

Tackling some token gesture tax issues will not end the...

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The Good Law Project issued a press release this morning saying:

Good Law Project and Dale Vince, founder of Ecotricity, have launched a legal challenge against HM Revenue and Customs demanding the closure of a loophole which allows private equity fund managers to pay almost half the tax they should.

*Back in 1987 the private equity industry successfully lobbied the Inland Revenue, now HMRC, to pay less tax. Their success meant that the money made by executive managers is classed as 'capital gains' and not 'trading income' - instead of paying a tax bill of around 40% that figure dropped considerably to 28%.**

Good Law Project, working with leading tax lawyer Dan Neidle, believe the agreement was unlawful. For years, people have been arguing the so-called 'carried interest' loophole should be abolished. [New research](#) suggests it never existed at all as HMRC isn't allowed to give sweetheart deals.

I wish them well, Dan Neidle knows his tax law. So does Jo Maugham. They clearly think that they have a chance. And this is an egregious loophole.

But, before we get too excited by this, or Rachel Reeves' obsession with the same issue (and the non-dom law, on which both Jo Maugham and I have advised Labour in our time) let's remember that egregious as these issues are, they are also small fry in terms of revenue impact and so inequality.

The big issue with regard to capital gains tax is not that it is what is used to tax carried interests in hedge funds but that it is taxed at half the rate of income, when I think all incoming pounds to a person should be taxed at the same rate.

And the other deeply annoying aspect of capital gains is that they suffer no national insurance, saving at least 15% and more in some cases when employer's contributions are also taken into account.

Those are the big tax issues to get worked up about in the tax system and its bias to

wealth. But Labour is not talking about doing anything about these issues. In fact, it has confirmed its commitment to low CGT rates and so a bias towards wealth.

I want all loopholes to be closed. But we really should concentrate on the big issues and not the token gestures and Labour is far too good at tokenism.