Funding the Future

A budget for the UK's tax avoiders

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For a long time most people have associated tax avoidance with big multinational companies.

George Osborne took some welcome steps to tackle them today: I must give credit where it is due. UK companies taken over by foreign owners who then pile then up with debt to cancel their profits will see that game brought to an end. Think Boots. Think Manchester United. Think the AA.

And companies who try to shift profits to tax havens by relocating the ownership of patents and copyrights to such places, for which they then pay a royalty, will have to pay UK tax out of the payment made. That effectively brings this income back onshore. Think any large multinational doing R&D.

There are also very welcome measures to hit offshore property developers.

But please don't think it is all good news. If George Osborne was really serious about tackling offshore today he would have announced public country-by-country reporting, and he didn't so we still don't know who really needs to be brought to account.

But worse, he opened up massive new tax avoidance opprtunities within the UK. The bigger the difference between income tax rates and corporation tax rates the bigger is the incentive, and the greater is the saving, from running a business through a limited company. Up and down the country accountants will be selling this, literally right now.

And the cuts in capital gains tax will be also be sending those same advisers into fever pitched excitement as they work out how to turn income into gains to save up to 25% tax for some clients.

Don't be fooled: this was a great day for the tax avoidance industry, but just not the bit we're used to looking at.