

Tax havens: what we're asking for is transparency...

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I note this morning that Dan Mitchell of the far-right US Center for Freedom and Prosperity has a response [to yesterday's report in the Sunday Mail](#) on tax haven subsidiaries of major UK companies on Forbes. It would be amusing if it did not reveal so much about the thinking of so many who promote tax haven abuse.

Mitchell [says of the report](#):

This [report] is quite akin to the propaganda issued by American statists.

I'm sure the Mail is amused to find itself described as statist! Mitchell really does make clear how extreme his position is by saying so!

But it gets worse when he says:

[C]ould it be the case that leftists on both sides of the Atlantic don't like tax competition? But rather than openly argue for tax harmonization and other policies that would lead to higher taxes and a loss of fiscal sovereignty, they think they will have more luck expanding the power of government by employing demagoguery against the big, bad, multinational companies and small, low-tax jurisdictions.

To give these statists credit, they are being smart. Tax competition almost certainly is the biggest impediment that now exists to restrain big government. Greedy politicians understand that high taxes may simply lead the geese with the golden eggs to fly across the border. Indeed, competition between governments is surely the main reason that tax rates have dropped so dramatically in the past 30 years.

Let's be clear: there is an extremely effective mechanism for determining the tax rates within a state. It is called democracy. When a small elite that control the financial services industry capture the legislatures of secrecy jurisdictions so that they can be used to assault the decisions taken by the electorates of democratic states on the appropriate proportions of tax to be paid out of their GDP and by the various elements that make up their economy then we're not talking about tax competition, we're talking about an assault on the democratic system.

And we're talking about the shift of tax from capital onto labour — which is exactly, I am sure, what the Mail is worried about. It's massive UK readership is made up, by and large, of people who work in employment on middle incomes in the UK. They're not statist: far from it. But they know two things: the first if they're paying the taxes the corporate world is avoiding. Secondly, at a gut, instinctive level, they realise that this assault on the state is going on and the power to address it through the ballot box is being undermined. And they don't like either.

Maybe they perceive some other issues too. Like the fact that major corporates who use tax havens to hide profits have an unfair competitive advantage compared to those small businesses that Mail readers might create. And like the fact that as a result of the use of offshore big business is beginning to, on average, pay lower overall rates of tax than small business. And that the multinational corporation, when combining offshore and group accounts can create almost complete anonymity for what it does — which the growing enterprise in the UK cannot — in my opinion rightly — achieve. But that again tips the playing field against honest, small business.

So much for the freedom and prosperity Mitchell claims to promote. It's as faux as the concern the the supposed UK Taxpayers' Alliance has for the taxpayer. Mitchell supports freedom for his large sponsors (whoever they might be — he's never said) — who if they're corporates might use that freedom to [hoard their cash away](#) from their shareholders, government and productive use. The TPA likewise has no concern whatsoever for the taxpayer — unless they too are the large corporate and a wealthy elite.

So let's be clear what these right wing groups promote. They promote anti-democratic monopoly abuse. This is not freedom or prosperity. What they seek is the right to exploit. No wonder the Mail does not like them — it's instinct is that it is its readership that will be exploited. And their instinct is right.

And what's the demand to tackle this abuse? Firstly, openness, accountability and honesty — that is information on record in tax havens. This is fundamental to the proper operation of markets — which those who propose secrecy seek to undermine. Second, we ask for [country-by-country reporting](#) by multinational corporations. That is a profit and loss account for each and every jurisdiction in which they trade so we know what they do, where. If, as the proponents of tax havens claim, they're so useful why not tell us by how much? What's the problem with that?

Lastly, yes — we do expect tax compliance. That is seeking to pay the right amount of tax (but no more) in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the place and form in which they are reported for taxation purposes. And yes we admit there's a problem for tax havens here. The reality is that in most cases tax haven activity is offshore activity — and that by definition means it records transactions that actually take place elsewhere and not in the tax haven. And if the corporation does that those transactions

can't be tax compliant, also by definition. And we have a problem with that. As does the Sunday Mail.

But this isn't a statist position. It's about believing in democracy, markets and the availability of the information that is essential if they are to work properly, and yes, it's about fair play — which has always meant holding large corporates and monopolies to account.

Isn't it strange that the right claim to be for freedom and prosperity when promoting monopoly, ineffective markets and mechanisms that undermine the credibility of democratic decision making? How can that be? And isn't it obvious in that case why tax justice is now so popular?