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Europe's \$1 trillion tax gap

87

FEBRUARY 21, 2019 8:00 AM

By: **Jemima Kelly**Read more articles in **SOMEONE IS WRONG ON THE INTERNET SERIES**

The only remotely memorable moment from this year's Davos was when Dutch historian Rutger Bregman did this (click [here \(https://twitter.com/rcbregman/status/1088793422113185794?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed&ref_url=https%3A%2F%2Fspark.ft.com%2Feditor%2Fbd1298c-5ead-312d-bf28-f6c77df94aa6\)](https://twitter.com/rcbregman/status/1088793422113185794?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed&ref_url=https%3A%2F%2Fspark.ft.com%2Feditor%2Fbd1298c-5ead-312d-bf28-f6c77df94aa6) to watch the video):



Rutger Bregman ✓
@rcbregman



Me @Davos. 'Stop talking about philanthropy, start talking about taxes.'

♥ 11.6K 1:39 PM - Jan 25, 2019

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Bregman told the conference:

I hear people talking the language of participation, and justice, and equality and transparency, but almost no one raises the real issue, of tax avoidance, right? And of the rich just not paying their fair share. I mean, it feels like I'm at a firefighters' conference and no one's allowed to speak about water....

This is not rocket science. We can talk for a very long time about all these stupid philanthropy schemes, we can invite Bono once more but come on, we've got to be talking about taxes! Taxes, taxes, taxes. All the rest is bullshit, in my opinion.

Bregman is, of course, absolutely right. Less time should be spent lauding the rich for their various "philanthropic" projects, and more on scrutinising their tax-dodging -- both on an individual level and a corporate one.

But he may not be correct in focusing only on tax avoidance, nor just on the ultra-wealthy. [A new report \(http://www.taxresearch.org.uk/Documents/EUTaxGapJan19.pdf\)](http://www.taxresearch.org.uk/Documents/EUTaxGapJan19.pdf) suggests the scale of tax avoidance in Europe is dwarfed by that of tax evasion. And that's happening not just among the rich (although it is definitely happening among them -- see, for example, the [record fine on UBS \(https://www.ft.com/content/oe6168be-3512-11e9-bd3a-8b2a211d90d5\)](https://www.ft.com/content/oe6168be-3512-11e9-bd3a-8b2a211d90d5) for facilitating it), but right across the income spectrum, in what's known as the "shadow economy".

First of all, it's important to get the definitions right -- tax avoidance and tax evasion are often used interchangeably, but they are quite distinct and must therefore be tackled using quite different methods.

Tax avoidance is a decision by a taxpayer to minimise his or her tax burden by taking a course of action that goes against the spirit of what legislators had intended (which can obviously be subject to different interpretations). It can be both lawful and unlawful (in that it doesn't conform to recognised laws) but it's never illegal (ie, expressly forbidden by laws).

Tax evasion, on the other hand, is the deliberate, illegal non-disclosure of earnings. The motivation for that might of course be something other than tax evasion -- a drug-dealer might be more concerned about being locked up than having to hand over some of his/her earnings to the government -- but that doesn't matter: if you don't record the activity, you can't pay tax on it and that's therefore tax evasion. It also includes the claiming of allowances, expenses and other tax reliefs to which the taxpayer is not entitled to in law.

According to tax campaigner Richard Murphy's new report, the annual "tax gap" in Europe caused by this illegal tax evasion is between €750bn and €900bn (\$850bn-\$1tn). That compares with estimates of between €50bn and €190bn a year for corporate tax avoidance, according to previous European Parliament estimates cited by Murphy.

