

Tax competition

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I spoke at a meeting of the Tax Justice Network in Luxembourg last night on the theme of tax competition.

These were my speaking notes:

- * Tax competition
- * The Panama Papers
- * The evidence that tax abuse take place on the industrial scale we have always expected
- * And evidence of the enormous use of one of the most egregious tax havens - almost 2,000 registered advisers having referral links
- * Appropriate political fall out
- * And some immediate, if largely inconsequential, changes to EU country-by-country reporting
- * And an appropriate back drop to next month's world corruption summit
- * Where it is already clear the UK will not rise to the challenge with regard to its own tax havens, which has fatally undermined the process before it has even begun

- * But there's a need to step back to ask what this issue is really all about
- * Because for all that is said offshore tax abuse is not as important as domestic tax abuse
- * And more tax evasion is done by small business than multinational companies
- * But I do argue that tax havens are at least as pernicious as everyone thinks they are, because their impact on our society is so wide

- * In an article in the FT today it was argued that tax havens
- * Facilitate trade, investment and economic growth
- * Have helped world GDP double in two decades
- * Have especially helped developing countries by connecting them to world markets
- * Are amongst the best regulated jurisdictions in the world
- * Have opened up China
- * Raise the status of the UK in the world
- * Increase UK employment
- * Tamper with tax havens at your peril, Richard Hay
<http://app.ft.com/cms/s/3a19652c-00b5-11e6-99cb-83242733f755.html>

- * But note the title
- * Written by a lawyer well known for acting on behalf of tax havens
- * There is a threat implicit in there
- * And note what the author says makes tax havens work
- * British law
- * British back up
- * The implicit British guarantee
- * This article was written for a primarily UK audience but a great deal would apply to Luxembourg
- * Except here you would argue long established law
- * Excellent communications
- * The backing of the EU
- * And the membership of the Eurozone might (maybe) achieve the same outcome
- * There are three things to note
- * First there is nothing at all to support these claims.
- * Nothing but a little dubious accounting related to even more dubious tax reporting ever happens in a tax haven
- * There is no money in tax havens - nothing can be made there because nothing happens within them

* To therefore take claim for the hard work and achievement of others is an act of the most staggering arrogance

* This is the arrogance of financial wealth

* That claims credit is due to the owners of money because 'they're worth it'

* And in case you're in doubt they're willing to threaten you into agreement

* They know the claims made are not true

* As the article makes clear, the reality is that taxhavens actually free ride on the legal systems, regulation, enforcement and capacities of other nations whilst celebrating their own supposed absence from red tape. The hypocrisy is staggering

* So what is really going on?

* There are, again, three things to note

* First, let's be clear what tax havens do

* They provide secrecy as cover for

* Tax abuse

* Regulatory abuse

* Competitor abuse

* Creditor abuse

* Spouse or family abuse

* They provide low or no tax regimes

* To deliberately undermine other government's choices

* To impose constraint on democratic choice

* To create unlevel playing field for those able to access these rates

* To shift the burden of tax from capital to labour

* They provide a mechanism for the unaccountable flow of capital

* So let's also be clear what they do not do

* They do not create anything

- * They do not add value
- * They do not deliver real returns
- * They are mere conduits

- * In the process they
- * Deny the information markets need to operate efficiently in accordance with the standard economic theory of markets
- * They bias access to capital
- * They provide artificial barriers to market entry for others
- * They deliberately distort competition
- * They encourage the aggregation of financial wealth as if promoting monopoly
- * As a consequence they increase local and global inequality
- * Whilst undermining faith in
- * Free markets
- * Democracy
- * The financial system
- * Society

- * This is the foundation of so called tax competition
- * Tax competition cannot exist without tax havens
- * As their supporters make clear, tax havens are the locations from which tax competition is pursued
- * But this is not competition or anything akin to it
- * It is in fact the exact opposite: the whole purpose of tax competition is intended to undermine anything that approaches a
- * Well regulated
- * Fair
- * Consistently taxed
- * Competitively effective environment

- * The result is that it is clear that tax competition is totally inappropriately named
- * Tax competition is in fact tax war on
- * Competition
- * Markets
- * The efficient allocation of capital
- * Democracy
- * Representative government
- * Working people
- * And any semblance of justice in all these fields

- * This is because those who remote tax competition do not believe in these things which have been the foundation of western democracy
- * They do instead want to create a rentier economy
- * One where wealth can extract a tax free reward from the efforts of others
- * And that those with wealth can live a life apart
- * Untrammelled by accountability or being governed by the rules of any society

- * The language of tax competition should then be ignored
- * As should the weasel words of those who promote it
- * Tax competition is nothing less than a war on society as we know it