

Funding the Future

Article URL

Published: January 12, 2026, 7:53 pm

It would seem that the tax abuse industry has found a new line to defend its behaviour. I encountered this when speaking on the Jeremy Vine show yesterday, and it has been commonplace elsewhere. It is to claim that the use of ISAs is tax avoidance.

This is absurd. ISAs are Individual Savings Accounts. They are a mechanism available to any UK based taxpayer. Using them a person can save a set limit per annum in a designated account. The income and gain from those savings are then tax free.

Let me be clear, I think the £2 plus billion this costs the UK government a year is wasted money. Those well enough off to save do not need tax incentive to do so. ISAs are benefits for the middle classes. But that's not the point. The point is that by saving in this way a person is being tax compliant.

I define tax compliance is seeking to pay the right amount of tax (but no more) in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the place and form in which they are reported for taxation purposes.

In the case of ISAs, the economic substance is that money is placed in the UK in an account which is legally designated as tax free because the government wants to boost savings. The whole arrangement is above board. A national insurance number has to be given to open the account to make sure the scheme is not abused. Tax compliance is built in.

There is not a hint of comparison that can be made between this and setting up a series of aircraft leasing companies to buy a plane that it is then claimed is leased back to the owner with VAT reclaimed on the say to save millions on the purchase cost. That is an artificial structure set up in a place where the plane will hardly ever go with the sole intention of subverting the intention of tax law. The transaction is recorded in the wrong place and the economic form does not match what is reported. That is tax avoidance.

I will not say those who claim ISAs are tax avoidance are lying. I will say they are being disingenuous. I would add that I doubt that they even know what that means. They live in a world where misrepresentation of the reality of contractual arrangements for tax

purposes is so commonplace that telling what is real and what really is avoidance or not is probably quite hard for them to do. But that does not mean anyone else needs to be confused by their claims.

If someone is doing precisely what the law intends and allows for and seeks to encourage then they are not tax avoiding.

When they are doing something that the law never intended to happen and get a tax advantage from it then they are tax avoiding.

It's not hard to spot the difference. Unless, it seems, you sell tax abuse.