

The EU's message to tax havens has one real target - an...

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Do you remember what Philip Hammond once had to say about the UK post Brexit? In January this year he went to Germany [to declare that](#) Britain could transform its economic model into that of a corporate tax haven if the EU fails to provide it with an agreement on market access after Brexit. And now, eleven months later the EU has come up with what looks like [an innocuous tax haven listing](#) until you read between the lines. [As I have already noted](#), implicit in this listing is a massive threat to at least five UK tax havens. The EU has given notice to Jersey, Guernsey, the Isle of Man, Cayman and Bermuda that they have to transform their entire corporate tax systems if they are to avoid the imposition of tax haven sanctions within a year.

At one level you can read this as being the EU Code of Conduct on Business Taxation giving notice that they are fed up with these places having got round earlier sanctions, and I suspect that is true.

More specifically, I think that there is a much deeper, implicit, and more important message inherent in this notice of intent, which is quite specifically targeted at the UK. What the EU is saying to Philip Hammond, and anybody else who cares to listen, is that we can think about becoming a tax haven if we so wish but if we do then a quite impressive list of sanctions will be imposed upon us. Of course that would imply the opening of a trade war between the UK and EU, but it was Hammond who fired the first shots in that, and retaliation is to be expected. I think it has arrived.

There is one other point to note. I am quite sure that the Crown Dependencies will be taking comfort from the fact that many, if not most, of the funds they receive from the financial markets come from the City of London, which they expect to be outside the EU in the near future, meaning that the sanctions proposed by Brussels will not apply. I do not think that they should be too optimistic about that. My suspicion is that if Brussels thinks that the UK is helping these places get round EU sanctions then they will be imposed upon the UK instead.

As a tax haven listing today's announcement looks to be innocuous, [and even a failure](#). As a warning shot to the UK, and Philip Hammond in particular, this looks like a

broadside fired just across the bows. I think the UK would be very wise to take note: we can be a post Brexit tax haven if we wish, but sanctions would quickly follow and the cost to the City of London would be enormous.