

The tax avoidance Osborne won't tackle tomorrow

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I've [already explained](#) that the general anti-avoidance rule (GAAR) that George Osborne will announce tomorrow will be no such thing, so it's best to explain why.

I [wrote a paper on tax havens for PCS last year](#). In it I explained the basis of most tax avoidance, which I said is based on a person or company seeking to do the following:

- * Reallocate their income to a person or entity that has a lower tax rate than the individual whose activity really generates the income. The people or entities to whom the income is diverted might be:
 - * Other members of a person's family e.g. a spouse or children;
 - * A trust for the benefit of a person's family;
 - * A company owned by the individual but taxed at lower rates than those they might enjoy;
- * In the case of those who can do so (which is mainly those not domiciled in the UK), an offshore company or trust.
- * Change the location of a transaction. This is much easier for those not domiciled in the UK than for those who are so domiciled, but in both cases the opportunity exists if care is taken to relocate a transaction out of the UK if commercial justification for doing so can be created, with lower tax being paid in many cases as a result.
- * Change the nature of a transaction so that it appears to be something different from what it actually is. This is commonplace, the most popular tactics being to:
 - * Convert income into capital gains, which are almost always taxed at lower rates;
 - * Convert earned income into unearned income such as dividends to avoid national insurance charges that only apply to earned income;
 - * Provide benefits in kind to an employee that are taxed at less than their full value.
 - * Delay recognition of income e.g. delaying a bonus so that it is taxed later, so saving on cash flow in the meantime.

* Obscure the information available on a transaction, at which point tax avoidance begins to blur into tax evasion, but for which tax havens are very useful indeed.

Point five may just be touched by Aaranson, but only just.

All the rest will carry on unhindered - because [he's said in his report](#) that:

I have concluded that introducing a broad spectrum general anti-avoidance rule would not be beneficial for the UK tax system. This would carry a real risk of undermining the ability of business and individuals to carry out sensible and responsible tax planning.

So business as normal then, triples all round and another load of hogwash from George Osborne.