

## A passport tax would solve the problem of tax refugees

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The [Guardian posted this comment yesterday:](#)

*Wealthy UK nationals fleeing war in the Gulf are seeking sanctuary in countries such as Ireland and France to avoid hefty tax bills back home.*

*In the face of possible demands from HM Revenue and Customs, high-net-worth individuals who had been living in the United Arab Emirates and neighbouring countries are hoping to wait out the missile and drone attacks elsewhere rather than return to the UK.*

It appears that the conflict in the Middle East has created a new form of refugee: those who are fleeing a tax liability.

Neoliberal depravity is something with which I have become familiar over too many years. Despite that, it can still plumb new depths, and this is one of them.

This comment provided illumination on the conundrum in which these "poor" people find themselves:

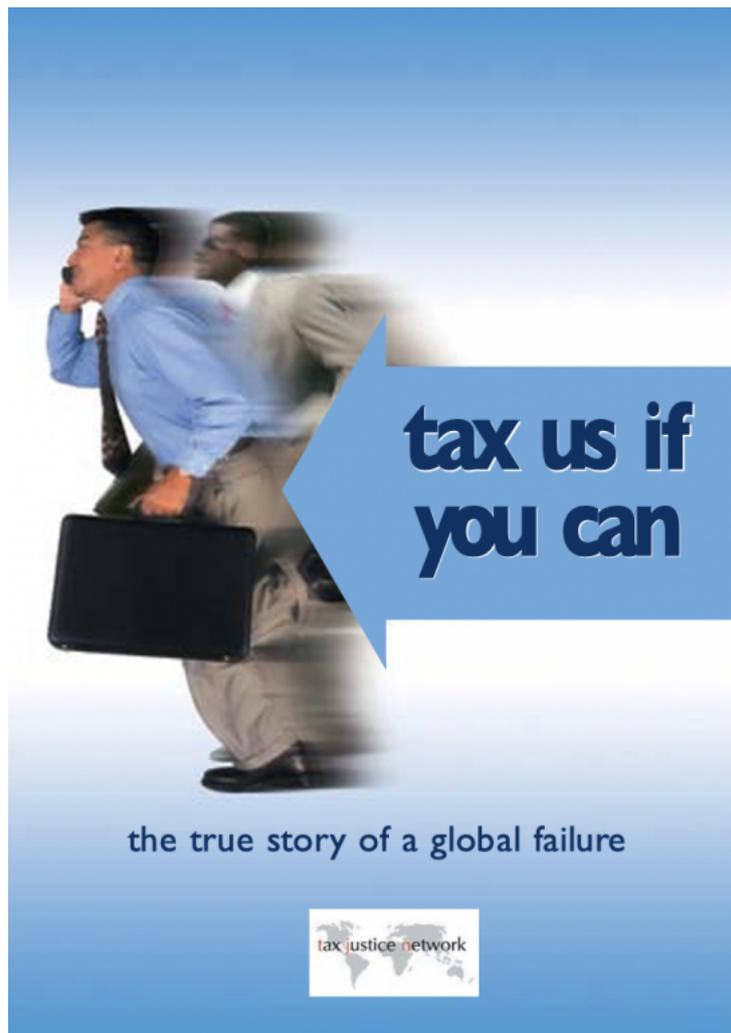
*With only about three weeks remaining in the current financial year, many overseas residents have already "spent" their allocation of days in Britain without incurring tax liabilities. Some are seeking guidance from HMRC on whether they would be granted 60 extra days under an "exceptional circumstances" provision.*

*Nimesh Shah, the chief executive of advisory firm Blick Rothenberg, said: "I've had a disproportionate number of calls from people wanting to leave the UAE in recent weeks.*

*"I've told them not to rely on any exceptional circumstances provisions from HMRC. I can't imagine HMRC are very sympathetic here."*

"Oh, dear", I thought when reading that, followed by "What a shame" and "My heart goes out to them."

Why do I have no sympathy? That's because in 2005 I co-authored, along with John Christensen, [what became the foundational text](#) of the tax justice movement, which set the direction of travel for International tax reform for the last 20 years:



In that publication, we made this proposal:

### **Citizenship and personal taxation**

High earners who travel frequently with their jobs can easily avoid paying tax. This is often possible because, in most countries, someone who is neither a citizen nor a long-term resident is typically only charged tax on that part of their income which is earned there, which means that income received elsewhere in the world will not be taxed unless it is sent to that country.

Any move towards a global framework for tax cooperation should involve the extension of the principle of automatic information exchange to corporate bodies and trusts as well as to individuals, since a lot of tax planning involves trusts and corporations. This opens up the opportunity for such people to divert large parts of their income to tax havens where it is held untaxed.

There are several problems with this:

- \* It means that the world's wealthiest people, including rock stars, set a poor example by appearing to spend much of their time endorsing the process of tax avoidance.
- \* It means that the people most able to pay tax in the world often pay little or no tax.
- \* It establishes a wholly parasitical industry of lawyers, accountants and bankers who service the desires of these people, who act as economic free-riders.
- \* It undermines the ability of any country to charge progressive rates of income tax because the wealthy threaten to leave.

This situation, which was unacceptable in the days when travel was difficult and the number of truly mobile people in the world amounted to a few thousand, has deteriorated to the point of being a global crisis. Travel has become easier. Capital movements are virtually unrestricted. Access to offshore financial services has been extended to a far wider range of wealthy individuals. The sums of money lost to governments, particularly those of developing countries, are too large to be ignored.

**There is an answer, and it is provided by the US. This is that every country should require its citizens to pay taxes on their world-wide incomes whether they are resident in the country of which they are a citizen, or not.**

I admit that I would not write the proposal in quite this way now because so much has changed in the meantime, and we do now have automatic information exchange from tax havens, in no small part due to the campaigns that John and I pioneered. I would, however, stand by that last highlighted section. My point is that:

- \* If you want the protection of the UK state by holding its passport, you must have an absolute legal obligation to pay the taxes it requests.
- \* This charge should not create a duplicate payment: credit should always be given for taxes already paid in another country.
- \* For purely administrative reasons, I would not seek to impose this arrangement on anyone earning less than £100,000 a year.
- \* For those earning above that, the requirement that they declare their taxes in the UK, even if they claim to have never stepped in this country during a year, should be a necessary legal obligation. It is the price of citizenship. Much of the appeal of tax havens would disappear if we had such an arrangement in place. Indeed, many of those so-called professional people working in these places would find themselves paying tax in the UK as a result.

Those now fleeing to Ireland and France would have done so in vain if this proposal had been adopted by a wise government, but we have not had one of those during the

intervening 20 years.

I have a simple name for this idea. It is a passport tax. It is time we had one.