

Answering the question 'How will you pay for it?'

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I spent yesterday discussing transparency in government revenues cycles. That may not be everyone's idea of fun, but I suffer from excitement by taxation, and so I enjoyed the debate.

For once though I am not publishing my slides: they will make little sense without what I said during my presentation. Instead I want to discuss a couple of points I made during the day.

The first related to the public's demand for tax transparency. I made the point that those with an interest in tax transparency should not assume that the public is likely to share their enthusiasm for the detail of the issue. Nothing suggests to me that this will happen. Instead I offered some of my experience in tax justice. There I think two narratives have proved to be fundamental.

The first is that large companies, using tax havens and the secrecy that they provide, exploit both developed and especially developing countries to ensure that less tax is paid than might otherwise be due, at cost to all of us. A great many of the well known tax justice narratives are based on this theme that John Christensen and I developed many years ago.

The other narrative was gifted to us by the Global Financial Crisis. This argument is that if the tax gap was closed - which is a bigger issue than that mentioned in the previous paragraph - then austerity would not be needed. I know all the implications that this has for spending being based on revenue (and for the record I explained why that was not true yesterday) but the reality is that this narrative is really about who has wealth and power, and so is about the redistribution of both in the interests of social justice. To put it another way, it is about who should have suffered the consequences of that crisis, and that the wrong people did.

I know that suggesting there are just two arguments does not reflect considerable nuance around what else tax can and should do, but remember what I am suggesting here is what permeated to create the mass interest in change. The rest is important, of

course, but it's not what mass public perception registers.

Put that in the context of the tax revenue transparency cycle and the issue to be addressed to which people really want an answer is the one that is perpetually asked of 'How will it be paid for?' whenever any initiative is proposed. To put it another way, there's remarkably little public excitement about tax that is paid, but there's massive interest in what might have to be paid if the world is to change. And let's not pretend that more tax won't be paid because if more is spent it's quite likely it will be.

I fully accept that education that tax does not need to cover all government spending is part of this agenda. I was the only person to make that point yesterday. But, that perception is not going to be commonplace yet. And so how additional revenue is to be found is an issue.

Additional revenue comes in three ways. First you sweat existing taxes better. This takes no more effort than collecting what is owed as a result of the additional economic activity the extra government spend will give rise to. Remember a lot of government spending is likely to pay for itself, as [Charles Adams has demonstrated at Progressive Pulse](#).

Second, you make existing taxes fairer. As one presenter demonstrated yesterday, in Brazil the highest overall rates of tax in that country are paid by poor black women and the lowest by rich white men. Sometimes fairness dictates a pretty clear direction of travel for taxation.

And third you make clear you'll collect what is owed but not paid. This is getting this debate back to the tax gap, but with a twist. To be fully understood tax not paid is not just that illicitly unpaid, however important that is. It is also potential tax bases not charged, like wealth, financial transactions and land value.

And tax unpaid is also tax given away in allowances and reliefs, like the £50 billion spent subsidising the savings of UK pensioners annually. Or the £2.8 billion spent subsidising ISA savings. And the £28 billion annual cost of wholly exempting the capital gains in homes from tax.

Pointing out these issues is what will, in my opinion, inspire interest in the tax revenue cycle because once they are understood then the answer to the 'How are you going to pay for it?' Question has to be more than a shrug of the shoulders and a 'We can't afford it' because with the right data people will know that's a choice and not a reality.

I am going to work on this.