

Funding the Future

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

Anyone selling used clothes on Vinted, renting out their home on Airbnb, or getting rid of old camera equipment on eBay is going to come under fresh scrutiny from the taxman, following a crackdown on income earned from online trading.

From 1 January, HM Revenue & Customs will require digital platforms to collect information on how much their users make.

Let me be clear: I hate all tax cheating because:

- * It undermines effective markets and destroys the chance of real competition.
- * It undermines the rule of law.
- * It increases inequality.
- * It prevents the effective use of taxation as an instrument of government social policy.
- * It undermines fiscal policy.
- * Tolerance of it creates a criminogenic environment that threatens the stability of society.
- * I don't like cheats.

As a result, I welcome this move, which I have argued for in the past.

That said, welcome as this move is those targetted will not be the big tax cheats. The evaders within society are:

- * The wealthy who still use tax havens - although this is becoming very much harder to do because of the use of data from automatic information exchange from tax havens, which I campaigned for and helped win.
- * Multinational corporations, although again, this is now harder for them to do because of the introduction of country-by-country reporting, which I designed and campaigned for and which is now in use in 80 countries, and the new minimum corporation tax rate worldwide, which the OECD has introduced. Whilst flawed, this is better than anything the UN could deliver for a decade or more.
- * The abuse of limited liability within economies.

The last is the biggest cause of tax evasion in the UK, in my opinion. I am certain that hundreds of thousands of companies trade illicitly in the UK each year, and could be detected if only UK banks were required to report to both HMRC and Companies House each year:

- * Those companies that they provide banking services to.
- * How much they banked in total for these entities each year.
- * What their year-end balances were.
- * Who they think run these companies.
- * At which addresses they think these companies are run from.

If in possession of this data, HM Revenue & Customs could chase all companies that have activity that have not submitted corporation tax returns and Companies House need never strike off a company that has traded, but could instead pursue its directors for data. Remove limited liability from directors in breach of obligations and the chance of recovering funds would increase, considerably.

The systems to provide this data have to exist so that the UK can meet international information exchange obligations, but we refuse to use this data domestically, in the process allowing massive tax fraud to continue whilst picking on casual eBay sellers. In the meantime, these fraudulent companies do not file accounts or tax returns, and every year or so form a new company to carry on their illicit activity, and Companies House then strikes off their old one for them with no questions asked.

I explain these issues and how to tackle them in the Taxing Wealth Report 2024, [here](#) and [here](#). I conservatively estimate that addressing this issue might raise £12 billion of tax a year - and probably rather more. So why does no political party talk about doing it? I wish I knew. It is a simple, straightforward low-cost reform that would deliver a massive yield whilst seriously reducing UK tax abuse, which would help all honest traders. What is not to like about that?