank accounts, manage to get round the rules.*

As a result the tax haven does not need to provide information to HMRC on income received through these two loopholes.

There is a long slow process going on where the European Union is trying to strengthen these rules — but countries like Italy and Luxembourg are dragging their feet.

Enough is enough.

The government should make getting this sorted at an EU level a priority — not wait until 2013 for progress as the current plans seem to imply.

But they should also get started right away with those tax havens that we are responsible for — the British overseas territories like Jersey — which some experts estimate are costing the UK taxpayer billions in lost tax.

Britain needs to lead the way in Europe by taking action on its own tax havens.

They need to be told enough is enough — these tougher rules are going to apply to you immediately.

The government's disclosure deal with Switzerland in the summer risked undermining progress in Europe on this issue. And, as the Office for Budget Responsibility has made clear, the foundations for the government's claims about how much they would raise as a result are open to question.

In addition, there are serious questions to be answered by the government about whether people who have broken the law will be allowed to get away with criminal activity as a result of the keeping their right to anonymity which was part of that deal.

By taking a lead on the UK's own tax havens we could send a clear signal to Europe that Britain has not abandoned our leadership role on this issue.

We would start with diplomacy and pressure, as that is what has worked in the past. It's

what we did to get the Crown Dependencies of Jersey, Guernsey and the Isle of Man to comply with aspects of the initial EU Savings and Tax Directive.

But bold leadership means being prepared to legislate if necessary. We must make it plain to the Crown Dependencies that we will expect them to observe the letter and the spirit of the revised EU Savings and Tax Directive, through full exchange of information on both individuals accounts and more complex, 'packaged' financial instruments. Only then will we have proper insight into UK residents holdings in the tax havens that exist in our own backyard.

Tax havens only complied with the limited constraints of the original EU STD because of international pressure in which Britain took a leading role. Under Prime Minister Cameron we have stepped back from the vanguard, and worse, appear to be undermining international action on tax avoidance.

Labour is determined to lead on this issue, at home and abroad. In the coming months we will continue the pressure to end offshore tax secrecy, while at home we will scrutinise financial legislation to seek to ensure it does not make it easier for corporations and wealthy non-domiciled individuals to avoid paying their fair share of tax.

Owen Smith is Labour's shadow exchequer secretary to the Treasury