

The Diverted Profits Tax is very poor politics

Published: January 14, 2026, 5:58 pm

I've had the chance to discuss George Osborne's [Diverted Profits Tax](#) with a number of people over the last few days. Reactions have varied and so far I am trying to find a fan. All who commented know a lot about tax. For various reasons I cannot name some sources so will not name any.

"Is there an election coming?" was one perhaps obvious comment.

"Surely it would be easier to extend the GAAR?" was another.

"Is he deliberately trying to undermine the OECD and BEPS?" a third.

"Has he really thought this through?" suggested a fourth.

I was surprised, and pleased, to find Mike Truman, the soon to retire editor of Taxation magazine, [said he agreed with everything](#) I said on this issue [in *Economia*](#) in a tweet.

And I have not changed my mind. It is clear that the DPT was the subject of considerable thought at the Treasury before publication but in terms of opacity as to meaning [this law takes some beating](#) and quite candidly the so-called explanatory notes that accompany it are shameful. When will HMRC realise you can't very slightly change the wording of draft legislation slightly and say that then constitutes explanation when very often it just muddies the water?

In addition, it now is very obvious indeed that this will make the work of the OECD very much harder over the next year or so, and it faces enough challenges already in persuading a Republican Congress of the relevance of its work. I do not believe that Osborne was not aware of that.

I am also sure that the EU is making progress towards suggesting EU wide General Anti-Avoidance Rules, although I suspect the result may be more like Targeted Rules (TAARs). I have little doubt that this may be the direction of travel for the OECD (although I stress, I do not know).

So why act now? Bravado? Foolishness? Naivety when anything we might do may conflict with a great many Double Tax Agreements we have signed when these might be updated by our partners under new OECD procedures that may be agreed in a year or two?

Or pure and deliberate politics to try to undermine the OECD process and appeal to the right wing political spectrum?

I have to say I think it the latter.

And if Labour has any sense this will be a part of the Finance Bill 2015 it will kill pre-election whilst promising to commit to a better approach if the OECD offers opportunity for one and reintroduction if it does not. The prospective yield from going that way is much higher than the current option.

I think all tax is about politics but I cannot help but think that the Diverted Profits Tax represents very poor politics right now.