

George has got his dream: the UK's now a tax haven

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In February 2006 George Osborne went to Ireland [and gave a speech](#) that would reward study by those interested in recent political history. What I recall from a conversation very soon afterwards with a breathless member of his entourage in London (who has, I think, recently been promoted in the ministerial reshuffle) was the overall enthusiasm for the Irish tax system that the Conservatives then displayed. The message was, in effect, a very simple one: "Ireland's got Google because of low tax rates, and we need to do that here" was the message I was given at a time when it should also be recalled that George Osborne was a fan of flat taxation and many other eccentric ideas.

George forgot flat taxes but he did not forget Google, or Ireland. In fact, [just as he said he would back then](#), he has reformed a great deal of UK corporate taxation to not just mimic Ireland, but to actually seek to outdo it in the tax haven offering that the UK has to make.

So, he has cut tax rates, enormously. He has revelled in the creation of what is, effectively, a territorial tax system for groups of companies and has overseen the effective dismembering of the U.K.'s controlled foreign company regime which was designed to prevent tax haven abuse by UK-based multinational companies. Coupled with the patent box regime (a Labour legacy) and his own special regime for group treasury operations based outside the UK, you would think that George's aim was to make sure that no large company should pay tax in this country, even if they might elsewhere. It has worked: just look at Barclay's recent announcements on its global taxes with not a penny paid here but rather more elsewhere.

The aim was summarised in that 2006 speech. This is what he said then in praise of Ireland:

So the low business tax rates generate strong revenues for the Irish exchequer, from the added prosperity and higher income tax paid on the more and better jobs. That in turn encourages the formation of 'clusters' of industrial expertise which stimulate progress and innovation in those industries, leading to more economic growth. And in

a world that is increasingly knowledge-driven, that kind of growth is absolutely fundamental to long-term prosperity.

It so obviously worked for Ireland, didn't it? It's as if George never noticed the subsequent crash and continued, helter-skelter, to import the idea wholesale into the UK nonetheless.

And so let's move to 2014. [Today the FT has reported:](#)

[US pharmaceutical company] AbbVie has sealed its proposed £32bn takeover of Shire, the UK-listed speciality pharmaceuticals company, in one of the biggest deals so far to involve a US company shifting its tax residence overseas.

As they continue:

AbbVie's successful bid also continues the trend of US companies using foreign acquisitions to put their offshore cash beyond the reach of the US taxman — a practice known as "inversion" that is facing increasing political scrutiny in Washington.

AbbVie said that, while its administrative headquarters would remain in Chicago and its listing in New York, the merged entity would be incorporated in the Channel Island of Jersey and have its tax residence in the UK.

Now this is curious. In 2008 Shire left the UK for tax purposes. [I reported on the move at the time](#). Then the object was to avoid any chance of UK tax arising under the then proposed changes to controlled foreign company laws that the Labour government was suggesting that might have hit companies with substantial intellectual property, like Shire, hard. With the power of retrospect, what a shame that Labour did not have the courage to put through those changes which are still so obviously needed to tackle international tax abuse, as the OECD is now saying, but they did not. Shire left anyway, going to Ireland where I gather it has not paid a penny in tax in the intervening years.

And now it's on its way back for tax purposes. Jersey's there to save stamp duty, of course. And tax haven UK does very nicely for all other purposes. Territorial tax is now firmly in place. All those tax haven located funds within the new group can flow tax free back to the shareholders. New profits can be earned from intellectual property rights located either here via the patent box or in low tax jurisdictions without ever having to worry that the UK might ever question the arrangements and the US has lost out on all the tax on unremitted profits denied to it for years.

Welcome to tax haven UK, the place that turns a blind eye to profits made anywhere in the world, and to the simultaneous fact that none ever seem to arise here either. We're happy with the odd dollop of PAYE every now and again; that does us nicely, apparently, just as George said back in 2006. Not that this deal, taking over a company really based in Basingstoke, will actually deliver any more of that either, I am sure.

No, this is just the wondrous world of tax believe that George set out to create to emulate Ireland. You have to say, he's succeeded, but at cost to us all, to and many other nations on earth as well. His cup will flow over the day he leaves parliament, I am sure.