

Mossack Ripples continue to flow

Two weeks ago we heard the name Mossack Fonseca and their involvement in the "Panama Papers". The controversy still continues having repercussions on a global basis.

Since the Panama Papers were disclosed, ripples have spread to encompass disclosures about the Chancellor and the PM's father's to name a few. Offshore tax has become a game of political football and its rules are perceived to be written for the elite rather than for the masses.

We have reached that watershed moment, when hindsight will show that the Panama Papers were the catalyst for real change in respect of international taxation. Britain is well placed to introduce cultural change in respect of the behaviour of multinational companies given our unique global trading perspective, as demonstrated by the announcement last week from the UK and other leading EU countries whereby they have agreed to share information on secret owners of businesses and trusts.

The EU Commissioner, Lord Hill, said, global companies like Amazon will soon have to provide details of tax paid within each EU country in which they operate including jurisdictions regarded as "tax havens" ("EU Proposals"). Will disclosure of tax affairs really lead to these companies being accountable given the only sanction is the court of public opinion?

How will these EU Proposals be implemented into law? Given the adverse public reaction to the Panama Papers, some multinationals may not want to take a PR risk, such as when Google agreed to pay £130m in taxes in January 2016 after a 6 year investigation. If companies are prepared to face the court of public opinion then the EU Proposals still fall short because there is no way of attributing the profit made in one EU country compared with another.

Thus, are the EU Proposals more "bark than bite" unlike the US where intervention with real teeth prevented inversion and stopped the proposed merger of Pfizer with Allergan, the purpose of which was to move its head office from the US to Ireland which had a lower taxation rate.