We are light years away from the days of Cadbury capita...

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Prof Prem Sikka of Essex University wrote the following article with the above title for The Conversation. I reproduce it her with his permission:

The tax debate offers insight into the possible trajectories of capitalism.

Organised tax avoidance does not create anything of social value, but encourages concentration of wealth in relatively few hands. It is part of the unsustainable technique for increasing short-term profits. Companies have become adept at increasing profits through imposition of wage freezes of workers and dilution of their pension rights. This has been supplemented through management of how and where taxes are paid.

Public attention is now focused not only on the tax practices of multinational corporations, such as Google and Amazon, but also on traditional retailers such as Marks and Spencer. And then there is the tax industry. This is dominated by accountants, lawyers and finance experts. The role of the Big Four accountancy firms — KPMG, PricewaterhouseCoopers (PwC), Deloitte and Ernst & Young — in designing, marketing and implementing complex tax operations has been scrutinised by the House of Commons Public Accounts Committee (PAC). The firms employ thousands of young graduates for the sole purpose of devising tax schemes for their wealthy clients.

Anyone looking at the websites of accountancy firms will see claims of ethics, integrity, and a burning desire to serve the public interest and uphold the law. Yet, following a briefing from a former PwC insider the PAC chairperson said (see page Ev4) that the firm "will approve a tax product if there is a 25% chance — a one-in-four chance — of it being upheld. That means that you are offering schemes to your clients where you have judged there is a 75% risk of it then being deemed unlawful".

The PwC partner at the committee's hearing denied that the threshold was so low. Partners from other firms claimed their thresholds were 50%. By their own admission the firms are selling tax avoidance schemes with the knowledge that there is a 50% chance that their practices will be found to be unlawful. The firms know that in the age of austerity the tax authorities will never have sufficient resources to challenge them. So they continue, with the sole aim of producing private profits.

We are light years away from the capitalism of Cadbury and Quaker, which had some social conscience. Highly organised tax avoidance is the outcome of the relentless promotion of enterprise culture and deregulation over the last 35 years. It has persuaded many to believe that 'bending the rules' for personal gain is a sign of business acumen. Any 'deal', regardless of the social consequences is considered to be acceptable as long as it produces private profits, especially where competitive pressures link promotion, prestige, status and reward, markets, niches with meeting business targets. Those able to sail close to the wind are seen as financial wizards, media stars and are much in demand. The shame no longer resides in participation in activities that undermine social fabric, or even in being caught. Fines and sentences have just become another business cost.

In March 2013, Ernst & Young paid a fine of $123 million to the US tax authorities to resolve allegations of tax fraud. The firm admitted wrongful conduct by certain partners and employees. A number of its former personnel have received prison sentences. Previously, KPMG paid a fine of $456 million after admitting "criminal wrongdoing"over the sale of avoidance schemes and a number of its former personnel also received prison sentences. Despite massive reductions in the rate of corporation tax and top rates of personal income tax, the tax avoidance industry shows no sign of abating.

A large number of tax avoidance schemes have been declared illegal by the UK courts. The UK Ministers have referred to the schemes marketed by the big accountancy firms as "blatantly abusive avoidance scams", but this has not been followed up with any investigation, inquiry, prosecutions or fines. No accountancy firms has ever been fined or disciplined by its professional body for selling unlawful tax avoidance schemes. In fact, there are no negative consequences for the designers of such schemes.

The big firms, HMRC, the Treasury and senior civil servants and politicians (see chapter five for evidence) maintain a close relationship. The firms provide jobs for some former and potential ministers. They donate money and services to political parties/former partners now hold senior positions at HMRC and the Treasury.

Democracy is a major casualty of a rampant tax avoidance industry. We can all be persuaded to vote for a political party that promises investment in education, healthcare, pensions, security and transport, but the ultimate veto rests with the tax avoidance industry and its clients. They can scupper any chances of public investment by designing schemes that erode tax revenues. The result? The loss of hard won social rights and inability of governments to deliver on their promises.