

Funding the Future

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Events disrupted the flow of tax and other news yesterday, but some things are worth catching up on.

One thing of importance that happened occurred in India. As [the Indian Express](#) reported:

In a major step to check black money, Prime Minister Narendra Modi on Tuesday announced demonetization of Rs 500 and 1000 currency notes with effect from midnight, making these notes invalid in a major assault on black money, fake currency and corruption. In his televised address to the nation, Modi said people holding notes of Rs 500 and Rs 1000 can deposit the same in their bank and post office accounts from November 10 till December 30.

I warmly welcome this. It is a bold and necessary step to tackle the use of high denomination notes in corruption. And the immediate effect is vital: there was no chance to launder these notes before they ceased to have use. What is more, saying they have value when deposited might assist the tackling of tax evasion if details are then supplied by banks to tax authorities.

I would welcome the same action in the UK on £50 notes, for which I can think of no economic function, and elsewhere in the EU on high denomination notes (although I note moves have started there, but without the same shock effect).

This is a practical step to beat domestic corruption, tax evasion and market abuse. It is very likely to be effective. That is exactly the sort of reform that has to be welcomed.