

Unite investigates:

Tax Avoiders buying up the NHS

And how TTIP could “lock in” tax avoidance

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Tax Avoiders buying up the NHS

And how TTIP could “lock in” tax avoidance

This report investigates the tax affairs of ten private companies that are actively involved in NHS privatisation. Seven of them are US companies, or have strong US investment links, which means that the Government could be prevented from taking their NHS contracts back into the public sector unless the NHS is exempted from TTIP. They include the four biggest for-profit hospital chains in the UK, and other firms such as UnitedHealth, Virgin and Care UK that are targeting a range of clinical and support services.

We found that:

- only 2 of these 10 companies pay any significant tax in the UK
- all 10 companies make use of tax havens
- many have adopted complex accounting structures that suggest planning for tax avoidance

The companies

- Bio Product Laboratories (BPL)
- Care UK
- Circle
- General Healthcare Group (GHG)
- HCA International (Hospital Corporation of America)
- Ramsay
- Spire Healthcare

- The Practice PLC
- UnitedHealth (Optum)
- Virgin

GHG, Spire, HCA, and Ramsay are the four biggest for-profit acute care providers in the UK (in that order).ⁱ All have major NHS contracts and income. HCA is the USA's biggest hospital chain, now expanding in the UK market.ⁱⁱ GHG, the UK's leading hospital company, is owned by a consortium including South African hospital giant Netcare, international private equity firm Apax Partners, and secretive global property company London and Regional.^{iii,iv,v}

Circle is smaller, but stands out as the first private company to run an NHS hospital, Hinchingbrooke – a contract that has now dramatically failed, ruled “inadequate” by health inspectors, and having running up a debt of at least £7.7 million.^{vi,vii} It is majority owned by a consortium of private equity investors: the second largest holding belongs to US investment firm Invesco.^{viii} Circle's chairman, Michael J. Kirkwood, is an advocate of TTIP; he is an advisory director, and former chair, of the lobby group “British American Business” which campaigns strongly for the treaty.^{ix}

Care UK, Virgin, and The Practice PLC all provide primary care. Care UK and Virgin also run a range of other business lines including care homes in the case of Care UK, and various community-based medical services in the case of Virgin.^{x,xi} Care UK is largely owned by private equity firm Bridgepoint, the majority of whose investors are North American.^{xii,xiii,xiv}

The other two companies provide specialist non-clinical services. UnitedHealth (Optum), the USA's biggest health insurer^{xv}, is pursuing a wide range of NHS opportunities including “commissioning support” to the CCGs (Clinical Commissioning Groups), the GP-led bodies in charge of NHS contracting.^{xvi,xvii} BPL

provides the majority of the NHS blood plasma supply. It was sold off to infamous US private equity “vulture fund” Bain Capital in 2013.^{xviii,xix}

Both Virgin, and GHG’s 32% owner Apax Partners, have US subsidiaries that could potentially be used in “treaty shopping”: where companies use subsidiaries in different states to sue governments under international trade legislation such as TTIP, as has occurred in the infamous Philip Morris tobacco case against Australia.^{xx}

Key points

- ✪ Only 2 out of the 10 companies (HCA and Ramsay) pay any significant tax in the UK.
- ✪ All 10 companies have links to offshore tax havens.
 - These include the Channel Islands, British Virgin Islands, Cayman Islands, Luxembourg and Bermuda.
 - BPL, GHG, Spire, and Virgin are registered in or owned from tax havens.
 - Some (e.g. Care UK, The Practice) use tax havens for funding purposes; while others (e.g., Ramsay) use offshore structures to own property assets in the UK.
- ✪ Many have extremely complex corporate structures.
 - E.g., there appear to be 13 intermediate holding companies between Virgin Care Limited and its ultimate parent company.
- ✪ Most of the companies are not liable for UK corporation tax because they are losing money, and/or can offset past losses against future profits.
- ✪ According to tax expert Richard Murphy: even if these companies become profitable, “the structures that they have adopted do, in many cases, suggest that tax avoidance is at the heart of their business planning”.

