

# Michael Meacher on the General Anti-Tax Avoidance Princ...

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On Friday Michael Meacher got just 11 minutes of House of Commons time to introduce his [General Anti-Tax Avoidance Principle Bill](#), Tory back benchers having done their best to talk the measure out by delaying previous business. When he got [his chance this is what he said:](#)

**Mr Michael Meacher (Oldham West and Royton) (Lab):** After extensive debate on two consensual Bills, I have 11 minutes left in which to introduce this Bill, so I will make the case as briefly as I can. In a sense, I suppose this is round two after yesterday's debate on tax avoidance, which was tabled by the Backbench Business Committee.

Yesterday's debate centred essentially on the divide between the Government's proposal for the general anti-abuse rule and my alternative proposal for the General Anti Tax-Avoidance Principle Bill. It might seem that there is not a significant difference between the two, but there is. Several hon. Members made it clear yesterday that the GAAR is unacceptably narrow and over-restrictive in range, and therefore very unlikely to cover any more than the most egregious and extreme cases of tax abuse. Indeed, that is indirectly confirmed by the Government's economic impact assessment in their consultation document, which states-extraordinarily -that the GAAR will have almost no measurable impact.

By contrast, the Bill will have an impact, which might explain why I have only 11 minutes to move it. It will tackle the problem of tax avoidance, which might be costing the UK-the figure is much-disputed-up to £25 billion a year.

This is the first time that the GAntiP principle has been set out systematically in a Bill. As I said yesterday, it was drafted by Richard Murphy, a founder of the Tax Justice Network, and a well respected tax accountant-he is one of our foremost tax accountants. The first point of difference between the Government's proposal and my Bill is that the latter includes national insurance, VAT and other mainstream taxes within the scope of tax avoidance. Inexplicably, the Government have seen fit to leave VAT and national insurance, which are a substantial part of the tax system, out of their proposal, leaving them open to continuing abuse.

Secondly, my Bill explicitly addresses the complex nature of tax avoidance. The Government's proposal appears to relate only to abuse within a particular tax. Under my Bill, however, shifting a source of income, profit or gain from one category of tax to another is included in the definition of tax avoidance. That would allow Her Majesty's Revenue and Customs to challenge a transaction in which income is reported as capital, which is a frequent form of seeking a tax advantage. Under my Bill, transactions that should be liable to income tax that are declared as subject to corporation tax, income from employment declared as income from an investment source, or income due for declaration in the UK declared elsewhere, could be considered as being within the range of tax avoidance and so be subject to challenge by HMRC.

That goal is achieved by putting an economic test at the core of the Bill. It is principles-based, and asserts that the GAntiP principle can be invoked, if it appears, having taken into account all the relevant circumstances relating to the economic substance of a transaction, that tax is not being paid by the right person, or in the right amount, or at the right place or time, or that it is not being paid at all. The Bill would, therefore, for the first time in UK parliamentary history, overthrow the rule in the so-called Duke of Westminster case. In that famous 1936 ruling, Lord Tomlin said:

"Every man is entitled, if he can, to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be".

My Bill would change that principle, which has underpinned the tax avoidance activities of the accounting, legal and banking professions for three quarters of a century, and the pre-war culture of abuse that has been swept away in so many other areas of society would finally disappear from tax.

That said, there is no disadvantage in the Bill for the vast majority of UK taxpayers. The great majority of taxpayers do not avoid tax. For others who use certain tax arrangements, the Bill encourages HMRC to publish guidelines for how such arrangements will be interpreted. As a result, the Bill would immediately increase tax certainty—an important principle mentioned yesterday by the hon. Member for Wycombe (Steve Baker).

For those over whom doubt remains, the Bill would provide for a clearance mechanism whereby HMRC could be asked to provide prior indication of whether an arrangement would fall within the scope of tax avoidance. That process is intended to be helpful, quick and binding. Not unreasonably, in exchange the taxpayer would be expected to make a modest payment for the important provision of tax certainty, with a maximum charge of £1,000 plus VAT, or 5% of the potential tax involved in the arrangement. The fee would likely be much lower than that for any accountant's or lawyer's advice, yet would deliver a certain outcome for the taxpayer, who would then be willing to live within the ruling. In addition, HMRC would also be encouraged under the Bill to publish anonymised rulings, so knowledge of what might be considered tax avoidance would rapidly become known.

What would be the benefits of the Bill? First, it would outlaw tax avoidance, which is currently being exploited on an industrial scale and which is now widely perceived as a mounting public scandal. This GAntiP Bill would address that situation; the Government's severely limited GAAR will certainly not. Secondly, because tax avoidance would be cut back significantly, considerably more tax revenue would be collected, meaning that many services now under threat from Government cuts could be saved. Alternatively, without any increase in public borrowing—always a concern of the Chancellor—extra funding would be made available to give a significant boost to job creation, economic recovery and a turnaround towards economic growth, which is the Government's central objective.

Thirdly, as I have already noted, the UK tax system would be considerably more certain.

Fourthly, the pressure on accountants, lawyers and bankers to sell tax avoidance would be curtailed, because they and their clients would know that most of these schemes would fail. That would release significant resources for more productive use in the economy.

Fifthly, my Bill would change the rules of engagement for British companies away from competing over who can get the best advantage from the abuse of tax law, and towards competing over who can provide the best price and quality of goods and services for their customers. That could only provide a valuable boost to Britain's economic effort.

Sixthly, and perhaps most importantly, the Bill would drastically change the culture in British society for the better. Instead of one tiny section of society—the 1% at the top, the big corporations and banks—being widely seen as continually ripping off the honest remainder of the population, a new benchmark would be set declaring that cheating on taxes is unacceptable and wrong, and that honesty and fair play are the basis of a strong modern economy fit for the 21st century. The significance of that in restoring faith in a Britain that we can all be proud of should not be underestimated. For all those reasons, I commend my Bill to the House.

The Bill is debated again on 19 October.