

HMRC is right to worry offshore account holders

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There appears to be some concern this morning at the lack of resources at HM Revenue & Customs. The [Sunday Times](#) is reporting that:

The tax office has been “swamped” with 5.7 million pieces of information about overseas bank accounts held by three million British citizens under the terms of a new international treaty, according to tax experts.

However, HM Revenue & Customs (HMRC) does not have enough staff to investigate the information, according to the tax consultancy BDO, so is instead blitzing the people named with speculative letters asking them to send details of their financial affairs.

The information in question has, of course, arrived as a result of automatic information exchange from places like Jersey, Cayman and the Isle of Man.

A decade ago I was one of the few campaigning for this information exchange. At the time I was being told by the UK Treasury that automatic information exchange from tax havens would not happen in my lifetime. I had already been actively campaigning for it since 2005, when with John Christensen I included it [in the first real manifesto of the Tax Justice Network](#). In 2009 my reaction to the advice from the Treasury was to [write a note on how automatic information exchange was possible](#), and why it need not be nearly as complicated as the Treasury then claimed it might be. All I said that was needed was a smoking gun: the evidence that an account existed was enough for HMRC to act.

We actually now have more than that smoking gun data, although nothing that prima facie proves wrong doing by a taxpayer in the first instance. And there is a great deal of that data. And so, in my opinion, HMRC are doing exactly the right thing. They are putting what might be called ‘the wind up’ taxpayers by writing to them to ask whether or not they have appropriately declared their offshore earnings.

I think this exactly the right thing for HMRC to be doing at this moment. A mass campaign that puts people on notice that having an offshore account isn’t secret anymore is precisely what is required. Trawling through 5.7 million pieces of

information, unless it can be sorted to find the biggest accounts, is not.

The logic is simple. Most tax payment has to always be voluntary. Admittedly, the volunteering has to be encouraged by a threat of penalties but let's not tolerate the nonsense right wingers put forward and say this means that all taxation is extracted by force and amounts to theft: such claims presume all law enforcement is against the will of those subject to it, and very clearly that's not the case. Law is enforced by governments which by and large we tolerate because we think the world is better for them and, most of the time, that the laws they promote are for the common good. So, tax crime is just that, and needs to be discouraged. In that case HMRC making it be known as widely as possible that offshore tax haven use is being disclosed to them is very good news indeed. It will put people off going offshore. And it will encourage much higher rates of compliance amongst those who have already done so.

Of course, I am not implying in saying so that I think HMRC have adequate resources. They have not.

And I am not saying HMRC should not be pursuing cases. Far from it: they should be, selectively.

But I am saying frightening those who have used offshore is right. And it was always the intention. I am pleased they are doing it. Tax compliance has to be the aim. This will encourage it.