

ow can HMRC be serious about large company tax abuse w

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Graham Black of the Association of Revenue & Customs - the union for senior staff at H M Revenue & Customs - had a [first rate article in the Guardian yesterday](#). As he put it:

Our chancellor has never been noted for his great communication skills. Over the past few months, however, it would seem that on the issue of [tax avoidance](#), George Osborne has been very clear.

He was going to come down on avoiders like a "tonne of bricks" and, naturally, he was [shocked](#) to find that the wealthy were paying little tax. He would introduce a general anti-avoidance rule to deal with all this, and he had invested [£900m in HM Revenue & Customs](#) (HMRC) to tackle evasion and avoidance. Understandable, when the country faces a huge deficit and, on the government's own conservative estimate, at least £40bn of taxes are going uncollected. What better way to show that we are all in it together.

But, as Graham knows (and as Graham knows I know - for we are well acquainted) he had his tongue firmly in his cheek when saying all that. Graham is not convinced. As he puts it:

But is the government tough on avoidance? It has produced a [report](#) on an anti-avoidance rule. Who did it ask to develop this — a member of HMRC perhaps, or a barrister used by HMRC to combat avoidance? No, it used Graham Aaronson QC, well known for representing large business and wealthy people in tax disputes. And Aaronson's suggestion is a rule so narrowly drawn that it will legitimise most of what the public recognises as avoidance.

Precisely so - because what the tax abuse industry will say is what is not covered by the GAAR is acceptable tax avoidance - and Aaronson's done his mates a good turn as a result.

There's more than that though:

What of all those extra resources for HMRC? When it was formed by merging the Inland

Revenue and Customs & Excise in 2005, it had nearly 100,000 staff. Now it has 65,000, and this will continue to fall over the next two years to 56,000. This is an almost 50% cut that has far outstripped the genuine savings from merger and IT improvements.

Any organisation facing 10 years of successive cuts would struggle with the consequences, and the problems HMRC has faced in recent years stem from this. In the spending review, the Treasury intended to cut the HMRC budget by a further £3bn over three years, but only cut it by just under £2bn — and this is what Osborne calls an investment of £900m. I know of nowhere else where a £2bn cut is described in such a way.

Precisely. It is Orwellian to do so. Disingenuous if you like. Or just a lie. I can live with all those descriptions. They're all true. And this has consequences. As Graham notes:

Despite what the chancellor says, the number of such professionals is falling, by around 450 by 2015, and many of those have gone already. Even the part of HMRC that deals with the largest corporates is continuing to shrink, and will do so by 20% by 2015.

Staggering, isn't it? As Graham asks:

Does it make sense to cut the one part of the government that brings cash in, when we are having to cut back on services to the vulnerable across the board?

The answer is of course no. And as Graham makes clear - and I completely agree - more staff, with a proper anti-avoidance rule will help no end to beat tax avoidance. ARC reckons the yield on investment is 20:1. So do I. £1 billion of spend and £20 billion of yield, I reckon. They're slightly less ambitious, but let's not worry about that now. The issue is, as Graham again says:

In Britain, we have a remarkably compliant tax population that knows taxes are a price we pay for a decent society. It will continue to do so while the system is seen to be fair and policed in an even-handed way. If we continue to facilitate avoidance and cut the resources HMRC has to combat it, then we may lose that general level of compliance. And, once lost, it will be difficult to regain.

Quite so.

And very well said.