

Tax and the Spending Review

Published: January 21, 2026, 11:57 am

I wrote this for one of the organisations I am associated with yesterday with regard to the [Spending Review](#) and thought it worth sharing here:

One would think a spending review has very little to do with tax. The logic is that spending is the opposite side of the revenue cycle from tax. But that's not quite true.

Let's leave aside for a moment that for all the trumpeting that this Spending Review ends austerity. Let's also ignore the fact that it is unfunded: this is all about using the so-called 'fiscal headroom' to bump spending a little and keep within the government's own self-imposed rules on borrowing. Let's instead ask the obvious question, which is whether all this is about simply creating problems for the future?

My answer is that it is, but precisely because of the fact that this Spending Review fails to recognise an issue overlooked for far too long now, and that is that it leaves HM Revenue & Customs critically underfunded.

According to the review HMRC will be getting inflation increases to its budget excluding £382 million of, presumably, one-off spending to fund a Brexit transition.

This is the problem. HMRC has had its budget cut for years. It's going through a massive reorganisation. It is critically short of skills. And Brexit massively increases tax risk in the UK, whether because of the loss of cooperation on some issues, the complete lack of integration of VAT with EU systems in the future which will create enormous opportunities for fraud, or because a widespread extension of tariffs will be exceedingly complex to police. None of this appears to be allowed for on an ongoing basis. The result is that it must be assumed that the scale of tax abuse in the UK will increase when Brexit in turn increases the opportunities for it to happen.

The Spending Review may assume that extra borrowing will cover spending growth. But that has implicit in it the assumption that HMRC will, in the most extraordinary of times and facing considerable operational and legal difficulties, keep the tax flowing in. I think that very doubtful.

Tax may not add up in this Spending Review.