

# Passport tax: now the Times supports the case for it

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I have long argued for what I call a 'passport tax'. Yesterday the Times said in its editorial on tax avoidance that the government has to ask:

*is it right that a select group of people enjoy the rights and privileges associated with a British passport without sharing in its responsibilities? Americans must pay tax on their worldwide incomes wherever they live. Very small numbers give up their US citizenship for tax reasons. Surely most British passport holders, however wealthy, value their nationality as dearly?*

I have long thought this. In [October 2010 the TUC supported my approach in a report I wrote for them in which I said:](#)

*The UK needs new tax residency laws.*

*The existing laws of tax residence are now so complex and reliant on conflicting legal decisions that few, if anyone, can claim to fully understand them — including HM Revenue & Customs. As a result tax avoidance is rife — especially amongst an elite who can afford to commute in and out of the UK from places like Monaco but pay little or no tax in the UK.*

*In addition, the rules on residency include the domicile rule, which has made the UK a tax haven for foreign oligarchs, allowed untold tax abuse and increased division in our society.*

*Uncertainty and abuse aren't the basis for tax justice. Tax justice would deliver two things. The first is certainty for honest working people coming to and leaving the UK to earn their living. The second is a tax system that ensures all who enjoy what the UK has to offer contribute to its well-being according to their means.*

*It is for these reasons that the TUC is proposing radical revision to the UK's tax residence rules which would, amongst many benefits, sweep away the domicile rule for good.*

*Our proposals are simple, effective and fair. They will raise money and stop abuse. First we propose that everyone who has a UK passport should be tax resident in the UK, automatically, wherever they live in the world. That means they would always have liability to pay tax in the UK on their worldwide income, gains and wealth, just as all US citizens do in the USA.*

*However, because we also recognise that tax needs to be simple and pragmatic we also suggest an important exception, which is that those UK passport holders living in a 'white list' of approved countries would pay no more tax in the UK as a result. The tax they paid in that other country in which they lived and worked would, in these cases, be deemed to settle their UK tax bill. As a result it is those who flee the UK to live in tax havens that this measure would target. We think more than £1 billion of extra tax would be raised as a result, and untold abuse and time wasted by HM Revenue & Customs brought to an end.*

*We also propose new rules for those coming to the UK from abroad. We welcome the contribution these people bring to the UK. We also recognise many only come for short periods, so for up to four years we suggest anyone taking up residency in the UK should only pay tax on their UK income and that other income they bring to the UK from overseas. But once this period of grace is over we argue that all who come to the UK to live should be subject to exactly the same tax rules as those who have always lived here. So, after four years of temporary residence in the UK we argue that anyone choosing to stay for longer should pay full UK tax on their worldwide income, gains and wealth.*

*Our rules ensure that is the case, and also ensure that those who stay in the UK for relatively short periods but have extensive connections with it none the less — such as keeping a home and their family here — should also be tax resident in this country.*

*These changes, matched with the ending of the domicile rule, would, we suggest raise up to £3 billion of tax a year and, as importantly, deliver the fairness and certainty the UK needs if it is to play a full part in a world economy where people are mobile.*

The rules proposed are as straightforward as can be suggested in a complex situation. Of course there are winners, and losers. The winners are those going abroad to work in places with acceptable tax systems. Those going to tax havens, on the other hand, will find they are still paying UK tax — and rightly so. They have the right to return to the UK at any moment and claim all the services that we as a state have to offer. That is precisely why they must contribute here if they do not anywhere else.

This is a proposal will deliver significant tax simplicity, fairness between those born and not born in the UK (which is very important), enhanced tax revenue at the time that we needed, and certainty where the law has not provided it to date. If the tax profession objects one has to wonder what their objectives are.

And for the sake of doubt [I wrote elsewhere about the 'white list' saying:](#)

*First, note no one living in Europe would be subject to it as all would be on the white list. I suspect that would have to go without saying.*

*Second, I think there would be a “white list” of states to which it would not apply. Like the US and other major states such as Japan, Australia, Canada and so on where the tax system is considered robust, information exchange is good and double tax treaties work.*

*Thirdly I’d propose it applied to no one earning less than the income tax higher rate tax band — so taking all working voluntarily overseas, for aid agencies and the like right out of the charge. This replicates a US provision.*

*After that you’re left with the cases you want to tackle: those living in states with no tax agreement with the UK, with UK citizenship and wanting to retain it and with substantial potential tax being avoided by their residence abroad — probably in a tax haven.*

*Yes they’ll squeal and the Crown Dependencies will say this is unjust as they’re not UK citizens — which I’d agree for those with genuine claim to be local (which is rigorously defined, remember in the case of Jersey and Guernsey at least). But the reality is that this will massively clamp down on tax abusers.*

*And who better to pick up the pain right now?*

Such thinking could radically alter the balance in the fight against tax abuse. It's time the government embraced it.