

Barclays and tax avoidance

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It is widely expected that Barclays will announce that it is shutting its structured tax avoidance activities department this morning. In that case it is worth a reminder of just how costly this activity has been to the world. As the [FT reports this morning](#):

Bank of New York Mellon said it expects to take an \$850m charge after a US court barred the bank from claiming millions of dollars worth of foreign tax credits arranged by Barclays.

The US Internal Revenue Service has been seeking to revoke the tax benefits claimed by several financial institutions through deals known as Structured Trust Advantage Repackaged Securities, or Stars. The government's suit of BNYMellon is widely viewed as a test case for the credits, and Monday's decision by a US tax court could lead to similar charges at other US banks.

This is the scale of the tax abuse it tried to arrange.

In reality I don't think it has stopped as a result of any change of heart on its part. I think it has stopped for other good reasons. First of all, as the above case proves, its products weren't working. Their highly artificial nature was already attracting attention.

Secondly any GAAR would stop much of what Barclays was doing.

Third, the change in the tax environment, created by tax campaigners, has killed whatever remaining market there was for such abuse amongst Barclays customers.

I'm not saying tax abuse is dead: far from it. But Barclays has seen that this type of abuse is dying. Getting out of the market is a pragmatic decision on its part. What are needed now are measures to make sure it never goes back.