

## Where 4 art thou?

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The Mail on Sunday seems to have got it in for tax havens - and those who operate there. And rightly so, of course.

Last week they highlighted the number of subsidiaries UK based multinational corporations have in such places, using methodology I have used in the past.

This week they're back on the trail - highlighting the role of the Big 4 firms of accountants in these locations. As they note today:

*The Big Four accountancy firms have come under attack for maintaining on average more than 20 offices each in offshore tax havens despite countries working together to crack down on tax avoidance.*

*The four firms - PricewaterhouseCoopers, KPMG, Deloitte and Ernst & Young - have 81 offices in offshore tax havens, according to new research by Financial Mail.*

*MP Chuka Umunna, who earlier this month confronted Barclays chief executive Bob Diamond over the banks' 300 offshore subsidiaries, said: 'There's a whole industry out there dedicated to helping people avoid tax that will increasingly come under the microscope.'*

This work also seems to be based on methodology I have used before now - and I've got no complaint about that. Using a broader definition of tax havens / secrecy jurisdictions than The Mail has used I published a paper on this issue last summer, available here. I'd stress that it has been suggested I overstated the number of locations PWC have on Hong Kong: that aside I stand by the research.

And as I said in my paper, there is, I am sure, nothing illegal about what the Big 4 are doing. But as I also note:

*[This paper shows] that the [Big 4] act as auditors and advisers to almost all*

*multinational corporations. It is shown that they have prevalence in secrecy jurisdictions that cannot be explained by local commercial need. It is shown that those places in which they are present have much higher incomes per head of population than is to be found in those where they are not present. It is suggested that this is not the result of local characteristics of the places in which they are located but is the result of income being transferred into these locations for accounting purposes, a process which their presence would assist whether directly or indirectly.*

And if there is reallocation of income to secrecy jurisdictions in which the Big 4 operate then it has to come from somewhere. That somewhere might be the UK, in which case, as the Mail is no doubt suggesting, it is at cost to the ordinary taxpayes of the UK. And if it is from developing countries it creates poverty - an argument many NGOs who work in developing countries have made. And that can cost lives when necessary resources are denied to the poorest people in the world.

I repeat, nothing illegal may be happening. After all, few tax havens / secrecy jurisdictions have transfer pricing legislation to make such practices illegal so it's hardly surprising that what goes on in such places can meet legal expectations. That's not the point though. There is a cost all the same. And one that is unacceptable to the UK, and the people of developing countries.

And the Mail is right to highlight that.

And in the circumstances the refusal of the Big 4 to answer the questions the Mail put to them is all the more telling. It's time they were held to account for what they do. After all, that's the very core of what they're meant to be about, isn't it?