

Now the CBI admits tax avoidance can be abusive even th..

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As [the Guardian](#) and other papers have reported, the CBI has:

for the first time admitted that "black box" tax schemes devised with the sole aim of avoiding tax are unjustifiable even if they are legal.

In other words, they agree that it's possible for legal tax avoidance to be abusive and as such be outlawed. Count that as an endorsement of [Graham Aaronson's tax](#) avoidance rule, [timid and weak though it is](#). That's the good news. But all it means is that the CBI have realised it is in their interests to endorse the lowest common denominator scheme Aaronson has delivered - that tackles only the 'most egregious' of tax avoidance schemes and leaves all the routine abuse of multinational corporations untouched. [I have explained](#) why this option is really window dressing and is unlikely to have any serious impact at all on tax avoidance - which is no doubt, I am afraid, what Lord Hoffman, David Cameron, Nick Clegg, George Osborne and Danny Alexander wanted. No wonder the Rev Will Morris of the CBI is now willing to endorse it in that case; it permits all the abuse his members all to happily pursue. Now at this point I admit I get a little stuck as to their justification. As the Guardian reports:

In a document called Tax and British Business — Making the Case, the CBI attempts to explain how businesses legitimately limit the amount of tax they pay without resorting to complex tax avoidance schemes. It uses international comparisons to argue that UK firms pay more than their counterparts in Germany, France and the US after tax breaks and reliefs are considered.

The difficulty is I cannot find this document as yet anywhere on the CBI web site. So I can't analyse it. But according to the Guardian it says:
It uses international comparisons to argue that UK firms pay more than their counterparts in Germany, France and the US after tax breaks and reliefs are considered.

Lamely, John Cridland of the CBI apparently said:

Cridland said most businesses enjoyed tax reliefs on research and development and

capital purchases, which were encouraged by the government.

"Business should not engage in abusive tax arrangements. However, in running their normal day-to-day activities, as well as in commercial transactions large and small, businesses need to manage their tax affairs as a key part in operating their businesses," he said.

Well of course they get these allowances, but let's be clear: R & D allowances are very small and whilst capital allowances are of course much more significant they do not in any way explain most of the UK tax gap for large corporates, an issue that the Guardian acknowledges I put on the agenda:
[The TUC's Tax Gap report](#), by Richard Murphy, argued that businesses avoided at least £12bn tax a year through sophisticated tax planning and offshoring of profits. Murphy said in the 2008 report that his calculations showed firms had an effective tax rate of 22.5%.

The Treasury web site acknowledges this began the whole debate on this issue of the tax gap. It's taken four years for that debate to reach the point where the CBI now admits that the mantra "it's legal so it's acceptable" cannot be true. That's quicker than glacial progress, but not much. However, having made this breakthrough we're now in a different place: once this point has been conceded, and that is clearly the case, the game changes. Now we're into the arena in which I said this argument was always located - which is that of ethical judgement.

No one, of course, denies that business should not claim allowances and reliefs clearly intended for their use. To claim capital allowances and R & D relief is tax compliant in most cases (there can be doubts when leasing is involved in some cases). Tax compliance is 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. So let's leave that issue aside: we can argue whether there should be capital allowances but if there are no one is saying business should not claim them.

Cridland, the CBI and its tax committee all know that is not the issue. The issues are:

- the use of tax havens;
- the hiding of intra-group transactions;
- the ability this gives to hide transfer mispricing;
- the movement of assets - whether intangible or cash - off shore to abuse the tax systems of country like the UK;
- the use of special purpose vehicles to hide assets, including for tax;

- the sale of offshore services that are intended to undermine the tax systems of democratic states by multinational corporations;

and much more.

So my suggestion to the CBI is that they stop ducking the issue. As I [said in the Independent](#) today:

The GAAR will only tackle the very periphery of abuse. It will leave the vast majority of tax avoidance by multinationals completely untouched.

I think it's time we took on the core of the problem, not the periphery. So do the people of the UK. It's time the CBI realised that and demanded real change from its members.