

Funding the Future

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The [Independent](#) has opened a new angle on tax avoidance, this time concentrating on the role of online bookmakers and the costs they impose on the UK Exchequer, reporting today:

Bookmakers and casinos have avoided paying around £1bn in UK tax on bets placed by British people by routing them through subsidiaries based in overseas tax havens, The Independent can reveal.

Football, racing and poker betting operators are estimated to be saving around £250m a year by offshoring online gambling — more than the highly publicised recent cases of tax avoidance by Starbucks and Amazon.

Although William Hill and Ladbrokes are UK Plcs with hundreds of high street branches, bets placed on their websites and phone lines are regulated and taxed in the British overseas territory of Gibraltar.

Other big names such as Betfair, PaddyPower and 888 — which heavily market their games in the UK — also avoid paying British tax on "remote" betting and gaming.

It's a now familiar tale: when something goes on line it goes offshore:

The offshoring, which has grown in recent years, allows operators to replace the UK gambling duty of 15 per cent on gross profits with an effective rate of duty of less than one per cent.

An investigation by The Independent has found that all of the top 10 operators in "remote gambling" now headquarter a part or all of their operations in Gibraltar, the Isle of Man or Guernsey — at a cost to the Treasury of £1bn in lost duty since 2009.

Of course, all deny wrongdoing:

In a statement, William Hill, which saves an estimated £37m annually in betting duty, vigorously denied it was "engaged in any avoidance scheme or artificial tax structure".

Ladbrokes, which saves around £18m annually, said it had only moved offshore reluctantly "to survive and compete".

However, disclosure of the scale of the money lost to the UK Government across the entire industry is likely to provoke anger, at a time of austerity caused by a growing deficit in the public finances. Richard Murphy, director of Tax Research, said: "This indicates, yet again, the toothless approach of the UK's tax authorities to tax avoidance."

Yes, I did say that, and as the Independent then noted:

Mr Murphy added that the Treasury's approach of working in co-operation with business to secure tax agreements was "not working".

"We know it failed in the case of banking where Barclays ignored their deal with HMRC months after they signed it," he said. "Now we can see that the negotiated arrangements with the gambling industry — where they were given all the concessions they demanded — haven't worked."

In total about £300 million a year is lost as a result of this abuse. Just add it to the tax gap that H M Revenue & Customs refuses to recognise.