

Will the UK become a bigger tax haven after Brexit?

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The UKIP wing of the City of London (and there is such a thing) is hoping that the UK can become even more than a tax haven than at present following Brexit. This issue was one of those discussed yesterday during the session I took part in at the [FT Festival of Finance](#).

My colleague Prof Ronen Palan at City University and I share a view on this, which seemed to also be that of [Gabriel Zucman](#). Perhaps, more surprisingly, it also seemed to be shared by Howard Bilton of the offshore services company, [The Sovereign Group](#). I will, however, offer my version here.

There will be those - and some of them will be close to a Conservative government - who will argue that Brexit will provide the chance to make the UK more tax friendly. Expect plans for relaxation on the domicile rule. Expect passports to be for sale more readily than they already are. Expect a cut in corporation tax rates, again. Expect a more relaxed approach towards our tax havens. And a marked reluctance to deliver the substance of international agreements with the OECD.

This however is what these people expect. I seriously doubt their ability to deliver. There are, as usual, several reasons.

First, if we stay in the EEA then free movement of people also means the free movement of capital. But that will also mean we stay subject to all the existing rules that are seeking to restrict tax abuse, without any say on how they are formulated.

Alternatively, if we leave the single market then there is no free movement of capital. Numerous consequences follow. The first of these is that sanctions can be imposed on the UK for tax purposes if we abuse international rules. The EU is planning a tax haven listing: we could be on it.

Much more likely, all the UK's tax havens who are at present largely protected from EU sanction by our membership will be subject to them, and most EU countries will be only too happy to place restrictions on these places for two reasons. One is the harm they cause. The other is that everyone knows that they are the soft underbelly of the City of

London: this is where the attack on the City will be mounted. Brexit and leaving the single market could be very bad news indeed for the Crown Dependencies and Overseas Territories.

What is more, the UK will also be vulnerable because, quite surprisingly, it does not have double tax agreements with almost half of the EU's member states. Tax deduction at source before money ever reaches London may be much more common than people realise as a result. I am grateful to Vanessa Houlder for pointing this out.

What surprised me was how popular the line against tax havens was. If they had friends at the event they were not putting their heads above the parapet. No one put forward the argument that tax havens were going to have a new field day, although what was agreed was that they still are. Howard Bilton's claim that they are well regulated places and that Mossack Fonseca was the bad apple in the barrel was met with the scepticism both claims deserved.