Introduction by Richard Murphy

If a willingness to pay the right amount of tax, at the right rate, at the right time and in the right place is the best indication that there is of corporate social responsibility then there is, unfortunately, little evidence from the ten companies surveyed to produce this report that many of the suppliers of private services to the NHS are committed to this ideal.

Admittedly, this conclusion is not helped by the fact that eight of these ten companies are at present making losses, and so pay little or no tax at present, and may not do so for some time to come.

Notably, two companies that did pay tax for three years (Spire and General Hospital Group) appear to have reclaimed it in 2013 whilst one company that appears to pay tax – Bio Products Laboratory Holdings Limited – pays almost all its tax in the USA leaving only insignificant amounts due in its UK subsidiary.

Just two of the companies surveyed, HCA and Ramsay, pay any significant UK tax and that is because both are profitable in the UK.

The remaining companies surveyed all appear unlikely to pay any significant tax in the UK in the foreseeable future.

That fact has not, however, prevented all of the companies surveyed, or their associated groups, having offshore connections of varying degrees of significance.

Some, such as Virgin, Spire, and General Health Group, are all owned from tax havens.

Others, such as Care UK, use tax havens for funding purposes.

Some, like General Health Group, Care UK, and maybe Ramsay, use offshore structures to own property assets in the UK.

The combination of a current lack of tax payments from many of these companies, coupled with their apparently deliberate use of offshore structures that can only be intended to save tax at some time in the future, suggests a very low commitment on the part of these companies to pay tax in the UK even though tax paid on corporate profits is currently enough to fund about 30% of the National Health Service.

This conclusion is disappointing. The UK government, and the government of Scotland, have both committed in recent regulation legislation to make compliance with tax regulation a condition of successfully tendering for government funded contracts. But as yet it seems that no company has been excluded from any contract for this reason.

Methodology and sources

This note looks at the tax payment record of ten groups of companies that supply services to the NHS. It also looks at the structure of those groups of companies to see if there is evidence that tax avoidance may have played a part in their business planning processes. The use of tax havens is considered a key indicator with regard to this intention.

In each case the report draws upon accounting data from the most recent four years of accounts filed at Companies House by the key UK operating company within the group in question. The data used was that available at the end of September 2014. Annual return forms filed with Companies House and the accounts of parent companies, not necessarily based in the UK, have also been used in the preparation of this report.

Each company's tax position is appraised by comparing its reported profits with its current tax liabilities. Deferred taxation is not considered because, as will be apparent from the data that follows, most of the companies surveyed are not paying tax at present and the chance that they might in the foreseeable future in any many cases quite small and as such deferred tax assets or liabilities are considered to be unlikely to impact in tax paid in the immediately foreseeable future.

If a company has received a tax credit it is considered a negative figure in the data that has been produced.

Table: summary of companies' tax situation

A summary of the tax situation of the companies surveyed is as follows:

Company	Last published accounts	Profitable? (On average)	Profitable? (Last accounts)	Current Tax Rate (On average)	Current tax rate (Last accounts)	Average current tax charge £'000	Current year tax charge £'000
Care UK Health and Social Care Holdings Limited	30/09/2013	No - Ave loss £73,350,000	No - Loss of £98,500,000	2.30%	0%	(1,700)	0
Circle Holdings Plc	31/12/2013	No - Ave loss £29,189,000	No - Loss of £15,230,000	0%	0%	7	0
General Healthcare Group (GHG 1 (Hospitals Operations) Limited)	30/09/2013	No - Ave loss £28,092,000	No - Loss of £43,246,000	-1.30%	-8.60%	358	(3,708)
HCA International Limited	31/12/2012 (2013 accounts not filed by end September 2014)	Yes - Ave profit £55,170,000	Yes - Profit of £60,375,000	18.80%	21.30%	10,359	12,832
Bio Products Laboratory Holdings Limited	31/12/2013	No - Ave loss £10,153,000	No - loss of £21,947,000	-5.50%	-15.30%	555	3,357
Ramsay Healthcare UK Operations Limited	30/06/2013	Yes - Ave profit £7,226,000	Yes - profit of £7,522,000	1.60%	11.60%	118	875
Spire Healthcare Limited Partnership	31/12/2013	No - Ave loss £85,940,000	No - Loss of £54,394,000	0.10%	-13.50%	(102)	(7,358)
The Practice PLC	31/03/2013	No - Ave loss £3,060,000	No - Loss of £2,653,000	-0.30%	-0.90%	9	24
Optum UK (UnitedHealth UK Limited)	31/12/2012 (2013 accounts not filed by end September 2014)	No in UK - Ave loss £9,455,000 but Yes overall in USA - Ave profit \$8.2 billion	No in UK - 2012 loss £8,247,000 but Yes in USA - profit \$8.9 billion in 2013	0% in UK	0% in UK	0	0
Virgin Care Limited	31/03/2013	No - Ave loss £9,608,000	No - Loss of £10,934,000	0%	0%	0	0

