

Monbiot on the great UK corporate tax heist

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The George Monbiot [had a first-rate article in the Guardian today](#). In it he wrote:

At the moment tax law ensures that companies based here, with branches in other countries, don't get taxed twice on the same money. They have to pay only the difference between our rate and that of the other country. If, for example, Dirty Oil plc pays 10% corporation tax on its profits in Oblivia, then shifts the money over here, it should pay a further 18% in the UK, to match our rate of 28%. But under the new proposals, companies will pay nothing at all in this country on money made by their foreign branches.

Foreign means anywhere. If these proposals go ahead, the UK will be only the second country in the world to allow money that has passed through tax havens to remain untaxed when it gets here. The other is Switzerland. The exemption applies solely to "large and medium companies": it is not available for smaller firms. The government says it expects "large financial services companies to make the greatest use of the exemption regime". The main beneficiaries, in other words, will be the banks.

But that's not the end of it. While big business will be exempt from tax on its foreign branch earnings, it will, amazingly, still be able to claim the expense of funding its foreign branches against tax it pays in the UK. No other country does this. The new measures will, as we already know, accompany a rapid reduction in the official rate of corporation tax: from 28% to 24% by 2014. This, a Treasury minister has boasted, will be the lowest rate "of any major western economy". By the time this government is done, we'll be lucky if the banks and corporations pay anything at all. In the Sunday Telegraph, David Cameron said: "What I want is tax revenue from the banks into the exchequer, so we can help rebuild this economy." He's doing just the opposite.

Monbiot is exactly right. I warned [of this last December](#). Richard Brooks of Private Eye advised George Monbiot on the article. I think it technically accurate. And the warnings that are made are also appropriate: this is an enormous and deliberate tax heist, unavailable to small companies but deliberately designed to make sure that the largest companies obtain substantial tax benefits which can only be used to firstly

boost bonuses and directors remuneration and secondly to increase the worth of the already enormously rich tiny minority in the country who own the majority of such companies (yes, including through their pension portfolios).

I'm also delighted to note George Monbiot's comments on Nick Shaxson's book 'Treasure Islands'. As he says:

I used to think of such processes as regulatory capture: government agencies being taken over by the companies they were supposed to restrain. But I've just read [Nicholas Shaxson's Treasure Islands](#) — perhaps the most important book published in the UK so far this year — and now I'm not so sure. Shaxson shows how the world's tax havens have not, as the OECD claims, been eliminated, but legitimised; how the City of London is itself a giant tax haven, which passes much of its business through its subsidiary havens in British dependencies, overseas territories and former colonies; how its operations mesh with and are often indistinguishable from the laundering of the proceeds of crime; and how the Corporation of the City of London in effect dictates to the government, while remaining exempt from democratic control.

Both Nick and George are right. As Monbiot concludes:

Ours is a semi-criminal money-laundering economy, legitimised by the pomp of the lord mayor's show and multiple layers of defence in government. Politically irrelevant, economically invisible, the rest of us inhabit the margins of the system. Governments ensure that we are thrown enough scraps to keep us quiet, while the ultra-rich get on with the serious business of looting the global economy and crushing attempts to hold them to account.

I would love to disagree with that, but it is increasingly hard to do so. You only have to stand back and look at what this government is doing to realise that whilst George Monbiot may use evocative language he is also describing a situation that exists.

No wonder people are angry. When the odds are blatantly stacked against them, is there any surprise that some least, and I suspect over time a growing number, will become increasingly frustrated by the injustice within this system?

A wise government would take action now to prevent that sense of injustice. My concern is that I doubt that we have a wise government.