

Why corporate abuse of tax havens matters

Published: January 13, 2026, 7:06 am

The almost inevitable response to [Action Aid's report](#) on tax haven abuse by major corporations has already arrived on this blog. [It says](#) (and I have tidied the grammar a little):

The whole tax haven thing is nonsense, Where do companies like Vodafone get the money to pay taxes? From their customers, so by asking for corporations to pay more taxes you are implicitly saying you want the cost of things you goods/services they provide to go up in price.

Such claims are simply wrong. This may be how the world work's on the neoliberal economists blackboard. It;'s not how the world really is.

Let me for a moment unpack some of the assumptions inherent in this claim:

- 1) A company only generates cash inflows from customers;
- 2) The company has no choice about paying tax;
- 3) The company can always pass any tax charge it has to pay on to customers;
- 4) The company is a neutral party in all this: a rational, automaton, independent agent;
- 5) No one else but customers can pick up the tax charge placed on a company and it follows that customers get the benefit of law taxes.

None of these things is true.

First, companies are massive recipients of tax benefits. They get trained staff, for free. Their staff get healthcare provided for free, meaning they turn up in the morning. When staff can't work they're cared for by the state, for free. Much of staff's pension is paid for by the state, not by an employer. The company enjoys the infrastructure of the satte, for free (or very little). Even the company structure itslef and the right for it to claim property is provided by the state, for next to nothing. So it's not true that cash

into companies comes only from customers. Massive subsidies come from the state to all business.

Despite this a company has a massive choice about where and how to pay or not pay tax, which is what Action Aid were highlighting. It can relocate profits almost at will, and [as the report from the US I have referred to this morning shows](#), that is exactly what they do. And they take these choices to benefit a particular group in society - and that's the well off and not customers.

Third, there's no evidence at all that companies can necessarily pass on all tax they pay to customers. If they can then it is very obvious that competition is not working - because if it were that would not be true. So free-marketeers can't have it both ways. Either competition prevents generic passing on (generic VAT rises perhaps apart) or the fact that tax is passed on proves that monopoly power is in operation and a bigger issue arises of tackling it.

Fourth, companies are biased in this. I again refer to the report from [Carl Levin in the US](#). If tax haven use clearly benefits a few at cost to the many companies choose to do that. Never ever believe any claim that companies are neutral agents: they are not. They exist to redistribute income to their management first and members second unless competition prevents it. The evidence is clearly that the competitive pressure is not there - but in that case that is the issue that needs to be addressed.

And finally, if real markets existed then shareholders would pay the cost of extra tax just as right now the benefit of that abuse does not flow to customers but goes instead to shareholders. And if the benefits flow to shareholders then we need to ensure that the costs do too. But tax havens prevent that. And that's why they matter. Because they increase poverty. And that's not by chance. That's by choice. And it is a choice that has to be prevented.