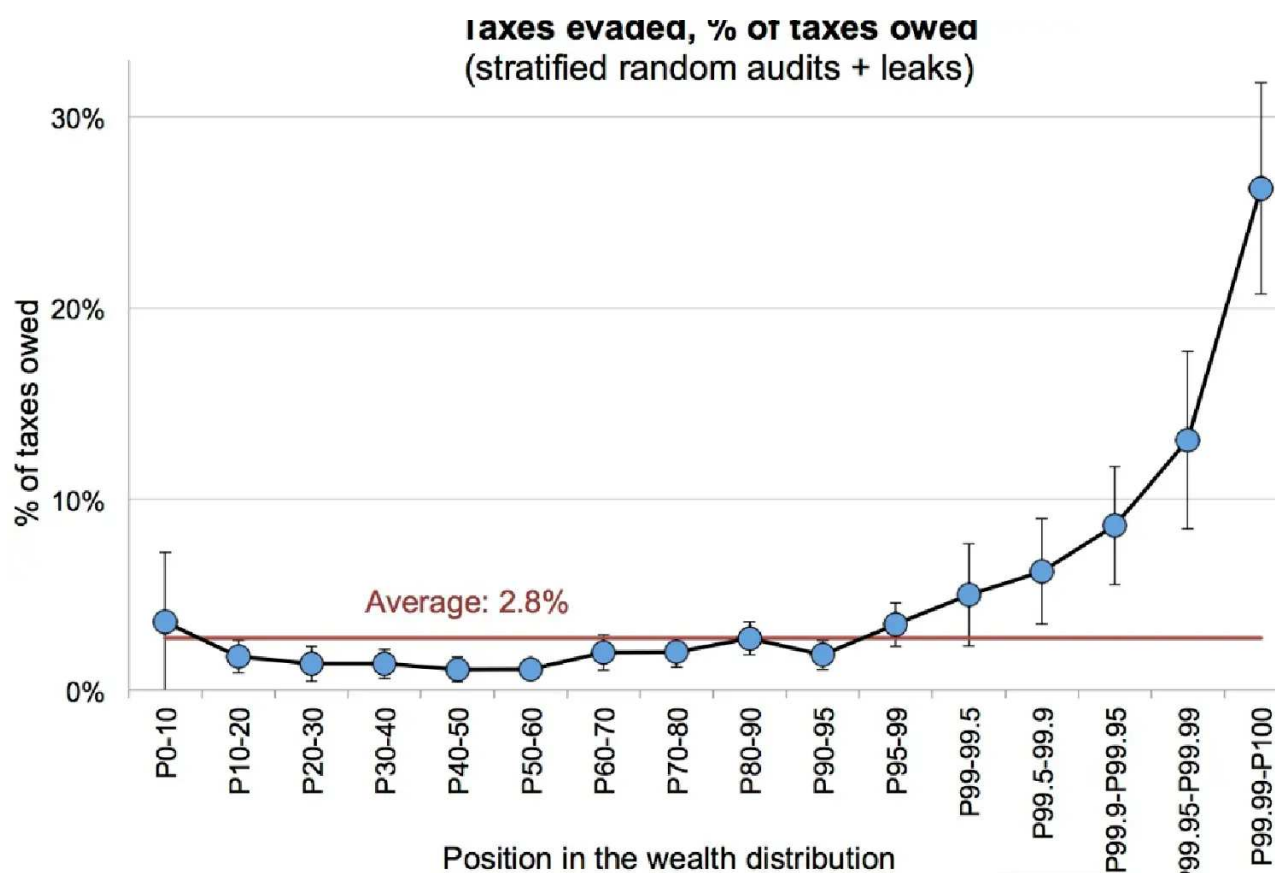
The report was commissioned by the centre-left Socialists and Democrats Group in the European Parliament (which includes MEPs from Britain's Labour party and France's Socialist party), and only looks at the tax gap in Europe. But Murphy says the same trend can be seen all over the world -- the larger the shadow economy, the larger the gap is likely to be.

Murphy told us:

If you look at the whole tax gap, which is the total of tax unpaid which a government thinks should be paid, it's obvious that tax evasion is by far the biggest problem.

That's quite shocking for people. I think even the Socialists and Democrat Group were quite shocked, in a way, by the outcome. They found it hard to believe that it's actually evasion that's the biggest issue. And yet it is, because it's so commonplace. It's paying your cleaner in cash. It adds up when you think that you also paid your builder in cash, and your child's tutor.

