

# The tax system is riddled with leaks that mostly benef...

Published: January 13, 2026, 2:56 pm

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As the [Guardian](#) reports this morning:

### **Tax relief system needs overhaul to prevent abuse, say MPs**

**Treasury committee report says tax system is too complicated and finds two-thirds of relief policies are uncosted**



HMRC is unable to monitor how tax relief policies are used, a new report has found.  
Photograph: Kirsty O'Connor/PA

Almost £200bn of tax reliefs handed to businesses and individuals each year should come under greater government scrutiny to prevent fraud and abuse, according to an all-party group of MPs.

I entirely agree with the committee. A review of these allowances and reliefs is long overdue. Many are open to abuse. Far too many reinforce privilege. And the benefit of a great many is I open to doubt.

The question is, how to systematically do this? There is no system designed for this purpose in common usage.

That is not to say that there is no such system. The tax spillover methodology that I have developed with Professor Andrew Baker of Sheffield University is suitable for this purpose.

In an academic context, we explained tax spillovers [in this paper](#).

Our detailed explanation [is here](#), and a UK-worked example of how tax spillovers might help the development of better tax policy [is here](#).

As I have explained in a paper I am now working on relating to wealth taxes:

*A tax spillover is a loss arising within and between tax systems, whether domestic or international, as a result of one part of a tax system undermining the effectiveness of another part of the same tax system, or that of another state. The tax avoidance industry exploits the opportunities that tax spillovers create. Unless tax spillovers are properly understood that industry cannot, as a consequence, be appropriately challenged, with its activities being brought to a close.*

As some readers will be aware, I have long proposed the better estimation of tax gaps to explain the failure to collect appropriate tax revenues. My theory on that issue [is here](#). It takes the issue further than most governments are willing to go at present, precisely because I cover the weaknesses now highlighted by the Treasury committee.

Tax spillovers take this much further still. Tax gap analysis says what is lost. Tax spillover analysis explains why it is lost and is also much easier to do whilst simultaneously offering a plan for overcoming the issues identified.

I would suggest that tax spillover analysis is one of the pre-requisites for any political party seeking to answer the question 'how are you going to pay for it?' precisely because it sets out to answer that question by showing where the opportunities to plug leaks in the tax system are. It needs to be used.