

Funding the Future

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The FT notes [this morning that](#):

The Conservatives, Liberal Democrats and Labour say they want to raise an extra £5bn, £6bn and £7.5bn a year respectively from tackling avoidance and evasion. They have laid out few details, although Labour has said [its targets](#) include private equity funds, hedge funds, quoted eurobonds, the “shares for rights” scheme, disguised self-employment and the use of dormant companies.

As they add:

These targets are highly ambitious. At first sight, they may appear credible given that measures taken by the coalition government to tackle aggressive tax planning, avoidance and evasion are forecast to raise to £7.6bn in additional revenues in 2015 and 2016. But these figures are flattered by a temporary surge in payments from users of tax avoidance schemes who are being forced to pay money upfront.

I hear echoes of [Jolyon Maugham's warnings](#) on this issue in that paragraph. The explanation for that is:

Official HMRC estimates suggest that avoidance [costs just £3.1bn](#) a year, in a sign that politicians would need to target practices that are currently seen as legitimate to raise significant sums.

I am afraid the FT is guilty of thinking too narrowly.

First, HMRC's estimate is just wrong. Tax avoidance is much higher than £3.1 billion, [as I have argued](#). Even within the context of the HMRC report this figure is too low because it excludes disputes on legal interpretation, which appear to be tax avoidance issues by any other name. The HMRC estimate also excludes all of the tax abuse by companies like Google and Amazon, which are specifically not in their data as a matter of choice, which makes the figure both subjective, and unreliable. The true target the tax avoidance is, in my estimate, around £20 billion, although this would never be recoverable in full.

Second, the FT comment clearly misses the fact that some of Labour's targets are tax

evasion. Disguised self-employment can fall into this category, and tackling the misuse of dormant companies, which is a policy based entirely upon my work that suggests that there are a substantial number of companies that claim to be dormant that are actually trading and which do, therefore, have tax liabilities that are not declared, also relates to tax evasion.

HMRC data suggests that tax evasion is much bigger than tax avoidance by value, and my own research says exactly the same thing, but with the scales being significantly higher. I think tax evasion could cost the UK more than £80 billion a year at present.

The trouble I have with political parties' estimates is not then how large they are, but is their lack of ambition. If only these parties would say that they would commit significant additional resources in terms of staffing, offices, and legislative support to the task of tackling both tax avoidance and tax evasion, with the latter being the more corrosive of the two problems now, then the yield on the investment would be substantial, and the payback much higher than any of them are willing to suggest at present.

Perhaps the most appropriate question to ask is why they are not willing to make that commitment and follow the example of the Greens and NHA Party who have been willing to do so.