'Tax efficient supply chain management' - or how KPMG s...

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I was amused to find this on the KPMG UK web site under the heading Tax Efficient Supply Chain Management:

TESCM integrates supply chain design with tax optimisation delivering significant increases in profits. It is based on the premise that incorporating tax arbitrage into supply chain structures (typically by optimising the location of the key supply chain functions, assets and risks) realises benefits well beyond conventional operational savings on their own. TESCM is especially topical as tax authorities are challenging traditional tax planning structures and products. At the same time businesses are changing their operating models in response to the economic downturn.

Now let's remind you first of all that KPMG operates in 47 of the 60 secrecy jurisdictions surveyed by the Tax Justice Network as part of its Financial Secrecy Index work. The reality is that if a place is a major tax haven / secrecy jurisdiction then KPMG is there.

And next let's unpack what their web site says.

"Tax optimisation": = tax avoidance to transfer tax due into private profit

"Tax arbitrage" = trading off the tax system of one state (usually a place like the UK) against the tax system of another state (usually a tax haven)

"Optimising the location" = artificially transferring or relocating solely to get a tax gain

"Relocating risks" = claiming risk is in tax havens through reinsurance contracts, hedging and other artificial means which have no overall impact on the overall profit or loss of a deal

"well beyond conventional operational savings" = we're bereft of entrepreneurial insight but we know how to play the tax system for the advantage of the already well off

"tax authorities are challenging" = so let's relocate things to secrecy jurisdictions where they're hidden from view

"changing their operating models" = we don't try to make money anymore, we just try to abuse the tax system - it's easier than the hard work of actually making things

"economic downturn" = nobody wants what we make so we'll capture state revenues instead.

So what does all this actually mean? Simply this: KPMG will shift key parts of your supply chain into tax havens, setting up insurance, licensing, hedging, marketing, transport and other supposed functions in those locations each of which can take a chunk of the profit and leave it there tax free - an activity all being heavily promoted by George Osborne who has, by promising a move to territorial taxation in the UK guaranteed that all such profits will stay out of the UK tax net. Talk about looking after his friends and guaranteeing his own future income from grateful companies!

That's modern capitalism for you, in a nutshell. Just a giant con-trick because it's bereft of any real innovative or entrepreneurial ideas.

And KPMG are, of course, pillars of society for doing this: something that their apologists repeatedly say does not happen, but which they're openly advertising.

Time for a reappraisal, I think.

And it's also worth a mention that there's something that could easily expose this abuse: it is, of course, country-by-country reporting. No wonder the Big 4 and their clients are so heavily opposed to it.

Note: I was trained by Peat Marwick Mitchell & Co, now KPMG. I left a long time ago, and for good reason.