

## Ed Balls on the need for tax reform

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Ed Balls has written [in the Huffington Post](#) that we need action on tax reform in five areas:

### **We need action in five areas:**

**1. Integrity of the system.** We urgently need to look at how UK tax laws can be made stronger so as to properly deter tax avoidance. For example, in contrast to other OECD countries, the UK does not have specific statutory rules governing what internal documentation should be kept in relation to transfer pricing documentation - only guidance. Why should a company be able to shift profits abroad without being legally required to be able to prove it was done legitimately?

**2. Tax administration and enforcement.** We need to improve the capacity of HMRC and ask whether it has the resources, expertise and the right specialists in different sectors to adequately police this increasingly complex area. Deep cuts to the HMRC budget of 16.5 per cent, with an extra 10,000 staff being lost by 2015, risk being a false economy if they seriously undermine our ability to enforce the law and tackle tax avoidance.

**3. Transparency.** Improvements in transparency and reporting could help restore public trust and improve enforcement. Many of the recent examples that have come to light have done so without the companies themselves publishing the information, adding to the sense that there is something to hide. But equally there are many businesses who do pay a great deal of corporation tax, as well as lots of other taxes, and should be recognised for that.

**4. Tax havens.** We need to revive stalled efforts on an EU and international level to tackle the problems that are caused by the use of tax havens. As Ed Miliband said at the start of 2012, we need to act now and the government should not be waiting until some time next year for progress, as their current plans imply. And our own crown dependencies and overseas territories need to be more transparent - to lead the way to a proper EU regime.

**5. International reform.** The rules of the game are set globally and so radical reform cannot be achieved here in Britain alone. That is why we need action by members of the EU, OECD and the G20 to deliver a better, fairer and more robust system that would ensure a sustainable flow of revenues and be less susceptible to manipulation. UK Ministers should be putting tackling tax avoidance at the top of the agenda at these international meetings.

This is a complex and fast-changing area, but urgent action is needed to ensure that, while we maintain vital business investment in our economy, our tax system is fit for purpose. And as families and businesses face the consequences of further tax rises and spending cuts, ensuring that everyone pays and is seen to pay their fair share will be more important than ever.

This is a welcome step forward, and in exactly the right direction.