

Automatic information exchange with the Crown Dependencies

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The government has published new regulations this morning called [The International Tax Compliance \(Crown Dependencies and Gibraltar\) Regulations 2014](#). These regulations bring into affect the FATCA style agreements with Guernsey, Jersey, the Isle of Man and Gibraltar that I first helped bring to publish attention in November 2012.

I do, of course, welcome this extension to automatic information exchange. It is good news for the UK that this is happening: more than £1 billion of extra tax revenue is estimated will arise as a result. It is also good that the long slow process of bringing the Crown Dependencies back in from the cold has taken another step forward. I do, however, obviously look forward to the day when they provide all states with this information, and not just the UK and USA who have the power to extract it from them.

However, all that being said I now have another major concern. It has often been argued that the reason for not providing data on an automatic information exchange basis to developing countries is that they do not have the capacity to handle it, and that it is worse to have unused data than providing no data at all. I now think that there is a very real risk that this problem will arise in the UK as well.

HMRC has already cut its staff to below 65,000. There are plans to cut that number by at least another 10,000, or more. There are consultations in process at present with about 2,000 staff. All this has been happening against a background of HMRC appearing unable to act with any efficiency with information that they have received in the past from tax havens, including the extensive disclosures leaked to them from Swiss banks, where the scale of inactivity, and the delay in process, appears to have been staggering. What really worries me now is that all this new data from the Crown Dependencies will sit in a file somewhere, and not be used.

If that is the case it would be a national scandal, but the cuts in staffing at HMRC make this at least a possibility, if not a likelihood. It is, after all, not just backroom staff whose jobs are being cut in our tax authority: compliance staff are also disappearing because of a policy of not replacing people who leave and those who are leaving are very often the most experienced staff who have the ability to deal with this sort of complex

information and enquiries that should follow from it.

There will be no benefit from George Osborne trumpeting this week that further steps have been taken to beat tax avoidance and tax evasion if, in practice, the staff to enforce the new regulations are not available. He has to explain where the money is coming from to enforce this regulation if he is to be serious about any claim he makes, and that is the omission that I'm expecting from him.