

Vince Cable on the Tax Gap

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From the Guardian [blog by Vince Cable](#):

In the case of the UK-based global banks, we have also painfully discovered in recent weeks that the UK taxpayer has vast exposure as a result of the government's role as lender (and, now, investor) of last resort. To see these catastrophically mismanaged institutions going cap in hand to the government while simultaneously organising tax avoidance schemes at the expense of the UK taxpayers beggars belief. One of the important supplementary arguments for the government assuming direct control of the banks it has rescued is to bring such practices to an end.

And:

[T]here is a strong case for a more aggressive approach to tax avoidance. The systematic and widespread avoidance of stamp duty land tax by corporate vehicles can be stopped quickly. More broadly the idea of a General Anti-Avoidance Rule is that tax is applied wherever there is an intention to avoid it, even if the loophole hasn't specifically been identified in advance by the Inland Revenue.

There is only so much governments can do in isolation. Tax arbitrage involves playing off one state against another. Governments can limit that game by co-operating. The British government's dogmatic opposition to any EU tax harmonisation has inhibited sensible, practical initiatives like agreement on a common EU tax base (not harmonisation of rates but agreement to treat depreciation and other accounting conventions in a similar way). Britain has formed a bizarre alliance with Ireland and the Baltic states to block co-operation.

And:

Tax havens are the big challenge for the UK, which has spawned a substantial number in its dependant territories. There has been limited progress in stopping the grosser abuses, such as money-laundering, but non-criminal tax-dodging continues apace. There is now a mood in the Obama administration and the EU to crack down on havens

through such measures as withholding taxes to prevent leakage outside the main jurisdictions. The UK has traditionally dragged its feet on measures to curb tax havens, on the basis that these helped the City of London to attract business. It is to be hoped that straitened fiscal circumstances and a less credulous approach to the City will now persuade the government to turn its guns on the tax havens and tax-avoidance industry.

You can see why this man is thought to have the best economic brain in British politics.