

## Should the Public Accounts Committee investigate Vodafo..

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The [FT argues this morning](#) that Margaret Hodge should not investigate the Vodafone tax case even [though I estimate that £12 billion will be lost to the UK](#). They say:

*However, Ms Hodge has shown herself to be dogged in taking on tax loopholes and if this case involves a "loophole" in UK law, she will probably investigate it wholeheartedly. For her, this might be another case of one rule for individuals and another for big companies. I have a lot of respect for the aims of Ms Hodge's campaigning on tax. But the Vodafone example seems to offer less powerful ammunition, for at least two reasons.*

*First, it might strike some observers as inconsistent to criticise companies for not paying enough tax on UK-based sales (for example Starbucks and Amazon), while also slamming UK companies for not paying tax on the sale of foreign-based assets such as Vodafone's stake in US-based Verizon Wireless. These obviously refer to different economic activities but the principle of territoriality is supposedly established in UK corporate law.*

*Second, while it does not make companies blameless, the SSE is a near-perfect example of the deliberate strategy followed by successive governments to create an attractive tax environment for multinationals and their holding companies. Whether you think the hypothetical tax outcome of the Vodafone deal is right or wrong, it would be no accident. Rather, it would be exactly the type of deal that those behind the loophole imagined.*

Those arguments are wrong. Firstly, the principle of territoriality is only just, right now, established in UK law and as such it is completely appropriate for the UK House of Commons to review whether it is working or not, and advise change if it isn't (for which there is prima facie evidence).

Second, it's fair to ask if we want to have tax law that allows multinational corporations to exploit the UK.

And third, and as important, the process of law setting which gave rise to these choices needs to be reviewed because they were the result of consultations in which, for all practical purposes, big business was asked what law it wanted and got it, and that appears wholly inconsistent with the democratic process and appears to undermine the whole way in which law should be set in this country.

Those are three big questions needing answers in my opinion and would give Margaret Hodge more than enough to do, and report upon.