

Why is the Chartered Institute of Tax in denial on the ...

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I got sent a press release by the Chartered Institute of Taxation today. It quotes the inaugural speech of their new President - Patrick Stevens.

According to the press release he'll be saying at 4pm this afternoon that whilst the tax system is far from perfect, a stream of negative — and at times misleading — headlines about HMRC and the tax system risk giving taxpayers the impression the system is broken, which could undermine confidence in the system and reduce compliance by taxpayers. And he will argue that the CIOT should:

combine robust representations to the tax authorities on behalf of taxpayers and their advisers, with robust challenges to exaggerations about the tax system's failings.

The comparison he will make is between Greece and the UK. Of Greece he says with a degree of overstatement that is almost certainly off the scale of exaggeration:

For the most part, the only people who pay anything close to the right amount of tax in Greece are overseas companies and groups doing business there... [Consequently] the country is completely broke.

But he'll continue:

In the UK we are in a different place. We respect the rule of law and our laws generally give a sensible result. The correct amounts of tax are paid and the tax system works smoothly most of the time.

Now that's strange: that's not a view I hear often from such people as him. For decades I've heard the CIOT, ICAEW, ACCA and others lambasting HMRC and the tax system. What has changed? Could it be that something's rattled him into making such a strange and unaccustomed claim of praise for a tax system that his profession has been maligning for so long? I think there is. He'll continue:

Nevertheless, over the last couple of years there has been a pretty steady stream of headlines in newspapers about the mistakes made by HMRC, their inefficiencies, the

hidden economy, deals done with some large companies and the ability of some companies to do business in the UK while paying very little tax... Everyone in this room knows that we are so far away from the position in Greece that you cannot compare it. But every time those headlines appear, one or more of the passengers on the Clapham omnibus thinks our system must be broken and there is no need for them to join. That affects our members. It is often the perception rather than the reality that is important.

So, now we see what he's going on about. He doesn't like the Tax Justice Network, me, UK Uncut, PCS, the TUC and numerous newspapers pointing out that large parts of our tax system are broken.

Multinational corporations - let's start with Amazon, Google, Apple and many more - don't pay the tax that is reasonably expected of them by sensible in this country. We know that.

And we know PWC are going out of their way to market tax systems to undermine the chance of the UK economy recovering without massive tax cuts that inflict real harm and real hardship on people in the UK. Panorama reported that last night. I have read the documents.

Hundreds of thousands of small UK companies are not paying the tax due by them. My research has shown that.

And as my research also shows, tax avoidance costs the UK £25 billion a year whilst tax evasion costs the UK £70 billion a year. Our shadow economy [is maybe 12.5% of our total economy](#).

And whilst of course it is entirely true that a 12.5% shadow economy is nothing like as bad as Greece's 27.5% the idea that a tax system that is losing the UK £95 billion a year is working is ludicrous, and yet Patrick Stevens will say:

We must continue our work to ensure our tax system functions effectively. We tax practitioners and tax directors need to help the HMRC side of the tax profession to get this right. This means that we must draw their attention to problems as they arise and push them towards getting it right. We should be robust - as we have been, for example, over business record checks - when we think they are not getting it right. But we should also support them when journalists, campaign groups and even, on occasion, politicians exaggerate their failings, and present the system as broken when it is not. Imperfect? Yes. Frustrating? Frequently. Over-complex? Undoubtedly. But not broken."

With the very greatest of respect to Mr Stevens, that is as absurd as his claim about the Greek tax system (which does, incidentally make you wonder about the ethics of his firm in that country, but let's leave that aside).

Most small practitioners think our tax system is broken because they can never get what they need from the overburdened staff of HMRC.

And most people who have to engage personally with HMRC think the same.

And the evidence on the tax gap is now compelling - even HM Treasury were going out of their way to say how bad tax avoidance was before the last budget.

But oddly Mr Stevens doesn't. I wondered why so [I checked his CV. It's here:](#)

Patrick Stevens started his career with a two partner firm of accountants in Norfolk and since then has experienced life in most segments of the profession. This includes several years with a firm just outside the top twenty accountants, some time with BDO, and the last 14 years as a partner at Ernst & Young in London. While there he spent a number of years as managing partner of the growth markets part of the business. His areas of tax specialisation include entrepreneurial companies and their shareholders, professional partnerships, retail investment funds and private clients.

These days he has a range of responsibilities within Ernst & Young including looking after the tax affairs of the firm in the UK, the EMEA Area and the Global organisation as well as commenting to the newspapers and television on current tax matters.

So now we get it. Ernst & Young - present in many of the world's tax havens and purveyors of tax avoidance to multinational companies and wealthy individuals - think the UK's tax system works.

Well, suddenly in 2012 it does, for them. UK multinationals - thanks to George Osborne - can now tax avoid in tax havens to their heart's content because he's shifted us to a territorial tax system and has allowed UK multinational corporations to set up tax haven treasury functions to legitimately undertake the very abuse last night's Panorama highlighted. And what is more, we're even going to have a wholly ineffective general anti-avoidance rule that will let almost all tax schemes the Big 4 sell pass muster. And all the time the staff at HMRC are being hacked back so that fewer and fewer enquiries can be made and more and more rough and ready deals have to be completed.

Oh yes, the tax system works just fine from the perspective of the Big 4 all of a sudden. They've now got the tax system they want where corporation tax will soon be a voluntary donations box, a general anti-avoidance rule that has no teeth lets them say all they're doing is both legal and ethical and there are so few resources at HMRC that less and less tax is paid.

But for the rest of us - the 99% - the abuse is real and ongoing and will be seen in the cuts that will bring misery to this country. Mr Stevens brings shame on the whole tax profession by his blatant propaganda delivered not even in the interests of his professional body but in the obvious interests of his firm and those firms like it and their clients, which flies in the face of all the evidence and which is designed solely to undermine the effectiveness of the UK tax system.

But then we shouldn't be surprised. I've long argued the four biggest threats to democracy in the world are PWC, KPMG, Deloitte and Ernst & Young because they are, together, the biggest global network designed to undermine the revenues of democratically elected governments with intent to ensure that those governments can't command the resources needed to deliver the services their electorates want and expect which action on their part has to surely undermine democracy and faith in it faster than anything else could. We're just seeing that writ large in this speech.