

Experts describe UK as world's "first onshore tax haven"

Simon Whelan
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Expert research commissioned by the *Sunday Times* before the new year deemed the UK the world's first "onshore tax haven."

Accountancy firm Grant Thornton calculated the scale of tax avoidance by the super-rich and concluded that Britain's 54 billionaires pay tax on only a tiny fraction of their wealth.

The *Sunday Times* was forced to commission the research after HM Revenues & Customs (HMRC) refused requests by the newspaper under the freedom of information act to disclose the aggregate payments made by Britain's super-rich. Even though no names would have been made public, the HMRC claimed the release of such information would breach taxpayer confidentiality.

According to Grant Thornton the UK's billionaires paid income tax totalling just under £15 million on their £126 billion combined fortunes. Only a mere handful pay capital gains tax. More than 32 of the individual billionaires or family groups were calculated not to have paid one penny of personal taxation on their fortunes, even though they are all liable for value added tax (VAT) and council tax.

Grant Thornton analysed the published accounts and other records publicly available on the 54 billionaires identified by the 2006 *Sunday Times* Rich List. Such information is not entirely comprehensive, but is more than adequate to estimate the likely personal tax liability of those who top the annual list. The newspaper noted that it was possible some of the billionaires voluntarily pay tax they are legally able to avoid. However, of the 38 billionaires contacted by the *Sunday Times*, none had volunteered this information.

The research concluded that, in total, the 54 billionaires paid an estimated tax bill of just under £75 million. Incredibly, just one billionaire out of the total

54, the manufacturer James Dyson, paid the overwhelming majority of the income tax paid by the whole group—£9 million out of a total of just under £15 million.

Tax avoidance by the super-rich is not due to "tax loopholes." It is the outcome of the big business agenda of the Blair government, which has actively sought to redistribute wealth away from working people towards the super-wealthy and major corporations.

In addition to the UK becoming an onshore tax haven, the Blair government has in fact fought to retain so-called loopholes that allow offshore tax havens to be exploited by the super-rich. At least 42 of the 54 billionaires utilise havens like the Channel Islands, Switzerland and the Turk and Caicos Islands in the West Indies.

The *Sunday Times* used the example of Richard Branson, who has established a complicated series of offshore trusts and companies that own his business empire. While Branson's wealth is estimated to exceed £3,000 million, he pays little tax because his wealth is tied up in these companies. (The journalists responsible for the article do not reveal how much tax Rupert Murdoch of News International—publisher of the *Sunday Times*—pays in the UK.)

According to the *Sunday Times*, the loophole most taken advantage of by billionaires is that whereby "non-domicile" status is offered to foreigners or those with foreign-born parents living in the UK. This get-out clause enables wealthy individuals to claim they are "domiciled" abroad, even though they may carry British passports and may have lived in the country for decades. Those afforded such privileged terms are free to locate their assets in offshore tax havens and liable only to pay tax on those sums they choose to bring to Britain.

In a similar manner other billionaires with British roots benefit from a further loophole whereby they become non-residents. Such laws allow them to move abroad, often to a tax haven like Monaco or Zurich, but return to the UK for a maximum of 90 days or approximately a quarter of the year.

Before gaining power in 1997 the now Chancellor of the Exchequer Gordon Brown vowed to close the so-called loopholes that allow the super-rich to live without obligations to the rest of society. Brown has kept the investigation into such financial conduits under review for many years. Nineteen months ago a consultation paper was promised on the issue, but the government is “continuing to review” the residence and domicile rules. In contrast, every year hundreds of thousands of self employed workers and owners of small businesses come into conflict with HMRC and are threatened with jail over relatively small amounts of money.

In their end-of-year forecasts the Centre for Economics and Business Research (CEBR) predicts avoidance by the super-rich will soon lead to the British Treasury breaking its own imposed rule that public debt should remain beneath 40 percent of GDP. Douglass McWilliams of the CEBR believes the lawful avoidance of tax by the super-wealthy has created a growing public burden on the British population who pay their taxes. Treasury shortfalls created by allowing the richest in society to avoid taxation are increasing. In other words, New Labour policy towards the super-rich is effectively bankrupting the UK.

The senior tax partner of Grant Thornton, Mike Warburton, claimed that there was a positive side to the UK’s establishment as an onshore tax haven. “Some of the world’s wealthiest people are now using London as their base,” he was quoted as saying in the *Sunday Times*. “One of the reasons is that for many of them the UK is effectively a tax haven. It means you attract people with enterprise and wealth, but of course some people will see it as very unfair.”

The figures on tax avoidance explode the notion of “trickle down economics” promoted initially by the Conservatives and taken up by Blair’s Labour government, i.e., that growing wealth at one end of society automatically benefits those at the other end. Much of “wealth creation” today is little more than the legalised plunder of working people’s incomes and

social services for the benefit of an already privileged elite.



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