Average information reflects four years of trading in all cases.

It will be noted that loss making is a common theme amongst the companies surveyed. Just two are profitable in the UK, although whilst Optum is not profitable in the UK it is part of UnitedHealth in the USA that is profitable in that country.

HCA and Ramsay are both profitable companies, although Ramsay has only reached this position in recent years. Of the remaining eight companies all made losses on average over the period surveyed and in their most recent accounts. Care UK's loss in

2013 was by itself bigger by more than £30 million than the combined profits of the two profitable companies.

The result of this situation is that none of the loss making companies are currently paying any significant tax and some may be claiming tax credits through related companies. This is not to say no tax is paid by these companies because some is.

So, for example, Bio Products Laboratory Holdings Limited is paying what appear to be significant amounts of tax but in practice almost all of this is paid in the USA and only insignificant amounts in the UK.

Spire is another company that despite losses paid tax for three years – but then appears to have found a basis for reclaiming it in 2013 when a significant tax credit that almost wipes out payments in earlier years, is shown in its accounts.

General Healthcare Group appears to have had a remarkably similar experience to Spire, again paying for three years despite incurring losses before claiming a substantial tax credit in 2013. Circle and The Practice have also paid very small sums in tax despite their losses, although the former did not in 2013.

As will be noted, in their most recent accounts four companies paid no tax, two claimed substantial rebates, Bio Products Laboratory Holdings only paid any significant tax in the USA, leaving it and The Practice plc paying very small amounts in the UK. That meant just the two profitable companies settled any significant tax liabilities in the latest accounts of the company's surveyed.

Of the two profitable companies, Ramsay's tax rate appears low but is on a rising trend reflecting the fact that tax losses incurred during its start up period appear to have now been utilised meaning that a more regular tax rate is likely in future.

HCA has been consistently profitable but has paid tax rates a little below those expected for a company of its size. This appears to be because losses have been made available to it to reduce its tax bills from other companies within its group.

These two companies apart, the companies surveyed are not making a tax contribution to society as a result of their activities. Nor is it likely that they will do so. The following table indicates the likelihood that these companies might pay tax in the next few years, assuming there are at least moderately profitable at that time:

Table: tax and losses

Company	Tax losses available?	Tax payment likely in the reasonably foreseeable future?
Care UK Health and Social Care Holdings Limited	Yes	No
Circle Holdings Plc	Yes (Not stated - est £133m)	No
General Healthcare Group (GHG 1 (Hospitals Operations) Limited)	Yes (Not stated - est £300m)	No
HCA International Limited	No	Yes
Bio Products Laboratory Holdings Limited	Yes (Not stated - est £46m)	No
Ramsay Healthcare UK Operations Limited	Yes £20,000,000	Yes
Spire Healthcare Limited Partnership	Yes (Not stated - est £300m)	No
The Practice PLC	Yes £14,300,000	No
Optum UK (UnitedHealth UK Limited)	Yes, in UK	No
Virgin Care Limited	Yes £30,093,309	No

HM Revenue & Customs are unlikely to be seriously troubled by corporation tax payments from those companies surveyed that have made losses for some time to come because the losses they have accumulated can be carried forward to be offset against future taxable profits arising before any tax is likely to be due by them. Their contribution to society by way of tax payments on their own income is, therefore, likely to be negligible in the foreseeable future.

