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G8 MUST TACKLE TAX EVASION - PM

POLITICS Cameron

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Britain will use its year-long presidency of the G8 group of rich nations to push for global action against tax evasion and "aggressive" tax avoidance by wealthy individuals and businesses, Prime Minister David Cameron said today.

In a speech to the World Economic Forum in Davos, Switzerland, Mr Cameron said abuse of tax systems was "an issue whose time has come" and that he wanted to make sure individuals and companies "pay their fair share".

In an apparent swipe at cafe chain Starbucks, whose failure to pay corporation tax in the UK over three years sparked widespread outrage, Mr Cameron said that it was time for businesses to "wake up and smell the coffee" about public anger at tax-avoidance practices which in some cases raised ethical issues.

Speaking to an audience of world leaders, business figures and non-governmental organisations (NGOs) in the Swiss ski resort, Mr Cameron also said he hoped the UK's G8 presidency in 2013 would "put turbo-boosters" under the issue of transparency in developing world economies.

Greater openness about who owns companies and land and the movement of assets and money has "staggering" potential in the fight against poverty, by ensuring a country's resources benefit its people and not just a super-rich elite, he said.

Announcing his plans for the G8 to "drive a more serious debate on tax evasion and avoidance", Mr Cameron said: "This is an issue whose time has come. After years of abuse, people across the planet are calling for more action and most importantly, there is gathering political will to actually do something about it.

"There's nothing wrong with sensible tax planning, and there are some things governments want people to do that reduce tax bills, such as investing in pensions, start-up businesses or charities.

"But some forms of avoidance have become so aggressive that I think it is right to say these raise ethical issues and it's time to call for more responsibility and for governments to act accordingly."

Mr Cameron said: "I'm a low-tax Conservative, but I'm not a companies-should-pay-no-tax Conservative. Individuals and businesses must pay their fair share.

"Any businesses who think that they can carry on dodging that fair share or that they can keep on selling to the UK and setting up ever-more complex tax arrangements abroad to squeeze their tax bill right down - well, they need to wake up and smell the coffee because the public who buy from them have had enough."

Poor business practices not only deprive the public sector of the revenue it needs to fund essential services, but also harm responsible firms, he said.

"When one company doesn't pay the taxes they owe, then other companies end up paying more," said Mr Cameron.

"When some cowboys play the system, all businesses suffer the fall-out to their reputation.

"That's why it's not just those in the NGOs who have been lobbying my Government on these issues, it's those in the high-rises of the City of London - bankers, lawyers, senior figures in finance.

"They've told us to pursue this agenda hard, and that's what we're going to do."

The Prime Minister said: "Speaking out on these things is not anti-capitalism. It's not anti-business... This is about me and all the other G8 leaders being able to look our people in the eye and say that when they work hard and pay their fair share of taxes, we will make sure that others do as well."

Mr Cameron revealed that Oxford University economist Paul Collier - author of an influential reassessment of aid policy in his book *The Bottom Billion* - has been advising the Government on its priorities for the G8.

He said transparency would be a big part of the G8 agenda, "shining a light on company ownership, land ownership and where the money flows from and to".

While aid will continue to play an important role in development, Mr Cameron said he wanted to "move the debate on, so we're not just dealing with the symptoms of poverty, but tackling the causes".

Economies and societies in the developing world need not just aid cash from the rich to thrive, but a "golden thread" of the rule of law, the absence of conflict and corruption, the presence of property rights and strong institutions, he said.

"Now as co-chair of the UN High Level Panel and with the presidency of the G8, there is a chance to put turbo-boosters under this agenda and we're seizing that chance," said Mr Cameron.

"I want this G8 to lead a big push for transparency across the developing world."

He pointed to a recent transparency initiative in Nigeria, which uncovered an 800 million US dollar (GBP500 million) gap between companies' payments and government receipts for oil, and led to new regulations to ensure that the country's oil wealth benefits its people.

And he added: "The potential is staggering. Last year Nigerian oil exports were worth almost 100 billion dollars, more than total net aid to the whole of sub-Saharan Africa.

"Put simply, unleashing the natural resources in these countries dwarfs anything aid can achieve - and transparency is critical to that.

