

Paradise Lost

I wonder what John Milton would be thinking if he were alive today and witnessed the revelations which were exposed through the "Paradise Papers". It was only 2016 when the previous scandal of the "Panama Papers" arose. Is it just public curiosity as to how the rich and famous manage their money or is it something deeper as to how the rich protect their wealth.

Just to keep things in context, it is legal to avoid tax in legitimate ways but it is illegal to evade tax.

With Brexit yet to unfold and many more bumps in the road before the UK leaves the EU, the question is should we as a country be fixated about tax or should we instead focus on trade.

The Paradise Papers may seem controversial, but tax is the life blood of any economy without which the heart that is GDP would not beat.

Multi-national companies will always be looking around the world to see in which jurisdiction they can exploit prevailing tax legislation to enable them to pay minimal tax on their profits. A good example of this is when Apple went in search of a new safe haven to store its cash outside the US. But, did you know that Apple pay more tax than any other company in the world and closer scrutiny of their accounts show that 25% of their profits are taken in tax. So when critics talk about tax havens they should also bear in mind that Apple declares its profits in Reno Nevada rather than in California, for the simple reason that the tax in Reno Nevada is less than it would be in California. So how can you try and legislate against tax havens around the world when there is a disparity in tax within different states in a country. We could have this situation in years to come if Scotland were given the right to raise their own tax.

Apple had a beauty parade of tax havens and chose Jersey in the Channel Islands as the place to house its profits when the European Commission forced the Irish Government to close its tax loophole.

What is more interesting about Apple housing its profits in Jersey is that it has subsequently sold the intellectual property back to an Irish company and as a result of this transaction, the Irish GDP moved by one quarter in a year.

Not all off-shore tax havens are bad things as even though the Queen was involved in the Paradise Papers. You will note that some of the money which the Duchy of Lancaster (the Queen's private investment vehicle) put off-shore was reinvested back into the UK.

The EU's concern about the UK is that it is keen to avoid the UK being Europe's off-shore tax haven post Brexit. Whenever we talk about off-shore, people always talk about unfairness. This is something that can never be truly addressed. All I can say, as a corporate lawyer, is that the UK is known internationally for its legal and financial services and as far as corporate tax is concerned, this is on par with most countries around the world. What you have to bear in mind is that there will always be competition for tax revenues and to pretend this does not exist is delusional.

In short the rich will always seek to protect their wealth however by attracting the rich to the UK the economy benefits significantly whereas if the UK tax laws become too restrictive the rich will house their wealth in other countries around the world and the UK stands to lose substantial tax revenue.