

The case against subsidising the Isle of Man to be a tax haven

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Dame Margaret Hodge [called an adjournment debate on tax abuse and the Isle of Man in the House of Commons yesterday](#). Her closing comments were of particular interest to me, referring as they do to [suggestions first made on this blog on Monday](#):

Back to the Isle of Man, one might ask how this small country can afford to raise enough in taxes to run its public services without any contribution from corporation tax. The answer is simple: we subsidise it. It is our tax money that substitutes for the tax income that it could receive from charging businesses properly. It is our money that enables it to be a tax haven. Our Government do not just tolerate tax havens. They are using our taxes to enable the Isle of Man to operate as a tax haven. As with all these things, the Government refuse to be transparent, so let me try to unravel this.

Because we and the Isle of Man share a border, we also share what is called a common purse for VAT and other import duties. All VAT and import duties collected by the Isle of Man are passed to Her Majesty's Revenue and Customs, and then the Exchequer gives the Isle of Man a sum on the basis of a formula that is supposed to reflect how much VAT has been generated from the economic activity that takes place there. In 2016, the then Chief Secretary to the Treasury renegotiated the formula and agreed a generous annual uplift of way above the level of inflation.

We give the Isle of Man more than £300 million a year, which is just under one third of its entire budget for public expenditure. That figure is set to rise to £340 million by 2019. This sum appears to have nothing to do with what is happening in the Isle of Man's real economy, where employment is down and the population is declining. It has everything to do with what seems to be a deliberate policy intention of our Government to subsidise the Isle of Man and thus promote and support it as a tax haven. The Treasury has refused to publish the details of the formula on which our payment is based. I ask the Minister to release those details so that we can see how the sum is determined.

What this shows is that we are not innocent bystanders who simply put up with the utterly unacceptable activities in tax havens that have been exposed in the Paradise

papers. We actively support and enable tax havens to function and exist. Without our subsidy, the Isle of Man could not afford to have a zero rate of corporation tax and could not function as a tax haven. The Isle of Man is well and truly a UK tax haven. Far from being at the head of the fight against tax avoidance and evasion, and money laundering, we are at the heart of the evil conspiracy involving advisers, the super-rich, global corporations and Governments. We are aiding and abetting the very few wealthiest and most powerful in our society to keep their wealth secret and avoid paying their fair share of tax.

The Minister will try to claim that his Government have achieved a lot to tackle avoidance and evasion. He might try to say how much better his Government have been than the previous Labour Government. I have never defended the record of the Labour Government in this area, but his Government's record is also shameful. It is not what is done that really matters, but what is left undone.

I urge the Minister to tear down the shroud of secrecy and force all our tax havens to have public registers of beneficial ownership. This simple ask for better transparency about who owns what and where is utterly central to our desire to expose avoidance and hence stamp on it. I ask him to toughen up our regulatory bodies and to hound the Bonos, the Mrs Brown's Boys and the Lewis Hamiltons of this world through the courts to make sure that they pay their proper dues. I ask the Minister to introduce legislation that will ensure that the advisers who dream up these tax avoidance wheezes are held to account for what they do, and held responsible and punished when schemes that they invent are found to be unlawful. Those three actions would go a long way to ensuring we have a responsible tax system that is fair to us all. I look forward to his response.

As has often been the case, I am on the side of Margaret Hodge on this one.

And I am grateful to her for giving such an airing to my arguments.