

Venture capitalists cannot be taxed on the basis of a n...

Published: January 13, 2026, 8:25 am

I wrote [this Tweet](#) last night after a conversation with Jo Maugham, the tax KC who is the director of the Good Law Project who wrote [the Tweet](#) I was promoting:



As Jo notes, this is a story about how the British Venture Capital Association managed to strike a 'sweetheart' deal with HMRC (or rather, its predecessor, the Inland Revenue) back in the 1980s as a result of which much of the income of those engaged in the venture capital industry has been charged to capital gains tax ever since when it should have been classified, in Jo's opinion, as arising from trade and so be subject to income tax.

It is clear from the evidence that the Inland Revenue shared Jo's doubts on this issue back in the 80s, as do I.

It is also clear that the extra-statutory deal on taxing this income as capital gains was reached as a result of political pressure from then Chancellor Nigel Lawson.

I will, in the Taxing Wealth Report 2024, be continuing my recommendations for the

reform of HM Revenue & Customs in due course. It is precisely to root out and end such abuses that I am making such suggestions.

There is no room for those with privilege in the UK to be taxed on a non-statutory basis, but as Jo notes, although the Good Law Project has now won a case on this issue, suggesting that this arrangement may not be legal, the issue is being ignored by HM Revenue & Customs and the media, for reasons that are hard to explain.

What is needed from HMRC now is clarity on this issue. If they think they have been right all along, they should state their reasons and then suggest how the matter will be put on a statutory footing.

If the argument cannot be sustained, then it is clear that the arrangement must be brought to an end, and back taxes should be collected if the law has been inappropriately applied.

But what is not possible is that there be radio silence from HMRC on what they are going to do. Tax justice demands that they suggest what their next step will be.

There is more on this on the [Good Law Project website](#).