

## Wonga goes to Switzerland

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The Daily Mirror has a story on Wonga this morning, [reporting that](#):

*Payday lender Wonga has moved key parts of its business to Switzerland in a move that could slash its tax bill, experts have revealed.*

*The controversial firm [began lending to UK customers](#) through its Swiss operation last year — even though it does not offer loans to people in Switzerland.*

Wonga's main UK arm [paid £38.5million last year](#) to its sister company in Switzerland, a notorious tax haven where foreign firms can pay as little as 1% tax.

Tax experts told the Mirror that the set-up could be used to reduce the company's tax bill in the future, but Wonga denied it had used an "artificial or aggressive scheme" to avoid tax.

As the Mirror reports:

*Corporate Watch began an investigation after Wonga's new office opened last year in the Swiss city of Geneva.*

*Richard Whittell, from Corporate Watch, which hails itself as a research group supporting the anti-corporate movement, said: "Wonga needs to explain why it's moved key parts of its business to a country it doesn't even make loans in."*

Wonga's defence is:

*Wonga said the payments to Switzerland were made "in the usual run of business".*

However, that makes no sense: Switzerland is simply not the normal place for a UK based doorstep lender to begin routine back office and credit processing. It may well be that is where Wonga has decided to locate its business but that does not make it usual. But it's important to say, and I am sure it is true:

*There is no suggestion that the firm's tax affairs have broken any laws.*

What the Mirror does seem to know is this:

*It is not known how much profit Wonga's Swiss firm made or how much tax it paid as not all companies in Switzerland have to publish accounts.*

*Last year Wonga transferred the ownership of its trademark from its UK parent company to the Swiss subsidiary. This included "computer software for enabling financial transactions".*

*The arrangement could see Wonga's businesses around the world, including the UK, paying "royalty" fees to Switzerland every time a loan is issued.*

And, it is only fair to note:

*A host of Wonga execs such as chief operating officer Niall Wass are now based in Geneva.*

This may suggest that this is about personal tax as much as anything else: it's imply not known. But:

*Asked if Wonga would publish the accounts for its Swiss subsidiary, a spokesman said: "Wonga is a private company. We are not required to respond to questions about our accounts, which are published in full compliance with our disclosure obligations."*

*He added that the firm had kept its headquarters in the UK "despite the increasingly international nature of the business", and said the Wonga group paid £21.8million in UK corporation tax last year. This is understood to be at a level effectively higher than the standard UK tax rate.*

However, as the Mirror then notes:

*But experts said Wonga's Swiss operations could be used legally to reduce future tax costs.*

*Richard Murphy, from Tax Research UK, said: "This kind of transfer is a classic way in which companies try to move profits between countries to slash their tax bill. It is legal but provides opportunities for firms to shift profits to low tax countries.*

*"It's very hard to explain why Wonga would shift a key business process of this sort to Switzerland if that was not its aim."*

*Paul Bramall, of tax consultancy Gabelle, said: "This looks like a similar arrangement to the one used controversially by Starbucks. It appears that Wonga UK are paying a royalty fee to Switzerland for the use*

*of the company trademark here in the UK. This reduces the profits in the UK for tax purposes."*

And that's the point: this may be legal, but the fact is that all tax avoidance is legal and yet is now widely recognised to be unacceptable in some cases. That's the basis of much of the OECD's Base Erosion and Profits Shifting project which does specifically look at issues such as moving intellectual property.

Wonga has done nothing wrong.

But equally it now has even more questions to answer about the way it does business.