

A Code of Conduct for Taxation

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In 2007 I wrote a Code of Conduct for Taxation for the [Tax Justice Network](#) and [Association for Accountancy & Business Affairs](#). The [Code of Conduct was just 2 pages long](#). It had six headings, each of which contains three statements of principle. In combination, these presented what we thought a clear summary of our thinking, and it set out the conditions that we thought would help create tax justice. A version of the Code with [full supporting arguments](#) was also published.

As I said at the time:

There is a pressing need for a Code of Conduct. Tax is the bedrock on which democratic society is built and yet tax is under threat. Governments compete with each other to attract transient income from capital. In the process they actively seek to undermine the credibility of each others' tax systems. Many of the best legal and accounting brains in the world are dedicated to facilitating this process either by designing the structures that these governments enact, or by providing arguments in favouring their adoption.

This Code of conduct seeks to redress the problems that have resulted from this combination of circumstances. To do so it has three key features.

The first is that it is broadly based. It applies to governments, tax advisers and taxpayers. Of the three, governments may well find it the hardest challenge; taxpayers might well find it easiest to comply. Many will probably be only too willing to do so.

Second, the Code is based on principles. This is essential. A member of the UK's accounting profession [once said](#): "Rules are rules, but rules are meant to be broken . . . no matter what legislation is in place, the accountants and lawyers will find a way around it". Principles are much harder to abuse, and it is time that the professions were asked to account for the principles they promote, and required their members to commit to them.

Third, the Code talks about a lot more than tax. It addresses the vital issues of transparency and accountability as well. Unless full disclosure is made by all parties to tax liabilities, with as much information as possible being on the record (which, as far as

the Code is concerned, means everything bar personal tax returns) then the suspicion that some are securing advantage that others cannot enjoy will persist, and remain the cancer that has eaten at the credibility of tax systems the world over.

A code is, however, only as good as its enforcement. This Code proposes different mechanisms for each of the groups that can sign up to it. Governments would be subject to independent reviews. This process has been pioneered by the IMF: it is possible. Professional firms would be subject to professional discipline for failing to comply with the Code. Taxpayers, like professional firms, should expect a lower level of scrutiny of their activity if committing to the Code. But in that case the penalties imposed for non-compliance should be higher as deliberate misrepresentation could be assumed to have taken place. This would be the sting in the tail that ensures this Code would have teeth.

Is such a scenario possible? We think so. Co-operation is proven to be of benefit in almost all walks of life. Compliance with not just the letter but the spirit of the law is what most people assume and expect of others. And transparency and accountability are the hallmarks of honest dealing. Arguments against such conduct can only be made by those who seek to abuse. Such people do, of course, exist. But if this code does no more than promote principles as being at the centre of the debate on taxation, it will be important. We hope it will do more than that.

Six years on I think in much the same way and there's little I would change in the suggestions made.

The work goes on in other words.