

How to tackle corporate tax abuse

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I spoke to Ruth Sunderland from the Mail yesterday about how to tackle the current problem of corporate tax abuse. I joked at the end of the conversation that she might like to write up what I'd said to save me the time putting it into a blog, and to my slight surprise she pretty much has. [The whole article is worth a read](#), but this part is the solution focussed bit

HMRC last week estimated the total tax gap — the difference between what it actually receives and what it ought to — at £32billion, with a £4.1billion corporation tax gap.

In reality, the corporation tax shortfall is likely to be much higher, since HMRC assumes the figures for UK profit submitted on corporate tax returns are correct, when they may well have arranged their affairs so profits are channelled elsewhere.

The multi-billion-pound question is what can be done to ensure the UK has a chance of extracting sensible sums in tax? Beef up the resources of HMRC, is one answer.

'At the moment there are only 2,000 fully qualified tax inspectors,' says Murphy. 'HMRC simply doesn't have the resources to tackle this scale of attack on our tax system, so the multinationals are taking us for a ride.'

A change in attitude from politicians might also help. The Coalition has put its focus on 'tax competitiveness' in a bid to attract and keep companies in the UK. This is a sensible stance, but in the process it has given companies the impression that our authorities are willing to participate in a race to the bottom.

The third is more co-operation with tax authorities elsewhere, in a bid to bring more transparency on how much companies make and where they make it.

'We need country by country reporting of profits,' says Murphy. 'Secrecy hides what they are doing. If they had to tell us, they would change their behaviour because they would be embarrassed.'

'At the moment, all the odds are stacked in favour of the companies. We need to

change those odds.'

I will be writing more on this, but in there there's a programme for starters:

- 1) More tax inspectors
- 2) Uphold existing laws
- 3) Be honest about the scale of the problem
- 4) Change the mood music on corporate tax - where Cameron and Osborne have been acting look doormats waiting to be walked on
- 5) Work at OECD and EU levels to re-negotiate the international framework on tax on behalf of the world's populous nations.
- 6) Introduce country by country reporting to shatter the secrecy that lets this happen.

It's a deliverable plan.

Any takers?