

Labour on tax avoidance and evasion: yesterday in parli...

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I've [already mentioned](#) yesterday's debate in the Commons on tax avoidance and evasion. There were, as I noted, some highlights. Catherine McKinnell provided some during the Labour front bench response. It was the first time I'd seen her at the Dispatch Box.

Her [whole speech is here](#). I especially welcomed her saying:

I commend my right hon. Friend the Member for Oldham West and Royton (Mr Meacher) for securing this debate on a matter that we all agree has rightly risen to a high place on the political agenda.

Michael has had praise enough from me: the issue I want to highlight is the recognition that this issue is now high on the political agenda. It's taken time to get it there: I don't think it will be going away again any time soon. The reason was noted by Catherine McKinnell in her concluding comments:

Ministers say that they want to eliminate tax avoidance, but with an incredibly narrow GAAR, weak international agreements, and without giving proper resources to HMRC, the Government are not on track to succeed. The nation's books will be balanced on the backs of the poorest in society, rather than on the rich who will continue avoiding their taxes.

This is precisely why this issue is important: we have a government not willing to tackle it.

As Catherine McKinnell also said:

The financial crisis of 2008 led to a radical domestic and international shift in the approach to tax evasion and avoidance. The lack of transparency in the international financial system was rightly identified as a significant threat to global financial stability, and calls for change rightly came from all sides. The crisis has also led to the significant challenge of public expenditure reduction that we now face, which adds to the urgency of ensuring that every individual pays their fair share of tax and contributes to that

effort.

Nothing like that came from the government benches, unfortunately. Nor was there this recognition from the government:

Among the majority of hard-working people who pay all their taxes there is understandably growing hostility towards those who manage to avoid paying their fair share. Given that the Government are facing an increase in their borrowing—it is up by a quarter on last year's forecast, partly as a result of falling tax takes—I have no doubt that the issue has also risen high on the Government's agenda.

This issue is at the core of economic management now. And as she recognised:

The Government have measured the tax gap—the difference between tax owed and collected—at about £35 billion. There has been some debate about that figure today, and there are other estimates. The TUC's estimate is much larger, as is that of the Tax Justice Network, which puts the figure in the region of £120 billion. We all appreciate that it is not an exact science, but whatever the figure, we accept that a significant proportion of the tax revenue that is due is going uncollected. If we closed the tax gap by half or even a quarter, we would avert real pain and suffering among the most vulnerable in our society, who rely on the services provided through public expenditure.

Again, this is real recognition of why tax justice campaigners have worked so hard on this issue: that recognition was appreciated, at least by me. Catherine also recognised the true nature of the problem:

Like benefit fraud, tax evasion—and avoidance in some cases—undermines the confidence of ordinary taxpayers in the legitimacy of the system. I think we all agree that the world has changed and that there should be no hiding place for tax cheats.

All are points we have made, often.

And of course Labour claimed credit: this is party politics, after all.

Internationally as president of the G20 we led a global clampdown on tax havens and offshore evasion.

I'll be honest, it didn't go far enough, but the approach was vastly better than that we have seen since Labour left office, and what Catherine McKinnell followed with was spot on:

In government, Labour also persuaded the OECD to develop best practice guidelines on country-by-country reporting, an excellent initiative that was put on the agenda by international development organisations, particularly Christian Aid, ActionAid and Oxfam. Tax evasion costs developing countries billions of pounds every year in lost revenues and is a barrier to social and economic development, but in the Finance Act

2012 we saw changes to the controlled foreign company rules and many charities have expressed concerns that they will make it easier for UK companies to avoid paying tax in developing countries in which they own subsidiaries. ActionAid estimates the potential loss to developing countries as up to £4 billion a year, whereas the Government estimate is £1 billion. Either way, that change raises huge concerns; steps must be taken to improve transparency and the Treasury must work with the Department for International Development to ensure its commitment to combining tax and development policy. What plans does the Minister have in place to ensure that the new rules will not damage developing countries' tax revenues?

The minister did not, of course, answer.

As for Michael Meacher's General Anti-Tax Avoidance Principle Bill, she said:

On a domestic level, the Government's general anti-abuse rule is unlikely to take forward the battle against tax avoidance. It is disappointingly narrow, designed by its own admission to tackle only the most egregiously abusive tax avoidance schemes, whatever that means.

I congratulate my right hon. Friend the Member for Oldham West and Royton on his contribution to the debate and on laying his draft legislation before the House tomorrow. His legislation takes a much broader approach, and seeks to tackle not only abuse but more general avoidance, and it lays down the mantle at the Government's door for them to clarify what they deem to be legally acceptable. It also seeks to give HMRC much wider powers than under the Government's plan, and I would be interested to hear the Government's response to the challenge posed by my right hon. Friend.

We did not hear any such response from the minister, of course, but already the debating lines have been drawn. If the Bill I drafted serves the purpose of making clear there is an alternative to the lame government proposal its already doing its job.

This was a good performance showing a clear grasp of the issues. I wish the same could have been said of the government benches.