Tax Avoidance

Corporate tax avoidance is the activity of structuring a company's tax affairs to make sure it pays less tax than parliament might have intended. It is not about claiming allowances and reliefs due under UK law in the course of a trade: it is about finding ways around that law to reduce payments due now or in the future in ways not sanctioned in UK law.

It is quite often hard to identify tax avoidance activity in the accounts of individual companies. One reason why some companies are quite well known for their alleged tax avoidance activities is that they are the exceptions that prove the rule that identifying such abuse is difficult. For this reason one of the classic indicators of potential tax avoidance activity that is used when investigating this issue is the relationship that a company has with other, related companies, in tax havens. A related company is, for these purposes, one that has common ownership with the one being looked at in the UK.

Tax havens are aptly named. Amongst other things that they do they create tax laws that can be used by companies that are registered in those places to help groups of related companies pay less tax in those countries where they really undertake their activities, such as the UK. The taxes that might be avoided include corporation tax on company profits, but also include income tax and national insurance on payments to

staff and tax and stamp duty arising on the sale of both companies and land and buildings.

Searches have been undertaken on all the companies surveyed to identify their links with tax havens and a summary of the findings is as follows:

Table: companies' use of tax havens

Company	Tax Haven links?	Tax Havens linked to?
Care UK Health and Social Care Holdings Limited	Yes	Channel Islands (Stock Exchange)
Circle Holdings Plc	Yes	Jersey, BVI, Cayman Islands
General Healthcare Group (GHG 1 (Hospitals Operations) Limited)	Yes	British Virgin Islands
HCA International Limited	Yes	USA (Deleware) Bermuda Cayman Islands Luxembourg Switzerland
Bio Products Laboratory Holdings Limited	Yes	Luxembourg Cayman Islands
Ramsay Healthcare UK Operations Limited	Yes	British Virgin Islands
Spire Healthcare Limited Partnership	Yes	Guernsey Luxembourg
The Practice PLC	Yes	Bermuda
Optum UK (UnitedHealth UK Limited)	Yes, via parent company, UnitedHealth Group Inc	Bermuda Cayman Islands Hong Kong Ireland Luxembourg Netherlands Singapore
Virgin Care Limited	Yes	British Virgin Islands and others

Of the ten companies surveyed all have offshore connections.

In some cases the offshore connections are relatively limited, e.g. The Practice seems to have connections through some loan funding arrangements.

In other cases they are explicit and complicated e.g. there appeared to be 13 intermediate holding companies between Virgin Care Limited and its ultimate parent company, Virgin Group Holdings Ltd in the British Virgin Islands. Many of these intermediate companies are themselves offshore.

Virgin is by no means the only company to have offshore ownership. Although Spire has been re-constituted during 2014 as a UK stock exchange quoted company it is still controlled by Guernsey-based private equity operation whilst Bio Products Laboratory Holdings Ltd is owned from the Cayman Islands by Bain Capital, another private equity fund. Circle Holdings plc is another company with strong offshore links, and it is in fact itself a Jersey registered company with a related British Virgin Islands company owning another part of the Circle operation at present.

Other companies make extensive use of offshore structures as part of their group ownership arrangements. So, for example, the General Healthcare Group, which is controlled by a South African company, makes extensive use of British Virgin Islands companies in the ownership arrangements of each of the hospital sites it has in the UK. As a consequence each of those sites is initially owned by a UK company but in every case it seems that the hospital owning UK company is then in turn owned by a British Virgin Islands company, which is then in turn owned by a South African company. General Healthcare Group says that this does not result in any tax loss to the UK, but this is unsurprising at present given that the group as a whole makes a loss. It may well also be the case that corporation tax on trading profit is not the

motive for adopting this structure: it may instead be designed to save tax on capital gains and stamp duty if it sometime any individual hospital site is sold. What seems almost certain is that such a costly and complicated structure would not be put in place unless tax was the motive for it.

Ramsay's rather limited offshore connections are also through a British Virgin Islands property company, although how significant this is to its operations is not clear.

UnitedHealth (Optum) and HCA make their offshore connections through their US parent companies and the extent to which their UK operations are linked to these tax haven based companies is not clear.