It's not just the cleaners, the builders, the tutors and the drug-dealers who are involved. A [study published in October \(http://gabriel-zucman.eu/files/AJZ2017.pdf\)](http://gabriel-zucman.eu/files/AJZ2017.pdf) by Berkeley professor Gabriel Zucman, along with Annette Alstadsæter and Niels Johannesen, found that the top 0.01 per cent of households in Scandinavia evaded about 25 per cent of their tax, compared with an average of 2.8 per cent for the rest of the population:



But neither is it just the wealthy who are the problem. Romania's shadow sector, for example, makes up around 29 per cent of the economy, based on the "Multiple Indicators Multiple Causes" (MIMIC) method used by Leandro Medina and Friedrich Schneider in [their work \(https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583\)](https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583) for the IMF, which uses the consumption-to-income gap to calculate how much income is not being accounted for (by looking at, for example, electricity use and the amount of bread consumed in an economy). Even Britain's shadow economy, among the lowest in Europe, stands at around 10 per cent.

Here's Murphy, again:

I know there are tax justice campaigners who aren't in the slightest bit comfortable with what I'm saying... But the figures for evasion are just too big to be attributable to the wealthy. They are split across the population as a whole.

Murphy doesn't provide numbers for individual tax avoidance by the ultra-wealthy, via offshore tax havens and other tax avoidance schemes, but he says those figures would be likely to be dwarfed by both those for tax evasion and avoidance at the corporate level.

Why, then, are we so fixated on all the Davos-attending philanthrobillionaires and not on Europe's huge shadow economy?

It's partly because it feels like if only a handful of individuals (or maybe, a World Economic Forum's worth) behaved differently, that could make a big difference. It's also because it bothers us that the rich are able to get away with it and that we're not. Murphy uses the example of Britain's MP expenses scandal from ten years ago as an analogy -- though the amounts of money involved were immaterial, the feeling was that if politicians were fiddling around, then why shouldn't everyone else.

Unlike the MPs' expenses scandals, however, the amounts of money that we're talking about among the tax-dodging elite *are* material and do in fact matter in the overall scheme of things. And by endorsing the kinds of philanthropic donations that allow them to boost their reputations, we're in effect allowing the ultra-wealthy to make decisions on how to spend money that would normally be in the hands of a democratically elected government.

But there's also surely a kind of tolerance mentality among some of us towards parts of the shadow economy: if the people at the lower end of the income spectrum, such as cleaners, were to pay all their taxes, they wouldn't have enough to live on, goes the thinking.

Murphy, however, argues pretty convincingly that tax evasion actually leads to social injustice and greater inequality:

Tax law should be enforced and all should be required to pay what is owed by them. If that is not done actual inequality arises: those who pay their taxes are worse off than those who do not. Resentment builds amongst taxpayers and non-compliance increases. More worryingly still, honest business is undermined by dishonest business. This means that honest businesses are more likely to fail. As a result economic growth,

financial stability, business investment, and employment prospects are all harmed. The cost of tax inequality is high, especially if it becomes endemic.

It's important to note that Murphy's stats aren't universally accepted. HMRC's estimates on the scale of tax evasion in the UK, for example, stand at around £5.3bn, whereas Murphy estimates that at more than £75bn (almost 15 times higher). But he says that's because they are taking entirely different approaches: while he takes a top-down approach, starting with GDP, HMRC use a bottom-up approach, making the calculations based on the tax returns that they've been given.

Alex Cobham, chief executive of Tax Justice Network, doesn't think enough research has been done into the scale of tax evasion to draw any conclusions about whether or not it represents more money lost than tax avoidance -- a lot more work has been done on the latter. He also points out that some of the activity in the shadow economy is likely to be marginal (ie it might not place at all if it were to come out of the shadows).

