

Accountant wants a 'bare knuckle fight' on tax justice

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There was a fascinating article in *Economia*, the professional journal of the Institute of Chartered Accountants in England and Wales yesterday. In it Stephen Herring, the senior tax partner at [BDO LLP](#), [the UK's sixth biggest firm of accountants](#), argued that a more 'bare-knuckled' approach to the taxation system debate was required from the accounting profession.

Now I have to admit, I think this is the first time I've seen the ICAEW even implicitly endorsing 'fisticuffs' as a conflict resolution mechanism so what on earth could Herring mean and, and who is it he wants to engage in combat?

Well for the record, he doesn't say, but his implication is very clear. He seems to object to those who campaign on tax, basing their argument, as he sees it, on:

- *Refusing to recognise that taxation is complex and there are different views by concluding that any case won by HMRC is proof of widespread abuse*
- *Criticising HMRC for not litigating every single issue on the basis that the company must have been avoiding tax and has therefore been allowed to do so*
- *Attempting to divide the business sector between 'salt of the earth' smaller businesses and 'parasitic' larger/listed/international businesses despite their undeniable commercial interdependence*
- *Adopting a spurious title for your campaign and/or organisation that is intended to indicate that you are fighting for 'the people' against evil multinational business*
- *Claiming that every change in taxation policy you welcome is due to your campaigning but that it is not as all embracing as you would have introduced*
- *Criticising taxation policy changes that you do not welcome because they facilitate your view of what constitutes tax avoidance*
- *Declaring that every structure or transaction which leads to less taxation than an*

alternative route must amount to unacceptable tax avoidance

- Identifying a conspiracy on tax that only you and your tiny band of fellow travellers have recognised

- Calling for an international organisation to take action, knowing full well that this will never be on their agenda

And as he puts it:

Unfortunately, as many readers will be fully aware, this is not a fictitious scenario which might happen but the reality we face today. In my view, the credit quake (which was certainly not created by tax advice, even abusive tax advice!) has meant that there is, and will be for the foreseeable future, much more fertile ground for the false messages listed above to obtain more traction than they deserve and would previously have obtained.

And what does he propose?:

This is one occasion when 'keeping a lid on it' or being silent is certainly the wrong strategy for the business sector and its tax advisers.

Oh, noisy chartered accountants. I don't think the ICAEW like them much. But no, he persists:

If silence is not the right strategy to ensure that the UK protects and enhances its attractiveness as a business location, what are the correct responses?

Well he provides a long list I may well return to later, but the summary is this:

If the case for tax planning is not made much more vocally, grossly misleading and increasingly hysterical accusations will gain undeserved traction both with the media and the public across the mainstream of the political spectrum. If unchallenged, this could lead to damaging the attractiveness of the UK as a business destination with a significant negative impact upon our growth, employment levels and, indeed, the essential tax receipts required to finance necessary public expenditure.

It gets worse:

Both businesses and tax advisers must become more vocal and make sure that these views stay where they belong, outside the mainstream debate, in the musings and blogs of the extremes of the political spectrum.

A more bare-knuckled approach to commentary from business and tax advisers might carry some risk but silence is now the greater risk.

Wow: I bet he felt better for saying all that! But let's reflect for a moment on what has irritated him.

First, there's no doubt the campaign organisation he's seriously misrepresenting is the Tax Justice Network. Well, I'm proud, as a member of the Institute of Chartered Accountants in England and Wales to be a part of and indeed one of the founders of the Tax Justice Network. It's a shame as a result he so misrepresents us.

For example, [we supported the abolition of charitable tax reliefs for the rich and indeed argued the simplification should go further](#). I bet he didn't. And [I've argued for massive simplification in the arrangements for most small businesses in the UK](#). We know how complex such matters are. Has he done anything like that?

And we certainly haven't said all small business is innocent. [Just look at my work on 500,000 missing small companies](#) and that's glaringly obvious.

On the name - 'tax justice' is spurious and not anti-poverty, is it? Is that why we're supported by most of the world's major development organisations. In the UK that includes Oxfam, Christian Aid, ActionAid, War on Want, One and now Save the Children look like they're joining in too? Have we really conned them all?

Just as our campaigning has clearly had no impact? Tell that to Jersey, Guernsey and the Isle of Man. Wonder why the G20 targeted tax havens. Look at why we may get a general anti-avoidance rule of sorts. Note country-by-country reporting and that without the Tax Justice Network there would be no such thing. I could go on: I, of course, don't claim all these are just down to us. We never have, but sure as heck we've changed debate on them all.

And when it comes to making clear what we think is tax avoidance - we, unlike the profession, have created the language of tax compliance to make sure that it is clearly possible to show that tax planning can take place in an acceptable fashion. For the record, 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. Has he ever done nay such thing?

In other words - as these selected rebuttals (chosen only in a desire for brevity) show, Mr Herring's claims are just a touch on the hysterical end of the spectrum. Even his reference to international organisations is odd. For the record, the [EU Parliament](#) and [Council of Europe](#) have just adopted the TJN agendas by overwhelming majorities. I think he'll find we have vey wide democratic support on our side - bar from the UK Conservative Party, of which I note Herring [seems to be a supporter](#) - which voted against in each case, putting them in glorious isolation alongside the extreme right parties or eastern Europe.

But despite this he wants the views the Tax Justice Network and I put forward to be kept out of mainstream debate. And regarding political extremes, I'd remind him the EU vote in favour of the [TJN agenda was adopted by a majority of 538 to 73](#). Candidly, might I ask who is the extremist in that case?

And who, even is asking that I be denied access to the press? Is that the only way he can win?

So, having shown Herring's arguments to be based on what might, politely, be called misconceptions let's also look at what he might be calling for. It is:

- 1) Lower tax for big business than small business
- 2) Lower tax for bosses than workers
- 3) The ability to hide funds in tax havens
- 4) The abolition of much of corporation tax
- 5) An extension of VAT by the look of it, which is, of course, deeply regressive
- 6) Opacity and a lack of accountability.

It's a great agenda, isn't it?

I don't fight with bare knuckles. I don't need to do so. But maybe he'd like to join me in debate? Perhaps at the ICAEW? That would be fun.

In the meantime I'd refer him [to this article in Economia](#) and ask for his comments on the extremists who are quoted.