

# Labour comes out for a general anti-avoidance principle

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There was a really good article by Owen Smith MP - Labour Shadow Exchequer Secretary - in the Guardian yesterday on the government's proposed general anti-avoidance rule, about [which I have written here](#). He said:

*The GAAR will be presented as a major step forward, and trumpeted by Lib Dem ministers as evidence of their benign influence on Tory policy. Yet this claim, too, doesn't stand up to scrutiny and the reality is already dawning that, unless strengthened significantly, the new anti-avoidance measures will be a toothless tiger, biting only on a tiny proportion of "highly artificial and abusive" arrangements.*

*Worse still, set against the backdrop of HMRC budgets and capabilities that have been cut too far and too fast, the GAAR risks distracting vital attention from the everyday task of identifying and targeting instances of tax avoidance.*

*The judgment of the last Labour government, when considering a GAAR, was that a weak general rule with no real substance and only addressing the most specific circumstances was no substitute for targeted anti-avoidance legislation combined with a properly resourced Revenue & Customs.*

*If this government's rhetoric on tax avoidance is to become reality, ministers must make clear that HMRC has got the resources it needs to do its job to tackle tax avoidance and that their new general rule would have bitten on the Barclays scheme that they, and the previous government, sought to close down.*

*More generally, they must explain why their GAAR is set to challenge only "[the most egregious tax avoidance schemes](#)", with the overwhelming majority of tax avoidance measures deemed "reasonable responses to the choices afforded by (tax) legislation"? Why will there be no special rates of interest or penalties on tax recovered by use of the GAAR — as there is in every other country where one has been adopted? And why, inexplicably, are property taxes explicitly excluded from the draft legislation, including stamp duty land tax about which there are significant concerns?*

If the GAAR is to prove anything more than a PR stunt to salve Lib Dem consciences, it will need to grow teeth. If the chancellor brings forward anything less robust in his forthcoming budget, he will expose his unwillingness to truly tackle those who are cheating the system and avoiding paying their fair share of tax.

Quite so. And well said.

Good to have Labour on side. It's taken time, but the case for a general anti-avoidance principle is now overwhelming.