

# Why tax evasion matters so much

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The research the Tax Justice Network has published this morning on tax evasion is, I think, shocking.

The [full report is here](#). I've posted a [summary table of tax evasion for 145 countries](#), here.

The real question is why does this matter? What's the problem with the UK losing £69.9bn a year to tax evaders? What's the problem with Italy losing €183bn a year as a result of its 27% shadow economy - a shadow economy of the same size as that in Greece and more than twice the size of that in the UK?

The answer is that it matters for three reasons. The first is that we wouldn't have a world economic crisis now if we hadn't had tax evasion. The current crisis focuses on the Euro. Italy is at its epicentre. It has external debt of €1.9 trillion. If only it had suffered the UK's rate of evasion in the last decade then its deficit would be less than half that sum now. The same would also be true for Greece, and only slight less so for Spain. In other words, if tax evasion in these countries had been taken seriously and been tackled in these countries we would not have a Euro crisis today. That's how important tax evasion is.

Something similar could be said for the UK. The USA has an evasion rate about two thirds that of the UK. If we had reduced our tax evasion rate to US levels in the last decade we might owe £200 billion less in debt now. Alternatively, cuts of more than £20 billion a year could be avoided in the UK economy now with our debt still being tackled at the current rate. That could prevent most of the current stress in the NHS; sixth formers would still have maintenance allowances and we might not be facing a national strike next week. That's how important tax evasion is. We wouldn't need cuts if we tackled it.

Perhaps as important as either of those is, however, the long term impact of tax evasion. When tax evasion is widespread, and that's obviously true in Greece and Italy but it's also becoming the case in the UK too, then honesty goes out of the window. No

one knows who to trust. No one can succeed running an honest business. Corruption becomes endemic. And with that all prospects for investment in growth, wealth creation, public goods, our future, the elderly, the young and the disadvantaged disappear too. In other words, tax evasion creates poverty.

That's why tax evasion matters.