

The case for investment tax reliefs has been lost. Let'...

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I [note this by Adam Palin in the FT](#) in an article discussing film investment partnerships, against which HMRC has secured a notable victory on the grounds that many were abused for tax avoidance purposes:

[T]he indiscriminate clampdown by a hyperactive tax authority tasked with generating billions in extra revenue could also have a lasting impact on the attraction of tax reliefs in the future.

If the confidence of investors and their advisers in the UK government's commitment to honour reliefs is permanently shaken, for fear of tax being retrospectively clawed back, enthusiasm to invest in risky venture capital or enterprise zones will wane.

Without fiscal tools that work, encouraging money to flow into areas and sectors that most need it will prove an impossible task.

That's nonsense. It assumes three things. The first is that the government must bear the risk in investment with the investors getting the return.

Second, it assumes that this results in an efficient allocation of capital.

Third, it assumes that even when applied remarkably indiscriminately, and in ways not intended by parliament, it is still true that the outcome is good for society.

I have no objection to the state subsidising business: that is, in fact one of its tasks in my opinion. But I do think this best done by direct subsidy on the merit of each case and that the state should partner in the returns made. That process is a long way removed from blanket tax reliefs that are designed to remove the state from the decision making process to the greatest possible degree whilst leaving it with all the costs. That, as we have seen is just a recipe for abuse.

Seen in this way the loss of this tax avoidance case is rather more than a win for HMRC: it's also in reality a defeat for cowardly politics, a win for The Courageous State and is a straightforward defence of industrial policy rather than tax subsidy. If that's the case

this is real reason to celebrate.