

Tax avoidance happens - but the deniers are getting out...

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The fight back against the suggestion that companies are tax avoiding is well under way. [John Gapper is arguing in the FT today](#) that companies like Starbucks simply complied with the law and that as a result no tax avoidance took place. The same argument has certainly been made by commentators on this blog. And I have to say I have no truck with it, not least because the argument is utterly illogical. I well remember the form of it put to the BBC by a tax avoider whose affairs were being investigated as a part of a programme I was working on, which was "I did not avoid tax because there was no tax due. As such there could not have been tax avoidance because you cannot avoid what is not owing".

The argument was, of course, absurd: the avoidance was in putting in place the structures that ensured that no tax was due. The avoidance was confirmed and not denied by the outcome, and yet Gapper clearly buys this logic in the FT. He's wrong to do so. [As I mentioned yesterday](#), evidence from the USA is very clear: substantial profits are recorded in countries like Bermuda, the Netherlands and Ireland where the levels of economic activity of the countries recording those profits in those places cannot justify the levels of name recorded there. That profit shifting into those low tax locations is not chance, it is deliberate. The tax avoidance takes place when structuring companies to achieve that outcome.

Where Gapper has a point is in arguing that it is hypocritical of a country like the UK to complain when it is so obviously engaged in tax competition itself. I have sympathy with that argument, but then I have always been quite willing to recognise the role of the UK as a tax haven, for that is what it is. Making this point does not, however, mean that companies are not tax avoiding as Gapper (who interviewed me when preparing his article) seems to think. Far from it: tax avoidance has always at least in part existed with the active connivance of some governments, and the current UK Tory government is both blatantly promoting tax avoidance whilst criticising it with a split personality that typifies its absence of real thinking, let alone strategy, on so many issues. Tax avoidance is happening therefore, no mistake about it.

Let there also be no mistake about it that tax avoidance could not happen without

active commercial support. That is what this morning's [hearing before the Public Accounts Committee is about](#). I will be tweeting it live.