

Funding the Future

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I have this morning published the next in my series of proposals that will make up the [Taxing Wealth Report 2024](#).

In [this latest note](#), I return to the theme of reforming tax administration. This time, I address the need to reform the administration of Companies House, which is as close to being a failed administrator as it is possible to be. Its failings as a company administrator are likely to contribute to the estimated sum of [more than £200 billion of fraud](#) undertaken in the UK each year, much of it through limited companies about which literally nothing at all is known because no demand for information is ever made of them.



The [summary to this note](#) says:

Brief Summary

This note proposes that:

- * Companies House is an almost wholly ineffective regulator of limited liability companies in the UK, many of which might be used to facilitate tax abuse and fraud.
- * This is a profound concern to the operation of markets in the UK, most especially when there are more companies incorporated in the UK each year than there are live births.
- * There are numerous reasons for this failure on the part of Companies House, including:

- * The ease with which companies can be incorporated without proof of the identity of those doing so necessarily being required.
- * The incredibly cheap regulatory fees payable in the UK, which deny resources to Companies House to regulate companies.
- * The failure of Companies House to require accounts complying with either company law or accounting standards on public record, and their failure to address failures in this regard when they are drawn to their attention.
- * The lax attitude that Companies House has towards the striking off of companies from the register that they maintain when companies are in default of their legal obligations, which failure on their part facilitates the use of limited liability companies by fraudsters, whether with regard to tax or otherwise.
- * The failure of Companies House to prosecute in the case of most corporate failures to provide information that should be submitted to them by law.
- * The cost of this failure in terms of tax lost and in terms of fraud facilitated cannot be known, but when the former is conservatively estimated to cost £19 billion a year and the latter has been estimated to have a further cost to the government exceeding £30 billion per annum and to the private sector of in excess of £150 billion per annum the scale of abuse facilitated by almost wholly unregulated limited liability companies within the UK economy is so large that it is hard to avoid the conclusion that Companies House is the facilitator of a criminogenic environment within the UK economy, even if inadvertently.
- * To address this issue a series of radical reforms are proposed including:
 - * Annual checks on the identities of all directors and significant shareholders involved with UK companies.
 - * A requirement that UK companies have a share capital commensurate to their level of trading and that shareholders should have unlimited liability to the extent that this capital is not made available by them.
 - * That the full details of all directors of a company should be available to Companies House on all occasions and should be on public record unless a case for withholding information can be proven.
 - * That the full trading addresses from which the company operates should be recorded on public record.
 - * That the full accounts of all companies as due to its shareholders should always be available on public record.
 - * That the directors and principal shareholders of a company that is dissolved without filing full accounts to the time when application for dissolution is made, including a creditors list, shall lose the right to limited liability with regard to any debts owing at that time.
 - * Although the Taxing Wealth Report 2024 has already estimated that maybe £6 billion of additional tax might be collected a year as a result of tackling deficiencies in the administration of the UK's corporation tax system, a further similar sum might be raised by these proposals because of the limitations in other frauds that they might facilitate.
 - * The cost of these extra safeguards should be covered by increasing the currently minimal fees charged by Companies House.

Discussion

Some of the themes in this note have also arisen in [**the note on the reform of**](#)

corporation tax administration, but not all of them.

These issues are clearly related, and have some solutions in common, but there are also additional factors to consider in the case of the reform of Companies House. In particular, measures taken to collect tax will not address accounting failures that Companies House currently refuses to address, or the abuse of limited liability itself, or the need to address broader issues related to fraud, which are rarely acknowledged but which are a major (and growing) feature of the UK crime scene. Addressing these issues could also raise significant tax revenues. The estimated revenues from these proposals are cautiously stated at £6 billion as a result. It could be very much more.

Cumulative value of recommendations made

The **recommendations now made as part of the Taxing Wealth Report 2024 would, taking this latest proposal into account, raise total additional tax revenues of approximately £105.2 billion per annum.**