

If the US is not going to stand up to tax abuse then we...

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The FT [has reported this morning that](#):

The US ambassador to London said on Tuesday he believed Facebook, along with other US companies such as Amazon, Google and Starbucks, were doing nothing wrong by using legal methods to cut corporation tax bills in the UK.

Asked if such companies were “tax dodgers”, Matthew Barzun said: “No. These companies are clever about using international rules that exist as written by all of us – UK and US officials. We made these rules and they are playing by them.”

This is worrying.

First the pretence that officials write the rules and companies use them is either naive or its disingenuous. The comment ignores the enormous amount of lobbying effort that many companies put into getting rules that suit their purpose. I have seen companies engaged in such efforts. For the Ambassador to suggest the companies are innocent parties is simply wrong.

Second, to suggest that the rules are written solely by UK and US officials is also either naive or disingenuous. Profit shifting exists with the active assistance of governments of outright tax havens like Luxembourg or places like Ireland and the Netherlands, which are as culpable. That's the whole point of profit shifting: money ends up where it does not belong. The Ambassador is denying reality.

Third, it's not clever to avoid tax: tax avoidance is anti-social behaviour of the highest order. It may require the application of intelligence to achieve its goal but to suggest that it is clever implies it is also wise and it is very far from that.

But the most important thing about these comments is that I very much doubt that the Ambassador made his comments without them being sanctioned in advance. The context may be the 'Google Tax' on which we may hear more today. He says he hopes US companies will comply but he has also said tax has been a thorny issue in US - UK relations, and I strongly suspect that the Google tax will create more problems within

that relationship.

To some extent that is why I think what George Osborne is doing is unwise because whatever the detail is what he is doing with the Google tax has the capacity to undermine the OECD's BEPS process to which the US is supposedly committed, but with much less enthusiasm than EU based countries show for the process. If the Ambassador is actually signalling the US is not committed to BEPS or is flying early flags of protest on the Google tax then we all need to take note. The US is no lover of demands that its corporations pay tax outside that country, absurd as their logic might be. Tax wars could follow if they do not cooperate with attempts to stop abuse by such corporations though. And tax wars can be as destructive as tax competition, of which they are just a variant. These comments, and the misrepresentations they include are then, if they truly represent US thinking, worrying as a result.