Care UK, another private equity owned company, has raised part of its debt through the Channel Islands stock exchange, which is widely recognised as commonly being used as part of tax avoidance arrangements to prevent UK tax having to be deducted from interest paid to taxpayers located outside this country. Care UK also has a related property company that appears to be based in Luxembourg.

Whilst many of these companies with offshore links do not, at present, pay any corporation tax in the UK it may seem hard to accuse them of tax avoidance activity, but the structures that they have adopted do, in many cases, suggest that tax avoidance is at the heart of their business planning and that if, and when, they make profits then these tax structures may well prove to be beneficial for this purpose.

For some this may in fact already be the case. Care UK would, for example, probably be marginally profitable and therefore potentially be a taxpayer but for the fact that it pays much of its very high interest bill to offshore companies who provide it with loan finance as part of the private equity structure through which it is funded. General Healthcare Group also reduces profits in this way, as does Spire. If these

arrangements were not in place all would be more profitable or have the prospect of paying tax in this country sooner than might otherwise be the case.

ⁱ LangBuisson Private Acute Medical Care report, 2nd edition (2013).

ⁱⁱ

http://investor.hcahealthcare.com/sites/hcahealthcare.investorhq.businesswire.com/files/report/file/HCA_2013_Annual_Report.pdf

ⁱⁱⁱ <http://www.bmihealthcare.co.uk/about-bmi/corporate-information>

^{iv} <http://www.corporatewatch.org/news/2012/mar/16/unhealthy-business-major-healthcare-companies-use-tax-havens-avoid-millions-uk-tax>

^v <http://www.standard.co.uk/news/london/london-brothers-behind-a-4-billion-secret-empire-7600590.html>

^{vi} <http://www.hsj.co.uk/hsj-local/acute-trusts/hinchingbrooke-health-care-nhs-trust/updated-hinchingbrooke-in-special-measures-after-care-judged-inadequate/5078091.article#.VL9572dsjbg>

^{vii} <http://www.hsj.co.uk/hsj-local/acute-trusts/hinchingbrooke-health-care-nhs-trust/hinchingbrooke-applies-for-96m-government-bailout/5081967.article#.VNs4iWdsjbg>

^{viii} <http://www.circleholdingsplc.com/investor-relations/shareholder-information>

^{ix} <http://www.babinc.org/aboutus/boardofdirectors>

<http://www.babinc.org/policy/policyinitiatives>

^x <http://www.virginicare.co.uk/about-us/our-history/>

^{xi} <http://www.pulsetoday.co.uk/home/the-big-interview/dr-neil-goulbourne-we-want-to-provide-care-for-as-many-patients-as-possible/20005399.article#.UzAAY16CM7A>

^{xii} <http://www.nhsforsale.info/private-providers/private-provider-profiles-2/care-uk.html>

^{xiii} http://www.corporatewatch.org/sites/default/files/Care%20UK%20Corporate%20Watch%20Factsheet_0.pdf

^{xiv} Bridgepoint Annual Review 2013 <http://www.bridgepoint.eu/en/news/annual-review/>

^{xv} <http://fortune.com/fortune500/unitedhealth-group-incorporated-14/>

^{xvi} <http://www.nhsconfed.org/~media/Confederation/Files/Publications/Documents/there-is-always-a-better-way.pdf>

^{xvii} Optum's GP sites were taken over by The Practice PLC

^{xviii} <https://www.opendemocracy.net/ournhs/lucy-reynolds/selling-our-safety-to-highest-bidder-privatisation-of-plasma-resources-uk>

^{xix} <http://www.independent.co.uk/news/uk/politics/is-there-no-limit-to-what-this-government-will-privatise-uk-plasma-supplier-sold-to-us-private-equity-firm-bain-capital-8718029.html>

^{xx} In this case Philip Morris transferred the ownership of its Australian business to a Hong Kong subsidiary in order to sue the Australian government using a Hong Kong – Australia trade agreement <http://www.independent.co.uk/news/business/analysis-and-features/big-tobacco-puts-countries-on-trial-as-concerns-over-ttip-deals-mount-9807478.html>

<http://www.hcourt.gov.au/assets/publications/speeches/current-justices/frenchcj/frenchcj09jul14.pdf>