

# You don't believe the tax gap is caused by tax avoidanc...

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The government has issued this press release this afternoon:

*The Government has today taken steps to close two aggressive tax avoidance schemes recently disclosed to HM Revenue & Customs (HMRC) by a bank.*

*The schemes, both of which are highly abusive, are designed to work around legislation that has been introduced in the past to block similar attempts at tax avoidance. By acting immediately, the Government will ensure the payment of over half a billion pounds in tax, protect further billions of tax from being lost and maintain fairness in the tax system.*

*The first scheme seeks to ensure that the commercial profit arising to the bank from a buyback of its own debt is not subject to corporation tax. In a bold step not previously taken by this Government, legislation is being introduced today that will not only prevent the scheme's use in the future, but will also act retrospectively to block its recent use by the bank that has disclosed the scheme and by any other company that has engaged in a similar scheme in the same period.*

*The second scheme involves Authorised Investment Funds (AIFs) and aims to convert non-taxable income into an amount carrying a repayable tax credit in an attempt to secure 'repayment' from the Exchequer of tax that has not been paid. The Government is introducing legislation today to block any future use of the scheme.*

*The bank that disclosed these schemes to HMRC has adopted the Banking Code of Practice on Taxation which contains a commitment not to engage in tax avoidance. The Government is clear that these are not transactions that a bank that has adopted the Code should be undertaking.*

First, full marks to the government for taking action: credit where it is due.

Second, this shatters the myth that voluntary codes with people like banks work.

Third, this [also shatters the CBI's claim](#) that only the most egregious tax abuse schemes

need be covered by a general anti-avoidance principle. The scope needs to be far wider.

Fourth, it supports my long held view that the tax gap is created by this type of activity and not a few R&D and capital allowance claims as the CBI and the right wing like to claim.