

What we can do about the UK's tax havens? My manifesto ..

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I was asked by a journalist today to set out a manifesto for change that the UK could deliver with regard to its tax havens that would benefit the people of this country. Given [the costs that I argue that such tax havens impose upon us all](#) I thought it worth sharing that manifesto here.

First, I argued that the UK should introduced compulsory public country-by-country reporting for all multinational companies that trade in this country, without exception. The reason is very obvious. What I want to do is make it very clear to everyone in the UK business which businesses that trade here are tax haven users. Country-by-country reporting does that because it requires a company disclose every single jurisdiction in which it operates.

I know from my discussions with big business that they are very aware the consumers do not wish to trade with companies with heavy tax haven presence. As a result this is now a matter of real consequence to them, but unless the public have the information that the require to know who does, and does not, use tax havens then they cannot make an informed choice on this matter. Country-by-country reporting provides that information, and so it is essential.

Second, there is an important consequence of people deciding not to use companies that make use of tax havens that should be noted. It is multinational companies that fuel demand for tax haven services. If those companies do not want to buy those services as a result of consumer pressure then fewer lawyers, accountants and bankers will wish to supply tax haven services, and the more uneconomic it is for these professional firms and bankers to operate in a tax haven the less opportunity for abuse there will be because it will be so much harder for those who wish to cheat to actually have the opportunity to do so. In other words, boycotting companies who use tax havens will have a knock-on effect on the supply tax haven services which will ensure that the corruption that those places supply will either become much more expensive to acquire, or will simply cease to be available. Killing this problem at source is the best way to effect change.

Third, we need to transform the way in which we tax multinational corporations. At present we encourage multinational corporations to use tax haven operations because we treat every single individual company within a multinational group as if it is a totally valid corporate entity whose rights must be respected, even if it is undertaking a wholly artificial trade based in a tax haven. This is ludicrous. What we must instead do is treat multinational corporations as the single economic entity that they are, however they might wish to organise themselves internally, and tax them on that basis, allocating their profits to the jurisdictions where they trade on the basis of where they make their sales, where they employ their people and where they have physical assets. As a consequence we would ensure that tax havens (where almost none of these things will ever be located) do not have profit attributed to them, meaning that it becomes wholly uneconomic for lawyers, bankers, and accountants to then service companies who have, if this change were to happen, no reason for being in those places.

Let me assure you, all the above changes are possible, and the UK could be at the forefront of delivering them, sometimes alone, and sometimes by cooperation.

This, however, is only the start of the process of change. Next we should demand tax haven reform. We do, however, have to realise that to impose appropriate regimes on tax havens we have to get our domestic act in order. It is an unfortunate fact that the UK does not require all small companies in this country to file full account of public record: abbreviated accounts are, on far too many occasions, accepted instead, and they are of little or no use to their readers. So, we have to abolish abbreviated accounts. We must commit to supply transparency on the activities of all of those who are provided with the privilege of limited liability by society, who must fully account for how they make use of that privilege without imposing cost upon the rest of us. This real accounting reform is, therefore, required in the UK.

Second, whilst the UK is supposedly introducing a register of the beneficial ownership of all companies in this country in June 2016 that register will, I regret to say, be almost useless. This is the two reasons. Firstly, the disclosure that is to be made will be almost entirely voluntary. I know that is not what the law says, but in practice no additional resources to enforce this law are being made available to Companies House, who will regulate it, or to any other authority, and therefore the chance of prosecution for those who do not comply is very low indeed. Second, there is in practice no way in which Companies House will ever know whether the declarations that are made to them are right or wrong because there is no third-party check that will be imposed upon the information declared. This is ludicrous when every single bank that supply services to the companies in question must check who the real beneficial owners and the real directors of the companies in question are and have to seek proof of their identity. What, therefore, we must do is translate that information the banks hold into dynamic data which can be stored at Companies House which data can be used to verify the true nature of the identity of those persons who own and control these companies to ensure that we are all properly informed as to who we are trading with. This will be easy

to do: the banks have the information; they already have it on a database, and they could therefore easily submit it to Companies House once a year, and have that data put on public record. If the company disagreed, it would be up to them to appeal and show why the bank had the wrong information, and in that case we would also get some understanding of the willingness of our banks to properly fulfil their own legal obligations in this area.

With these two changes, to accounting, and to the register a beneficial ownership, the UK would then be in a strong position to dictate to other countries just what is required to ensure that full transparency and accountability is available on public record with regard to the limited liability companies trading from that jurisdiction. We could, therefore, then demand that our tax havens do comply with this standard in the future. [As I've already explained today](#), we have the right to impose legislation to achieve this goal upon those tax havens precisely because the companies that they form are all intended for offshore use, which means that they will trade outside those tax havens, meaning that this is an issue with regard to their international relations, for which the UK is solely responsible. Do this and then and we will have transformed the transparency of our tax havens, which will no longer be suppliers of their current main product, which is secrecy that is intended to undermine the rule of law, the tax revenues of democratically elected governments, fair trade and efficient markets, and we will all be better off as a result.

What is more, all of this can be done by the UK acting in isolation: it would be useful to secure international support, but it would not be essential. We could then be the front runners of best practice, if we so wished.

The big question is do we want to be that? That is one for you to ask your MP, whatever party they come from.