Britain’s bosses take record £26.4 billion in bonuses: City takes lion’s share

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For the vast majority of the UK population, the last year has been one of deepening economic hardship, ever-rising debt, bankruptcies and mortgage payments, house repossession and general job insecurity.

But for a few thousand city managers and financiers, it has been a year in which their enrichment has reached unprecedented levels. Preliminary data from the Office of National Statistics (ONS) has revealed that bonuses in the City of London have increased this year by 30 percent to a record £14.1 billion. The increase is double that recorded in 2006.

An analysis of the data published in the *Guardian* on August 28 revealed that bonuses across the economy rose by 24 percent this spring to £26.4 billion. More than half of this amount, £14.1 billion, is made up of bonuses accrued by city financiers. According to the *Guardian*, “the 300,000-odd people who work in the Square Mile account for over half of all the bonuses shared out across the rest of the economy, which consists of around 26 million employees.” In 2006 the figure stood that £10.9 billion.

Last year an analysis of hedge fund bonuses found that Noam Gottesman and Pierre Lagrange, directors of the London-based firm GLG Partners, took away bonuses of between £200 million and £250 million each. GLG Partners manages £40 billion in hedge funds.

The ONS statistics show a marked increase in the growth of profits among British companies. In the second quarter of the year profits grew by 16 percent, the biggest rise for nearly 13 years. In comparison wages grew at a rate of just 3.6 percent, the slowest in more than five years. The disparity speaks volumes about the level of social inequality that has developed in the UK.

The vast bonuses of managing directors and financiers are now so commonplace that such information is generally to be found on the business or inside pages of the news media.

The accumulation of fabulous wealth by a few and the meteoric growth in social inequality is the result of deliberate policies pursued by successive governments in Britain over nearly three decades.

The deregulation of the financial services, privatisation of nationalised industries and attacks on the social position of the working class was begun by the Conservatives under Margaret Thatcher in 1979, but since being elected in 1997 Labour has facilitating an unparalleled growth of a new super-wealthy elite.

Labour’s pro-business policies are such that this week an official study by the National Audit Office (NAO) revealed that almost a third of the UK’s 700 largest businesses paid no corporation tax in the 2005-2006 financial year. Another 30 percent of the companies paid less than £10 million each.

The 700 businesses paid 54 percent of the total corporation tax paid by all British firms. But of the 700 businesses, 50 businesses or 7 percent, paid 67 percent of the tax while 210 firms each paid less than £10 million. The breakdown found that about 220 of the 700 largest companies in Britain paid no corporation tax whatsoever.

Two-thirds of the tax was paid in the banking, insurance and oil and gas industries. Other multibillion-pound industries such as the alcohol, tobacco, car and real estate sectors paid out only a few hundred million pounds in corporation tax.

The super-rich are also largely exempt from tax. An estimated 60,000 wealthy individuals who reside in Britain but were born abroad are able to claim non-domicile tax status, declaring another country as their main home and only paying tax on that part of their income that is "remitted" back to the UK or is derived from the UK.

Analysing the clamour of the world's super rich to move to Britain, including many of the Russian oligarchs and their families who have made London their home, Philip Beresford, the compiler of the *Sunday Times* Rich List, said, "They have come for the tax, the social circles and the security. At first they were concentrated in London but now they are snapping up country estates. There's the cluster effect. Russians have followed Abramovich, Indians are following the Mittals and Swedes are following the Rausings."

On the occasion of the 2007 *Sunday Times* Rich List, an accountancy expert declared that the super-rich from overseas can "avoid paying virtually any tax in Britain apart from council tax."

Britain and the Irish Republic are the only two countries in the world whose tax laws allow residents to declare that their real home is in another country. Tax avoidance in Britain has become an industry in itself.

One long-time "non-domicile" is the billionaire Mohammed al-Fayed who owns among other assets the exclusive west London store Harrods, the Ritz Hotel in Paris and Fulham Football Club, also in west London. In 1985 al-Fayed came to an agreement with the Inland Revenue that he would pay a fixed level of income tax of £240,000 a year and would not have to declare his real income. It is estimated that his real income tax level should have been up to £6 million a year.

In 1997, then Chancellor Gordon Brown said it that the government "will not tolerate the avoidance of taxation and will be relentless in its war against tax avoidance."

In his valuable study, *Rich Britain: The rise and rise of the new super wealthy,* Stewart Lansley commented, "Increasingly, it appears, the rich are being treated as a special case in Britain, not in the sense of being required to pay more, but being legally allowed to pay much less."

An example of this is that of the "home-grown" billionaires Philip Green and his wife, who own a string of High Street retail stores in Britain and have also been able to use, very lucratively, tax laws in which they have avoided paying about £300 million in tax. After describing more than a century of the development of "progressive" tax systems, in which the overall consensus was that the rich would necessarily pay a larger share of their income as tax than the poor, Lansley concludes that "today the tax war has been won by the super-rich, not just in the US but in Britain...

"Gradually, the progressive elements of income tax have been stripped away while the burden of tax has been switched gradually to more regressive indirect taxes including VAT [Value Added Tax] and excise duty on alcohol and cigarettes."

By 2002, the top fifth of taxpayers in the UK paid some 35 percent of their income in tax while the poorest fifth paid 37.9 percent of their income in tax.

Under Labour, social inequality has grown to levels unparalleled in British history. A recent study by the London School of Economics found that due to the growing gap between the highest and lowest paid in society the welfare state was not able to ensure that inequality remained static, let alone decreased. In the immediate years following World War II, welfare state measures ensured a more even distribution of wealth. By the 1980s rising unemployment and a shift to indirect taxation and lower direct taxes reversed this trend.