

George Osborne will strip Â£4 billion from developing...

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Action Aid has issued a press release today saying:

Ahead of the most important austerity budget in a generation, the government plans to open up a huge new tax loophole that will cost ordinary people around the world billions warns ActionAid in a new report '[Collateral Damage](#)'. The international development charity has revealed that this loophole will allow UK based multinationals to avoid an estimated £4 billion worth of taxes in developing countries and will also cost the UK Treasury £1 billion.

They add:

Until now, the UK's anti-tax haven rules have provided a deterrent to companies seeking to avoid paying taxes in Britain and poor countries alike. The proposed changes will make it easier and more lucrative for UK companies to dodge tax in developing countries.

And as they note:

A recent UK opinion poll commissioned from YouGov by ActionAid also shows strong demand for tougher government action on corporate tax avoidance with 79% saying the government isn't doing enough to tackle tax avoidance.

The results revealed widespread support across the political spectrum and in all regions.

- 74% of Conservative voters, 83% of Labour voters and 87% of Liberal Democrat voters said the government should be doing more to tackle tax avoidance.*
- 72% said that companies that use legal loopholes to avoid their tax bills in the UK or developing countries were behaving irresponsibly.*

I am quite sure those figures accurately reflect sentiment.

And Action Aid are also right to highlight the problem with the UK's reform of the so called 'controlled foreign company rules'. I explained this issue [for the TUC in June last year on pages 20 - 25 here](#). The abuse these changes in the rules will allow is real. The cost will be as big as Action Aid estimates. And that, in itself, simply adds to the tax abuse to the poorest countries of the world by the richest corporations in the world.

According [to the Independent](#) The Treasury said on this:

The Treasury denied creating a loophole and dismissed ActionAid's estimates. A spokesman said: "The CFC rules are designed to protect the UK tax base from artificial diversion of profits. The best way to prevent tax avoidance in developing countries is by helping them to develop robust and stable tax systems which enable them to collect the tax they are owed. The UK delivers targeted and effective support to make this happen."

First of all, no it does not deliver enough of that support.

Second, it is stalling on country-by-country reporting that would make it so much easier for these countries to get the information they need to collect the tax really due to them.

Third it is blocking automatic information exchange to them.

So candidly the response is a load of rubbish. Which is, I'm afraid, what I'd expect.