Funding the Future

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As the FT notes this morning:

Banks and foreign governments are mounting an increasingly desperate push against a sweeping US tax law that will force overseas institutions to report their American clients to the Internal Revenue Service.

The Foreign Account Tax Compliance Act was passed by Congress last year and comes into force in 2013. Last week, senior bank executives implored Tim Geithner, US Treasury secretary, to modify the law, according to people familiar with the meetings.

So what's the law about?

The legislation is part of a global push against tax evasion

Which is surely a good thing. Well, no, not if you're a bank. Look who's opposing it:

Disclosure records show groups including Switzerland's Credit Suisse, Barclays of the UK and TD Bank of Canada have together spent millions of dollars lobbying on the issue.

Some of the usual suspects then.

And why are these banks doing this? Becasue they say it will cost too much to stop tax evasion. Which of course is not true: what these banks are actually saying is that they don't want to bear the costs of their supplying their clients with the facilities to tax evade: they'd rather society bore that cost instead.

Not good enough is my message to the banks. And the Obama administration is saying the same too, thankfully. As the report also notes:

In their international search for revenue, [US] officials have rejected the sort of bilateral deals that Germany and the UK are negotiating with Switzerland, which would see Swiss authorities levy taxes on behalf of the country that is owed revenue, but not provide customer information.

Quite right too: this is not just about cash; this is about catching criminals. Tax evaders are criminals and any deal that lets them hide their crime in Switzerland for good is, well, a crime.

It's a pity our Treasury, with its lax attitude to tax evasion and ready willingness to do make settlements doesn't see it that way.