

Of course the UK could become a tax haven. But the EU c...

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There is continuing [talk in the press](#) about the UK becoming a Singapore style tax haven to challenge the EU. It's pure fantasy. As I explained on LBC earlier this week, to reduce our government spending to the 17 or so per cent of GDP that Singapore thinks appropriate we would need to close state education, the NHS and considerably raise our retirement age, none of which are going to happen.

There is, however, another good reason for thinking this is folly. That is because the EU could, quite reasonably, retaliate. The easiest way for it to do this would be by imposing withholding taxes on payments made to the UK. In other words, before money ever reached the UK to be taxed at our low rates tax would have been settled at a higher rate in its EU country of origin.

To what types of payment might withholding rates be applied? For an easy precedent for such a list I had to look [no further than Singapore](#). There the following types of payments must have withholding tax deducted at source when paid to non-resident companies:

- \* Interest, commission, fee in connection with any loan or indebtedness;
- \* Royalty or other payments for the use of or the right to use any movable property;
- \* Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;
- \* Payments of management fees;
- \* Rent or other payments for the use of any movable property;
- \* Payments for the purchase of real property from a non-resident property trader;
- \* Structured products (other than payments which qualify for tax exemption under section 13(1)(zj) of the Income Tax Act);
- \* Distribution of real estate investment trust (REIT).

I don't wish to be unsubtle, but as a way of directly attacking the UK financial services centre, which would inevitably be at the heart of a UK tax haven, those seem like a pretty good list of opening weapons.

Singapore may have something to teach us after all. What it suggests is that to assume we can become a tax haven and get away with it unchallenged might be a decidedly risky assumption. Or an act of gross folly. Which is hardly the basis for a viable Plan B.