Still, Cobham told us:

What these numbers say is that the potential scale of evasion is very large. And so even if you were to take 10 per cent of Richard's numbers, that's big enough that we should care a lot and do something. This is a big area about which we are probably consistently not doing enough. Part of that is getting more research and getting more confident about the numbers.

So to sum up, governments -- and all of us -- need to think about tax evasion more. There is often a false dichotomy in the way politicians think about how to reduce fiscal deficits: rather than weighing up hiking taxes versus slashing government spending, they also should be considering how to increase their tax bases by bringing them out of the shadow economy.

Possible counter-measures to evasion suggested by Murphy include forcing every company to declare their accounts and making their shareholders and directors personally liable for any missing tax; and asking banks to supply HMRC or the relevant domestic tax-collecting ministry with reports of all the companies they provide banking or accounting services for. These measures alone, reckons Murphy, would see about a third of the missing tax revenues recovered.

The good news, though, is that both tax evasion and corporate tax avoidance are actually already shrinking, according to Murphy:

The measures that are being taken to increase reporting are working. I believe that in 2012 there was a change in attitude. Large companies that until then had basically seen tax avoidance as being a risk-free, reputation-free, activity, suddenly began to see — because of Google, Amazon and Starbucks [sitting in front of Margaret Hodge \(https://www.bbc.co.uk/news/business-20288077\)](https://www.bbc.co.uk/news/business-20288077) — that this could land them in deep water...

We're seeing companies that are actually talking to us and are saying: 'we'll close down our overseas operations if that gives us a [Fair Tax Mark \(https://fairtaxmark.net/\)](https://fairtaxmark.net/), because this is too important for us now.' It's a staggering thing to discover. Ten years ago the idea that someone would have said that to us was remote in the extreme. It's unbelievable.

As the famous philanthropist John Rockefeller once noted: “Next to doing the right thing, the most important thing is to let people know you are doing the right thing.”

Related links:

[UBS hit with €4.5bn penalty in French tax evasion ruling \(https://www.ft.com/content/0e6168be-3512-11e9-bd3a-8b2a211d90d5\)](https://www.ft.com/content/0e6168be-3512-11e9-bd3a-8b2a211d90d5) - FT

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No. 5011348

15 minutes ago

Just out of interest, is Jante Law really a 'thing' in Scandi? I've heard all sorts of stuff but not till I saw the docu on Denniz Pop recently had I heard it brought up.

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Eee

1 hour ago

A report to the socialists in the EP taken as gospel by FT. Living in a country with highest taxes in Europe (i.e. the world) I can tell you that politicians will always find a need that has to be financed by taxes. Of course there is tax avoidance. One important reason is complexity of tax system primarily caused by pandering to special interests and unwillingnes to show true cost of taxes.

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RiskManager

13 hours ago

Good to see the FT report the UK has the smallest shadow economy in Europe, and we can infer the lowest tax evasion in Europe as well.

Not sure the definition of tax avoidance is correct though. Many tax avoidance measures are a matter of intended govt policy, ISA's being a prime example. Avoid tax on your share holdings by putting them in an ISA.

Tax avoidance is reduced or increased as a matter of govt policy, tax evasion is criminal activity. Lets go for the tax evaders but be proud that the UK seems to have the lowest tax avoidance in Europe.

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Jemima Kelly FT

13 hours ago

@RiskManager It's a grey area, but the tax avoidance that's part of intended govt policy tends to be put in a "tax planning" category (along with, for example, pension savings). But yes, some people group that together with tax avoidance

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12 hours ago

There's tax evasion. Which is breaking the law.

And there's tax compliance. Which is not breaking the law.

Anything else is sophistry.

Let me ask you, Jemima, if I am driving at 39 mph in a 40 mph zone, am I engaging in speeding fine avoidance? Am I dodging penalty points?

If you think the speed along that road should be 30mph, then campaign for it. But don't accuse motorists of acting in an immoral way because you think the limit should be different.

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14 hours ago

a lot of casual talk about 'tax havens'....

If anybody thinks that opening a bank account in a tax haven is a crafty way to evade tax they are many many years out of date.

