

The Tories are undermining our tax system to further th...

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The Tories have some very strange relationships with tax given that it is tax that permits their exercise of power, which is much of what they now seem to be about.

Two issues became apparent over the weekend. Bloomberg posted this tweet.

<https://twitter.com/business/status/1394033196178845705?s=27>

The report to which they refer notes a very long-serving UK Treasury official suggesting that the Tories are not convinced by the Biden tax plan for a minimum worldwide corporation tax rate of 21%. It would seem that they might wish to attach conditions on additional taxing rights in the UK on digital companies. The issues are related but not the same. And opposition from the UK could be a major obstacle to progress on this critical issue. Just as the world looked as though it might be moving towards a solution, in a way that is essential to protect government revenues, the Tories appear intent on undermining those revenues not just for the UK, but others as well.

And then there have been [reports in the Guardian](#) on the estimated tax cost of the use of umbrella companies to pay contracted staff, with national insurance being avoided and both the Exchequer and the staff being paid being likely to lose out in many cases. The loss might amount to £4.5 billion in some estimates. And what is notable is that this phenomenon, which has emerged solely under the Tories, is one that appears to be of little or no real interest to the government. Legislative measures to tackle the issue are half-hearted. The resources provided to address it are very limited. It is as if, as also appears to be the case with international tax reform, the government is intent on not collecting tax so that a limited interest group might gain at cost to society at large.

My point here is that the failings are technical, of course. And they do need to be addressed at that level, which I can and could do here. But they are also at a systemic and political level, which I think may be the much more significant issue.

Tax is always paid by consent. One of the bases on which this consent is generated - as it has been, by and large, to date in the UK - has been the belief that there is a

reasonable attempt being made by successive governments to ensure that all pay the tax that they really owe.

I am not convinced that this consensus now exists. The government might produce meaningless and deeply dubious statistics to say that its tax gap (the difference between tax due to be paid and actually paid) is falling, but it is apparent that this is not true. Untold numbers of untraceable limited companies used for corrupt purposes are particular evidence of that. So too are umbrella companies. Declining numbers of staff at HMRC with dramatic reductions in the numbers of taxpayer investigations are further indications of neglect. Whilst turning a bind eye to large corporate tax abuse, which now seems to be the policy, just reinforces the sense that there is a deep malaise at the core of UK tax policy.

That malaise is corrosive. The Tories do not believe in the state. Nor do they want to provide it with its lifeblood, which is tax (even in an MMT world, because fiscal policy is utterly dependent upon a successful and enforced tax system). And this neglect is in that case deliberate. They seek to undermine the state and the role it plays in society, and there is little better way of doing this than by undermining the credibility of the tax system. Once that credibility has gone so too has the willingness of people to comply with its demands. And then the system begins to fail, and with it the state - which would seem to be the objective here.

Tax justice was started by me, amongst others, to at least in part tackle the issue of states that failed to collect tax owing with massive social cost arising as a result. The focus was not unreasonably on developing countries back then, and the support that they needed to address this issue. I think that was appropriate. But with its focus being on very narrow issues these days much of tax justice campaigning has forgotten this bigger non-party political issue. I regret that. I'd go so far to say that the failure of tax justice to see the big picture on tax has not helped its own cause for some time.

And now that failure of the big picture is being played out right in front of us. I would suggest that the UK state is beginning to fail, by choice, with the undermining of the tax system both nationally and internationally being one of the ways in which it is choosing to fail. If ever there was a tax justice issue it is this, because so much else flows from it.

We need strong, supported, well funded and resourced tax systems working cooperatively nationally and internationally to produce the confidence that taxpayers need to be sure that their contribution is equitable. That whole system is being undermined now. This is a moment of crisis, and we need to shout about it, and not think about the technicalities alone.