"So we're going to push for more transparency on who owns companies, on who's buying up land and for what purpose, on how governments spend their money, on how gas, oil and mining companies operate, on who is hiding stolen assets and how we recover and return them."

Mr Cameron said: "We can be the generation that eradicates absolute poverty in our world.

"But we'll only achieve that if we break the vicious cycle and treat the causes of poverty, not just its symptoms."

TUC general secretary Frances O'Grady said global efforts to tackle avoidance need to be matched by "tougher action" domestically.

"We welcome the Prime Minister's commitment to use the G8 Presidency to tackle global tax avoidance," she said.

"The tens of billions of pounds raised would be a fairer and more effective way to tackle budget deficits than endless self-defeating austerity.

"But tackling tax avoidance at a global level will not work unless the Government takes tougher action closer to home.

"The UK remains a global leader for tax secrecy, both through the City and its crown dependencies.

"The Government should start to close the UK's multi-billion tax gap with a far tighter general anti-avoidance principle and minimum tax rates so that the super-rich begin to pay their fair share."

Following his speech, Mr Cameron held bilateral talks with Russian prime minister Dmitry Medvedev, which were expected to focus on foreign policy, Syria, trade and business opportunities.

He was later due to set out his approach to Europe in a behind-closed-doors meeting with business leaders, before chairing a panel discussion on development issues.

Asked whether the Prime Minister intended to put the spotlight on Starbucks with his reference to companies "smelling the coffee", Mr Cameron's official spokesman told reporters: "I think he was using a commonly used phrase. He was making a point that applies across the board."

He added: "What companies need to do is follow the law. Companies and individuals need to pay the tax that is due under our tax legislation."

Responding to the Prime Minister's speech, Oxfam chief executive Barbara Stocking said: "I am delighted the Prime Minister made such a strong moral case against tax avoidance in both the UK and developing countries. There can be no moral justification for companies wriggling out of paying their fair share to society .

"Every pound of tax companies avoid paying to poor countries is one pound lost to the fight against hunger. The fact that tax-dodging costs poor countries 160 billion dollars a year while one in eight people in the world do not have enough to eat is nothing short of a scandal."

The Enough Food For Everyone If campaign, which was launched yesterday by 100 charities including

Oxfam, said: "David Cameron's commitment to lead the world in a battle against hunger is a great step forward and one the Enough Food For Everyone If campaign will hold him to.

"His speech today shows his readiness to clamp down on tax-dodging. We now look forward to these words being put into action. The hundreds of thousands of supporters of the If campaign will keep the pressure on in the run-up to the G8."

Matthew Sinclair, chief executive of the TaxPayers' Alliance, said: "David Cameron has been quick to highlight the problem of tax avoidance but slow to actually do anything about it. Families are left feeling short-changed and let down by their politicians because international corporations can take advantage of loopholes and reliefs not open to them.

"But it is our broken tax code that allows big companies with clever accountants to exploit the system and minimise their bills.

"Others can take advantage of how HMRC is busy trying to administer an unwieldy set of rules, instead of chasing down those who try to abuse the system. So the onus should, in fact, be on the Prime Minister and his Government to take action, as they are the ones who can simplify Britain's hideously complex tax code."

Tax lawyer Miles Dean, founder of Milestone International Tax Partners, said Mr Cameron had "missed a great opportunity to spell out to the international community what his G8 presidency considers abusive or unacceptable tax avoidance".

Mr Dean said: "A multinational can and will locate risks, functions, people and costs in accordance with its geographic footprint. The UK has absolutely no control as to where a foreign headquartered multinational corporation chooses to establish its finance company or regional headquarters, or its treasury/purchasing functions.

"Unless there is a uniform tax regime with a uniform tax rate and uniform accounting policy globally, David Cameron is banging his head against a brick wall."

Mr Cameron met Ms Merkel on the margins of the Davos conference, and also spoke to prime ministers Mario Monti of Italy, Enda Kenny of Ireland and Mark Rutte of the Netherlands.

He was later due to meet prime minister Fredrik Reinfeldt of Sweden and prime minister Jens Stoltenberg of Norway, said Downing Street.