

## Freeports: the new tax havens that the government wants..

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One of Rishi Sunak's big plans for the UK is the introduction of so-called 'freeports'. He has been promoting them for a long time, and long before entering government. The [government has said of their plans](#):

*The government is working to boost economic activity across the UK, ensuring that towns, cities and regions across the country can begin to benefit from the opportunities of leaving the EU. As part of this work, the government aims to create up to 10 freeports in locations across the UK.*

And they added:

*The government wants to establish freeports, which have different customs rules than the rest of the country, that are innovative hubs, boost global trade, attract inward investment and increase productivity. In doing so, the government wants freeports to generate employment opportunities to the benefit of some of our most deprived communities around the UK.*

*The government has the following objectives for UK freeports:*

- \* *establish freeports as national hubs for global trade and investment across the UK*
- \* *promote regeneration and job creation*
- \* *create hotbeds for innovation*

*The government has drawn on evidence from successful freeports around the world to develop a UK freeport model. The proposed model includes tariff flexibility, customs facilitations and tax measures. We are also considering planning reforms, additional targeted funding for infrastructure improvements and measures to incentivise innovation.*

I was asked by the Fair Tax Mark to look at this issue and draft a response for them, which has now gone in. But I also wrote a much longer version, which is [available here](#).

The summary of my submission says:

*This submission details considerable concerns relating to the freeports that the UK government is proposing to create. These concerns relate in particular to:*

- \* The significant money-laundering risks that they will create that are unavoidable without a comprehensive reform of the enforcement processes relating to UK company law;*
- \* The extensive risk of tax avoidance activity because of the uncertainties that freeports will create with regard to a range of taxes including corporation tax, value added tax, income tax and social security;*
- \* The inability of the freeport proposal to address the government's concerns with regard to stamp duty land tax, business rates, research and development credits and other related issues;*
- \* The absence of any apparent economic need for freeports;*
- \* The risk to UK tax morale that they will create;*
- \* The threat to the UK's international tax relationships that they will pose;*
- \* The challenge to the international consensus on ending the harmful race to the bottom in tax matters that they represent.*

*In our opinion none of these issues can be addressed by modification to the proposal made and as such we suggest that the proposal to create freeports should not be preceded with.*

The submission is of thirty pages and highlights a great many issues, because as became apparent in discussions I had with the Treasury and others during the submission process, it is deliberately scant as to the proposals to provide the government with maximum opportunity to introduce ideas without prior notice having claimed a consultation has already been done.

My fear, too blunt, is that the aim is to introduce tax havens in the UK.

It's an issue I will come back to, but for now I offer these paragraphs from the submission on which this proposal is not needed:

### **Economic need**

We understand that the Government's intention in promoting freeports is to encourage increased economic activity in the UK. It intends to do so by providing incentives through the tax system and by relaxing other regulation.

There is little evidence that freeports have ever achieved this goal for a government.

There is quite strong evidence that, at best, freeports relocate activity at cost to a government.

In addition, there is no evidence at all at present within the UK that there is a shortage of capital available for investment purposes. There is, for example, regular and informed comment on the pages of the Financial Times and The Economist on the existence of a savings glut, which savings are not put to use by investors. What is more, that capital is available at incredibly low cost, meaning that the hurdles to be overcome before investment can take place have little, if anything, to do with the cost of finance, which is all that can be influenced by reduced taxation and a reduction in the cost of regulation within freeports. In that case there is very little economic evidence to suggest that freeport creation will address any known economic problem: it would seem that all desired economic activity in the UK is currently being funded at very little capital cost without the assistance of freeport arrangements. The economic rationale for such arrangement is, then, very hard to discern. The government has not stated what they are in the current economic environment. We would very strongly suggest that this be done before any legislation is presented to Parliament so that proper appraisal of the proposal can be made.

### **Regulatory need**

We have one final observation to make. The logic of freeports is that there must be regulatory failings in the UK that requires that they exist. The consultation document does not specify these failings, but if they exist it is logical that the whole country enjoy the benefit of reform rather than just some selected areas. We would therefore suggest the government address this broader issue rather than introduce freeports if they think there are regulatory issues requiring attention.

We do not need ten new tax havens in the UK. So why is the government intent on creating them?