

Automatic information exchange begins at home

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The G8 will talk about tax automatic information exchange today. And it will talk about disclosing the beneficial ownership of companies and trusts and I welcome both moves. However, just as it is important to remember that [corporate tax transparency begins at home](#), so too is it important to recall that automatic information exchange should also be on the domestic agenda.

In 2011 [I wrote a report](#) on the failings of Companies House and the UK corporate tax system - both of which evidence dramatic failures to collect the data they need to create anything like a fair or just tax system in the UK in which all businesses can feel confident that they compete on a level playing field with the tax cheats. As a result of my findings I made 18 recommendations in all, the first five of which were:

- 1. All banks in the UK must report to both H M Revenue & Customs and Companies House if they open or close a bank account for a UK limited company. If this information is known by H M Revenue & Customs they will know which companies are really trading in the UK, meaning that accounts can be demanded from all those that are trading;*
- 2. No application for the striking off of a company which has a bank account should be accepted by the Registrar of Companies until it has received up to date accounts to support that application and is satisfied that H M Revenue & Customs has received all tax owing to it;*
- 3. It should be illegal for anyone in the UK to assist, directly or indirectly, a UK company to open a bank account with a bank outside the UK without that person who provides assistance having notified both H M Revenue & Customs and Companies House of the fact that they have done so, with full details of the account opened being supplied ;*
- 4. UK banks should be required to provide full and direct disclosure to H M Revenue & Customs of the bank statements of companies that fail to submit either their accounts to Companies House on time or their corporation tax return to H M Revenue & Customs on time. They should also be required to provide the full names and addresses of all those authorised to operate that account;*

5. The tax liabilities of UK limited companies should become the personal responsibility and liability of their directors if their companies have failed to submit either their accounts to Companies House on time or their corporation tax return to H M Revenue & Customs on time, with this liability only being avoidable if all documents are filed and payment is made or if a proper liquidation of the company takes place with it being shown that the inability of the company to pay arose through no fault of the directors.

This is automatic information exchange - in the UK. It is about making sure that the UK's banks make available to the authorities that need to know it:

- a) Which companies are trading here
- b) Where they are
- c) Who directs them
- d) Who owns them
- e) Their trading if they won't disclose it
- f) A means to collect tax owing if the company fails to do so.

I can just imagine the squeals of protest if this were proposed in parliament (as I think it will be during this session, on which more news anon). So let's be clear that:

- a) No one has to use a company — they can always trade in their own name, when they'd be personally liable;
- b) Companies are legal people — not natural ones. Legal people can, [as the report notes](#), disappear with remarkable ease. Real people not so easily, thankfully. So we need special measures to find legal people — especially if they are at risk of doing a runner;
- c) It's vital we stop people offshoring bank accounts to get round this legislation — hence item (3);
- d) It's essential that H M Revenue & Customs and Companies House be made to police their obligations.

If enacted legislation to achieve this aim would do three things:

- i) It would enforce transparency in the UK by providing an independent verification source that has to check the data for money laundering purposes - which banks do
- ii) It would ensure that the data to chase the right companies that might owe tax is available - and provide a means of collecting it

iii) It would create a level playing field between honest and dishonest business - which is vital if the economy is to prosper.

It's hard to see why any government would object to that.