

Panorama on tax avoidance, Monday, 8.30pm, BBC 1

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Panorama on Monday is on tax avoidance.

I am in the programme, and it seems in the [pre-programme publicity, which on the BBC web site](#) features a major new tax avoidance story, the documentation for which I saw some time ago:

Major UK-based firms cut secret tax deals with authorities in Luxembourg to avoid millions in corporation tax in Britain, the BBC's Panorama has found.

The programme obtained confidential tax agreements detailing plans to move profits off-shore to avoid what was a 28% corporate tax rate at the time.

Those involved include pharmaceutical giant GlaxoSmithKline (GSK) and media company Northern & Shell.

Both firms told the programme they have a duty to be tax efficient.

In the case of GSK, the UK-headquartered firm set up a new company in the tiny European tax haven of Luxembourg in 2009.

In 2010, the new subsidiary lent £6.34bn to a GSK company in the UK.

In return, the UK company paid nearly £124m in interest back to the Luxembourg subsidiary - effectively removing that money from the UK company's profits.

That move meant the money was no longer available to tax in the UK at 28%.

In Luxembourg, tax authorities had agreed a generous deal to levy tax on that £124m at effectively less than 0.5%, or just over £300,000.

As a result, GSK in the UK potentially avoided up to £34m in UK corporation tax.

Richard Brooks, a former investigator with HM Revenue & Customs (HMRC) who now writes for Private Eye satirical magazine, said the documents reveal in detail the

machinations of tax avoidance on a large scale with the full cooperation of the tax haven.

"We're seeing really with these, for the first time, exactly how companies avoid tax through a jurisdiction that wants to help them do it," he said.

GSK said it has an obligation to investors be tax efficient and to patients to free up money for research into new medicines

In the case of Northern & Shell, owners of Channel 5, the Express, OK! Magazine and others, before 2009, some of the company's subsidiaries in the UK had been lending each other money totalling £804m.

There was no obvious tax advantage on these transactions to be had in the UK.

Northern & Shell then set up a company in Luxembourg and transferred the loans there. Interest payments on those loans left the UK, leaving lower profits available for taxation by HMRC.

In Luxembourg, that money was effectively taxed at less than 1%, which meant Northern & Shell had sheltered profits which would otherwise have generated £6m in UK corporation tax.

Richard Brooks said of the practice: "The company puts its money into Luxembourg and borrows it back. It just sends money round in a circle and picks up a tax break on the way."

In a statement to the programme Northern & Shell said: "Our strategy is to comply with relevant regulations whilst minimising the tax burden for Northern & Shell and our customers. The board considers it entirely proper that Northern & Shell endeavours to structure its tax affairs in a tax efficient manner."

Tax expert Richard Murphy said of the practice: "All absolutely, without a shadow of a doubt, legal. I am still able to ask the question, is this acceptable? This is purely artificial structuring which is designed to undermine the tax revenues of the UK."

The secret tax deals revealed in the documents, first seen by French journalist Edouard Perrin of TV production company Premier Lignes and then shared with the BBC, were all devised by accountancy firm PriceWaterhouseCoopers (PWC).

In a statement, PWC said all their advice and assistance is given in accordance with UK, European and international tax laws and agreements.

In the UK, the Controlled Foreign Companies Rules were tax laws devised to put a stop to companies escaping UK taxation by diverting profits overseas.

But some companies believed these rules breached European law by limiting economic freedom. It led to a series of court cases and by 2010 around 150 companies were in dispute with the HMRC over whether they should pay UK tax on their foreign profits.

Rather than continue the battle through the courts HMRC began striking deals with major companies over their tax.

GSK negotiated a tax settlement with HMRC and closed down its £6.34bn loan operation through Luxembourg.

In a statement, the company said: "Both the UK and Luxembourg tax authorities are agreed that we have paid all the taxes that are due. We take very seriously our duty to pay tax. But we also have a duty to our shareholders and patients to be financially efficient so that we can maximise returns to investors and fund the development of future medicines."

A spokesperson for the company also stressed that over the period GSK "paid around £1bn in UK corporation and business taxes".

Margaret Hodge MP, who chairs the Public Accounts Committee which questioned settlements HMRC had reached with major companies, expressed concern over the ability of Parliament to scrutinise them.

"Because of the veil of secrecy surrounding all these decisions around tax, and we're talking big numbers here, lack of transparency means that we, on behalf of the taxpayer, cannot be certain that this was a good, honest, proper deal."

HMRC say they are unable to discuss how these cases were settled because of taxpayer confidentiality.

Panorama: The Truth About Tax, BBC One, Monday, 14 May at 20:30 BST and then available in the UK on the [BBC iPlayer](#).