

Funding the Future

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As some will have noticed, [I have been critical of George Osborne's plans for new tax penalties over the weekend](#). There have been three reasons for doing so.

First, I am wary of his explanation for this move. I am not convinced this is a real change in policy and is much more a PR exercise.

Second, without staff at HMRC to bring cases any such move is irrelevant and HMRC is scheduled to lose many thousands of staff over the next year or two.

Third, I have problems believing the legal interpretation given to justify the move that it is hard to prove intent in tax evasion cases. I do not agree. What I do think is that some very poor cases - such as the Redknapp case where the defence was there was no taxable income - have been chosen for prosecution and this has seriously undermined HMRC's position.

Some have, however, interpreted this as me being soft on those who are tax evading. Far from it: I want many more prosecutions, but if we are to have them then let's get rid of the ambiguities so that cases can be more readily dealt with. There are, of course, ways to do this, but I fear HMRC will not take them.

Let me offer an obvious solution. I would require that a tax return should demand that a tax payer disclosed all their bank accounts. This is, of course, just about the first information always demanded in a tax investigation so it is important. Most of us don't have many. And it's not hard to list them all. Then it becomes a relatively simple matter to prosecute someone for failing to disclose a bank account if that is appropriate. No intent need be proven: it's error that could trigger the penalty. Of course some guide lines would be needed: failing to disclose an account that has not been used for years and has less than, say, £500 in it which has not accessed during a year should not be a crime, but above that a penalty could be imposed - and a criminal one if need be.

And there could be personal penalties for failing to disclose that the individual was a signatory to a corporate bank account. I know for a tiny number of people this will require considerable disclosure. So what? Good governance requires that people know this sort of thing.

And penalties should, of course, relate to domestic as well as offshore abuse. Both are important.

Make this one simple change and motive disappears from the question of culpability: fact determines the issue. Penalties could be geared (I suggest very heavily) to the sums involved. That is tax justice.

What we would then have is a new disclosure mechanism with penalties attached for three issues: offshore tax evasion, tackling the self-employed shadow economy and for using companies for tax evasion purposes. We could get all this in one go, and all with criminal penalties attached. And for most people the cost of compliance would be tiny.

I am not expecting such a neat solution from HMRC this morning when they issue their consultation on this issue. But if I were in the Treasury this is what I would do. And it would work.