

The greatest current tax abuse of all is that companies...

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Richard Brooks of Private Eye says this morning:

George Osborne has pulled off a stunning confidence trick: he has bamboozled people into thinking he is fighting tax dodgers

He's right. He points out that headlines such as the General Anti-Abuse Rule (which I am unable to discuss as I am on the committee reviewing the guidance for its operation) tackle a tiny part of tax abuse: the real abuse is by multinational corporations and the likes of Google, Starbucks and Amazon, which I have discussed in [Over here and under-taxed](#). And as he rightly noted:

[As the Lords economic affairs committee pointed out](#) last week: "There is a misconception that Gaar [general anti-abuse rules] will mean the likes of Starbucks and Amazon will be slapped with massive tax bills. This is wrong, and the government need to explain that to the public."

There is good reason for that:

Such corporate manouevrings do not officially constitute tax avoidance even if, on any commonsense view, that is exactly what they are.

This is one reason why the UK tax gap is so ludicrously understated. Despite this as Richard says:

Yet this is where the great tax trick is played. Outside the official definition of tax avoidance, the offshore schemes of Britain's biggest multinationals have not just escaped any clampdown, they have been rewarded with a rewriting of corporate tax law that makes them more irresistible than ever. Working closely with the companies most affected, in his last two budgets Osborne has relaxed — almost to the point of obsolescence — the so-called controlled foreign companies laws that were introduced by Nigel Lawson in the early 1980s to prevent companies shifting profits into their tax-haven subsidiaries.

From this year offshore financing structures such as Vodafone's, for instance, will be

taxed at no more than 5%, while companies' tax-haven branches will be exempt from tax. Incredibly, the British government is subsidising the largest companies to send billions of pounds into the world's tax havens. And in the absence of any opposition from the Labour party — compromised by its own record of offshore tax relaxations and now advised by Vodafone's tax consultant PricewaterhouseCoopers — the new laws have arrived on the statute book unchallenged.

Is it any surprise that [Deloitte want 'more of the same' from the budget?](#)

As Richard concludes:

Through the "general anti-avoidance rule" and a regular stream of smaller specific anti-avoidance announcements, such as this weekend's [move against a national insurance dodge](#), Osborne will sustain the illusion that tax avoidance is being fought on all fronts, confident that his bamboozled audience will never notice the abject surrender on the most important one of all.

He's right. [Read more, here.](#)