

Multinational corporation tax avoidance is an illicit f...

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One of the pleasures of my last fifteen years has been getting to know Professor Sol Picciotto. Sol is an emeritus professor at Lancaster University, a Senior Adviser of the Tax Justice Network, coordinator of the BEPS Monitoring Group, and a member of the UN Tax Committee's subcommittee on dispute resolution. His research for the ICTD focuses on the taxation of transnational corporations with special reference to developing countries. His impact on international tax has been considerable.

Yesterday [he published a new blog](#) on the website of the International Centre for Tax and Development at the University of Sussex in which he argued that:

In a recent paper, revised and published as a [blogpost](#), I argued that tax avoidance by multinationals should be included in the official definitions of illicit financial flows (IFFs).

I argued for a broad definition of IFFs, since they all use the offshore tax haven and secrecy system, which indeed multinationals helped to construct. This system is used for three types of financial flows:

- * criminal, e.g. storing the proceeds of crime or corruption, and evading tax;
- * unlawful, e.g. facilitating tax avoidance schemes, many of which are unlawful;
- * immoral, e.g. concealing assets from family or business associates.

The argument generally made for excluding the latter two categories from the definition of IFFs is that they are 'perfectly legal'. In my view this is unsound, and has led to bad policy. Tax avoidance is not 'perfectly legal' — it can be challenged by tax authorities, if they have the political backing and resources to do so, and may be found unlawful. As perceptions of tax avoidance have changed, there has been both strengthened enforcement and greater efforts to reform and improve the legal rules. A key part of these efforts is to remove the justifications advanced for using offshore structures.

Sol's argument is important. It represents a robust defence against those who, as he

puts it, argue that the use of tax havens:

is just a simple matter of making a 'choice of jurisdictions to use ... in the ordinary course of their affairs'

I agree with Sol. [The blog is worth reading](#). And flows need to be described for what they are.