The government knowingly created a massive new tax avoi...

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As my TUC colleague Nicola Smith pointed out on the Touchstone blog yesterday:

[The AutumnStatement] provides costings for the new employment rights for shares scheme— the costs of which are estimated by the Exchequer to be £80 million by 2017-18. But the OBR also note that:

There are a number of uncertainties about the costing….the cost is expected to rise towards £1 billion beyond the end of the forecast period….it is hard to predict how quickly the scope for tax planning will be exploited; again this could be quantitatively significant as a quarter of the cost already arises from tax planning.

Now when even the OBR is setting the alarm bells ringing about the potential cost of abuse on this issue we should all be worried. As Nicola continued:

If a quarter of the budgeted costs arise from tax planning that means this new measure has already introduced a loophole that will cost the Exchequer £20 million a year by 2017/18. But given the OBR suggest that the costs of the policy will rise to £1 billion shortly after this period (presumably in 2018/19) their analysis suggests that by this point avoidance will be costing the taxpayer £250 million a year — a quarter of a billion. This puts the £10 million that Starbucks have apparently today agreed to pay into sharp relief.

These costs are not a surprise, given the the Government have already set out *how the tax avoidance opportunities could work. But considering that* fewer than five *respondents to the Government consultation on this issue are supportive of it, and that it's set to cost 40% more than the Chancellor's much touted tax repatriation from Switzerland will raise, should it not be dropped?*

Definitely.