

# What is the bigger issue, tax avoidance or tax evasion?

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The Tax Justice Network has, rightly, received a great deal of publicity for its work in a new tax haven index, published yesterday and [republished here](#). Corporate tax avoidance is estimated to cost at least \$500bn a year, worldwide. The vast majority of that cost is suffered by developing countries. This is an issue of enormous importance for the Sustainable Development Goals. The Tax Justice Network has always had a focus on development, as I know, as I was there from the beginning.

In the Cayman Islands they tried distraction and division as a mechanism to avoid the allegations being made about them. The [Cayman Compass noted this](#):

*It is a matter for debate how much of a problem corporate tax avoidance really is.*

*A recent report by tax campaigner Richard Murphy, a long-standing member of the Tax Justice Network, found that the main problem in Europe is not with corporate tax avoidance, but the much larger onshore tax evasion by individual taxpayers.*

*Murphy estimates in his January 2019 report 'The European Tax Gap' that domestic tax evasion on the continent is responsible for lost tax revenue of between €750 billion and €900 billion every year.*

*The tax gap from corporate tax avoidance, in contrast, is only between €50 billion and €190bn a year, according to European Parliament studies, cited in the report that was prepared for the Socialists and Democrats Group in the European Parliament.*

This comment needs to be addressed. As I made clear in [that report](#), and an earlier report in 2013, I think that in the EU tax evasion, much but not all of it domestic, is an issue of much bigger concern than corporate tax avoidance. The evidence is overwhelming that it is. And I will not dispute that I would like much more attention to be given to it as a result. I am equally aware that it does not grab politicians' attention.

But let me be quite clear about this. Saying so does not in any way distract from the importance of TJN's work, for a number of reasons.

First, there is the issue for development and the Sustainable Development Goals. Cayman and other such parasitical locations operate at expense to some of the world's poorest people. It is wholly appropriate to draw attention to that and to demand reform.

Second, whilst I do suspect there is now improvement in this area, in the sense that corporate tax abuse may be declining, that is wholly because of pressure brought to bear by the likes of the TJN. I am sure Cayman would like to declare the matter closed. It is not, by a very long way. Pressure is still required. We still do not have public country-by-country reporting. Nor do we have unitary taxation. So there is much still to do in that case to beat this problem.

Third, corporates set the tax tone for nations: if they abuse so too do others. Just as cheating parliamentarians actually caused little financial loss but created a whole sense of mistrust, as well as copy-cat abuse, so too does large company tax avoidance do the same thing. It has to be stopped for that reason.

And last? These are not either / or issues. Both need to be addressed.

I focus on a different but complementary issue in my work on tax evasion. Some of that will happen through Cayman. Much will not. It matters. But so too does corporate tax abuse. Each is vitally important. Both have to be tackled. Playing a 'divide and rule' game will not work here.