

## Labour signals that it is serious about reform of the G...

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There was debate on the [General Anti-Abuse Rule in the House of Lords last week](#), when Labour took issue with the government on the effectiveness of the GAAR in the context of its extension to National Insurance. Lord Davies said:

*GAAR is not an answer to all tax avoidance, as is freely recognised. In fact, when looking at the returns thus far, we are all too well aware of how little they measure up to the massive challenges presented by those who seek to avoid tax with dextrous moves and huge resources. We know the ability of multinational organisations to indicate, in any administration that has an effective tax scheme, that very little of their operation is ever tax-worthy and tax-liable. Of course, a great deal of their activity is carried out in administrations that have precious little in the way of ability to abstract tax from them. That is to say nothing of the transfer of tax out of a significant country in which they operate: for example, the UK, which is a very significant market. The loss of tax revenue to any country is to be deplored when the activities of these companies are so significant in this country.*

*GAAR, as it stands, is so narrowly defined that the number of occasions on which it can be usefully deployed is obviously limited. The scale of the concept that the Government are working on at present is ludicrous in relation to closing the tax gap that we have all exemplified and identified. It will not go anywhere near closing the tax gap of any one multinational whose figures have come to light in recent years, let alone the totality of the position. We want to prevent that kind of abuse being extended. There is no doubt that the public reaction to those who avoid tax in an extensive and often blatant way is to regard it as utterly unacceptable.*

*The GAAR is in danger of becoming a bit of a fig leaf for the Government in that, when a difficult issue about tax abuse and avoidance is raised, reference can be made to the GAAR and everything will be resolved. However, the figures utterly and totally belie that fact. That is why I am asking the Minister to reassure the Committee that he will keep in mind the effectiveness of the GAAR. A government scheme for closing down tax avoidance should do more to close a tax gap than they suggest this policy will.*

The attention given was well targeted and appropriate. The government response was that GAAR was compensated for by other anti-avoidance legislation, which is hardly the point.

My own analysis of the weaknesses in the General Anti-Abuse Rule and how and why it needs to be reformed, [written for the TUC, is here](#). Labour comment in the Lords suggests that this is an area where Labour is serious about reform. I welcome that.