

A small beer budget

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All budgets end up being tagged. Last year's was the pasty and caravan budget. By delivering a 1p cut in the price of a pint this one deserves to be called the small beer budget. And from a tax campaigner's point of view that is exactly what it was.

There is news to welcome from Guernsey and Jersey who have succumbed to UK pressure to exchange information on the accounts of UK residents who use these places. They join the Isle of Man in doing so. The UK expects to collect up to £1 billion in tax as a result, which seems a modest amount in view of the balances held. As a long term campaigner for reform in these islands I welcome that new openness. And I look forward to seeing the measures extended to Bermuda, Cayman, Gibraltar and the British Virgin Islands.

However, let's not celebrate too hard about this change: the UK has not demanded these places automatically exchange information with any other country. The fight for transparency in the UK's tax havens has a long way to go and they remain major centres of concern as a result.

The government failed in other major areas too: there was (apart from a reference to general anti-abuse rule) no mention of any measure whatsoever that will tackle multinational company tax abuse, and the GAAR specifically won't do that. Instead George Osborne encouraged the idea that the UK be considered a tax haven by announcing another tax cut for big business that has absolutely no use for it, but which cut does encourage the race to the bottom in international tax, and which leaves ordinary people picking up the bill instead.

Osborne's pride in walking away from a financial transaction tax was as bizarre: when everyone agrees that the finance sector underpays tax he has just exempted another part of it from stamp duty - and that is a move completely in the wrong direction and which can only destabilise the economy in favour of the City still further.

As for his remaining avoidance measures, perhaps the most bizarre was to announce that there will be no future presumption that partners in limited liability partnerships

are self-employed. This is very strange when almost all employment taxation abuse is through a vast army of small limited companies set up solely to get around national insurance - which LLP partners cannot avoid. This was gesture politics that utterly misses the point, deliberately or otherwise, on how to beat employment taxation abuse.

And that summarises the whole budget from a campaigner's perspective: the money to be raised from evasion and avoidance is either small beer or offshore whilst massive loopholes are opened up or encouraged for multinationals and the City. This was a budget big business will love and which will do little to close the tax gap. It increases inequality and the bias against the small business sector (who get a token £2,000 NIC cut in exchange). It is another opportunity lost, but if you drink 1,000 pints to drown your sorrows you will save £10. Doesn't that say it all?