

the EU Competition Commissioner's welcome move against

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It is [widely expected](#) that the EU's Competition Commissioner, Margrethe Vestager, will announce an enquiry into UK taxation rules introduced by George Osborne in 2013 this morning.

The basis if the challenge is likely to be that under those rules UK parent companies of multinational groups were able from then on able to shift profits from the UK to tax haven subsidiaries with very little risk of any effective challenge arising and could then repatriate them back to the UK with no risk of a tax charge at all because of the so-called territorial tax regime George Osborne had introduced. I took strong exception to this at the time, [saying then that](#):

As many will know, the capture of the state, and our tax authority in particular, for the benefit of big business is a theme on this blog. Here we see it writ large: a nice cosy relationship between the two is all set to help business achieve its goal — the unwritten assumption being that paying less tax is the goal they are setting out to facilitate.

This morning I have been asked by journalists for comment on Margrethe Vestager's intentions. This is what I have said:

When George Osborne became Chancellor in 2010 he stated that he would use corporation tax policy to make 'Britain open for business'. He published his plan to do so in October 2010, and stuck to it.

The intention was clear. Light touch regulation and a reform of corporation tax were on offer to ensure that few, or no, questions were asked on the use of offshore controlled foreign companies that might be used to locate profits in tax havens, matched with a new territorial tax regime that ensured repatriated profits were never going to be subject to UK corporation tax. If the catchphrase had been 'Britain open for the business of profit-shifting' had been substituted for that actually used no-one could have complained, because this was the very obvious intention of the UK reforms, whatever lip service was simultaneously paid by David Cameron to the OECD BEPS process and the promotion of country-by-country reporting. The British approach might

best be called 'constructive non-compliance'. All the noise was about making multinational corporations pay the tax they owed. All the practice was about not just reducing tax rates, but of also reducing that tax base of multinational corporations using the UK as their base.

But of course this was unfair competition: the evidence is very clear that increasing UK corporation tax yields come from smaller and nationally based companies whilst those with the greatest capacity to pay have seen their tax bills steadily fall. In that context the EU's Competition Commissioner is quite rightly suggesting that the UK may well have been giving state aid via its controlled foreign company rules to one sector of the economy with the aim of upsetting both domestic and international fair competition. For anyone who believes that tax requires that there be a level playing field for all businesses her move is to be warmly welcomed.

I welcome her move.