



## THE WAR ON TAX AVOIDANCE - July 2013

Working offshore KMI keep a careful eye on the way Offshore Money Centres (so called Tax Havens) are controlled and what influences are placed on them by large government agencies such as the IRS.

Tax avoidance was always the “legal” and acceptable part of accountants (and pro active Financial Advisors) armoury to help their clients mitigate a certain amount of tax. Evasion on the other hand was the “bad word” used by crooks!

We ask now, have the extraordinary exploits of Google, Starbucks and others given the excuse to Governments tax agencies to attack legal and acceptable tax avoidance? If they have, then they have a lot to answer for. See below an extract from the recent G8 statement with related comments.

***The recent G8 statement said that it should be easier to find out who really owns companies – a move against the offshore shell corporations and trust arrangements often employed by tax evaders and money launderers.***

*Bring it on, said Hugo Rifkind in The Times. It's ridiculous that 'your smiling web giant can avoid tax by pretending its head office is a Wendy house in Vanuatu'. It's infuriating that Google 'has people selling adverts to be shown on British screens for British products sold in British pounds, yet still maintains the whole process is happening in Ireland'. That's 'not a loophole, that's a lie'. And the same techniques, of course, allow criminals and despots to do 'far worse' things. But for all the fine words, will anything actually be done? I doubt it, said Andrew Rawnsley in The Observer. Just about every G8 country is hypocritical on the subject. We think of tax havens as palm-fringed islands, but some of the most important – and opaque – are US states such as Delaware and Nevada, and, of course, London, a hotbed of non-doms and secretive shell companies. Offshore tax wheezes are now so embedded that politicians are 'timorous' about taking them on. 'Ninety eight of the companies in the FTSE 100 use tax havens. 'Dear old Sainsbury's, for example, has nine tax haven subsidiaries.*

*There are justifications for some of this, said The Economist. Tax competition between states is healthy, and privacy about who owns what protects the rich from 'kidnappers and extortionists'. Meanwhile, all Western countries are 'loath to inflict more pain' on their firms and financial centres, which are struggling to compete with Asia.*

*The information-sharing plans are a step forward, said Larry Elliott on Guardian.co.uk. But the G8 leaders poured cold water on many of Cameron's hopes: the PM wanted other nations to join him in setting up public registers of company ownership, and 'in the end none did so'. The declaration, full of words such as 'would' and 'could', rather than 'will', is fatally woolly. As one campaigner complained: 'The devil is in the detail and there are no details.' The G8 deal 'put tax on the agenda, but it is only the start of a long process'.*