

HMRC should stop lying on behalf of tax cheats

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I am [grateful to Jolyon Maughan](#) for noticing an issue in one of the many publications put out by HMRC this week; the plethora presumably being intentional to make sure that as many as possible were not read.

Jolyon noticed that in their new publication entitled '[Taxing the profits of companies that are not resident in the UK](#)' HMRC have gone to extraordinary lengths to say that Google, Facebook and man others are not tax avoiders by stating that:

Having a UK website does not mean that a non-resident company has either a fixed place of business in the UK or a dependent agent in the UK. All of the trading activity could be taking place outside the UK.

Most multinational businesses are not single companies, but a group of companies, only some of which will be operating in the UK.

For example, sometimes a company from outside the UK sells to UK customers via the internet. Another group company in the UK provides warehousing, distribution or other services and support to the selling company. Where this takes place, the UK service company will be taxed only on the profits of its own business, ie the services it provides to the selling company.

This is not tax avoidance: it is simply the way that Corporation Tax works, ie it applies to individual companies.

Let's be blunt: such an arrangement is only adopted for one reason, and that is to avoid tax. There is not another motive on earth that can or might justify such an obscure structure, despite which HMRC say this is not tax avoidance. It is instead 'simply the way that Corporation Tax works'. This blatant ignoring of the facts is compounded by this claim:

Most major economies operate Corporation Tax in the same way as the UK, so UK resident companies are treated in a similar way in other countries.

That's just not true: the USA does not operate corporation tax in this way and we all know that and so to pretend that US companies are not getting a preference as a result of this structuring is just a blatant lie. Frankly such a lie is bad enough, and worthy of demanding ministerial resignations and staff sackings, but the sting really is in that last line of the first quote where it is said that:

This is not tax avoidance: it is simply the way that Corporation Tax works

This comment is quite absurd. For the record HMRC say in their [2015 version of their tax gap report](#) that tax avoidance is:

Avoidance is bending the rules of the tax system to gain a tax advantage that Parliament never intended. It often involves contrived, artificial transactions that serve little or no purpose other than to produce a tax advantage. It involves operating within the letter — but not the spirit — of the law.

But as Jolyon points out, and as I agree, that definition is utterly at odds with the new definition of what is not tax avoidance when the new definition of what is not tax avoidance now effectively says that whatever interpretation can be applied to the law, irrespective of motive or artificiality, just is how corporation tax now works and, as a consequence to be accepted. This effectively defines avoidance out of existence.

Worse, this claim is not true. This revives The Duke of Westminster case as well as Ayrshire Pullman and even Partington which were the foundation stones of UK tax abuse for so many years until Graham Aaranson, I and a few others hoped we had consigned them to history [via the Guidance Notes to the General Anti-Abuse Rule](#), which specifically say that they have no role in modern UK tax law (pages 5 and 25). Except now HMRC seem to say they have.

So let's make three things clear. HMRC's comments here are wrong because they are contrary to the GAAR guidance, which has the force of law.

Second, they're wrong because their own guidance on tax avoidance says they are.

And third, in offering them now HMRC needs to make clear a) why it has done so b) what pressure was brought to bear on them to do so c) state why they think their tax gap measure has any credibility remaining after doing so when they are now the only people in the country who think that the activity of companies like Google are tax compliant.

And if the Board cannot get adequate explanation as to why this has happened the whole top management of HMRC needs to be removed. Lying about tax is unacceptable, especially when done by a tax authority, and that is what is happening here.

NB I have deliberately tagged this blog under the corruption category: I think this action is corporately corrupt although I am not suggesting any person has gained as a result