[Report](#) [Share](#)[3 Recommend](#) | [Reply](#)**Terra_Desolata**

14 hours ago

"That's quite shocking for people."

Nobody who has so much as been to Europe should be shocked by any of this - and certainly not those who have worked in the financial industry and have seen all of this firsthand.

Of course domestic helpers getting paid in cash aren't paying taxes. Why should they? What are the chances of a serious audit? Of course the people hawking fake luxury goods on the street aren't paying taxes. Of course the service providers with two sets of prices - one with receipt, one without receipt - aren't paying taxes.

But that kind of shadow economy activity is small potatoes compared to the systematic tax evasion that goes on in the purportedly respectable financial industry.

The offshore tax havens are absolutely awash with the fortunes of the super-rich of Europe. Post office boxes on islands you've never heard of are the registered address for non-profits that control shell companies that own massive business interests that generate huge amounts of cash, the benefits of which flow to invisible owners (listed as directors of the non-profits, or through similar legal contortions) through channels untouched by tax collectors.

And once money is outside of the view of local tax collectors, it can be reinvested and spent indiscriminately without a penny of tax being paid along the way. Who is going to check the ownership papers of an offshore account in the Cayman Islands to see if the owner is paying his taxes as he should? Who is going to check the source of funds for a home purchased in New Zealand or Singapore or Costa Rica to ensure that taxes have been paid first?

Between the lower numbers suggested by tax agency audits ("bottom-up"), and the higher numbers suggested by economic analysis ("top-down"), I suspect the higher numbers are more correct. But even they may underestimate the extent of the problem, since so much money is sitting offshore that the government isn't even aware of. Next to that, the gardener asking for cash and failing to report it as income is a much smaller issue.

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Xanthine

12 hours ago

@Terra_Desolata *'Who is going to check the ownership papers of an offshore account in the Cayman Islands to see if the owner is paying his taxes as he should?'*

The Cayman Islands have automatic exchange of information with a large number of tax authorities under CRS (<http://www.tia.gov.ky/html/assistance.htm>), so I guess some combination of the Cayman bank filing the CRS return and the taxpayer's home tax authority.

'Who is going to check the source of funds for a home purchased in New Zealand or Singapore or Costa Rica to ensure that taxes have been paid first?'

Costa Rica seems to be a bit of a weak spot, but estate agents in NZ and SG are covered by AML requirements: <https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/info-for-businesses/real-estate-agents/> <https://www.cea.gov.sg/docs/default-source/module/speech/2c8a75dd-b311-41e5-b16f-1611c1e8fe86.pdf>

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Fras

14 hours ago

Contrary to popular perception, official analysis in the UK puts the largest element of the Tax Gap down to Small Businesses, not BigCos or Individuals as the public might imagine:

<https://www.gov.uk/government/statistics/measuring-tax-gaps>

That being said, per the article no doubt Murphy would challenge the official analysis (+ also what constitutes the "Tax Gap").

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Ad Maiora (FKA Parce Sepulto)

16 hours ago

Excellent piece. I don't need to tell you how extreme the levels of tax evasion are in a European country which I know quite well: Italy. What's particularly grating is that the rampant tax evasion there is accompanied by an insatiable hunger for public spending.

In my view, in Italy and elsewhere, the solution to tax evasion is not trying to enforce the laws more aggressively. When there are thousand people evading, you have a law enforcement problem. When there are five or ten million people evading, with almost every contractor and retail shop and mom-and-pop business making the biggest share of the total, you have a political - constitutional, even - problem.

I am convinced that the only solution can be to force taxpayers to have as much skin as possible in the tax revenue game. Decentralize the tax collection as much as possible and force people to bear the consequences of revenue shortfalls. When the local school shuts down, the local road becomes impassable, the local police don't have people to respond to robberies, the local hospital can't offer care, etc., people won't have other choice than to start paying the taxes they've been evading.

Whereas if a remote central government always makes everyone whole through increased taxation for people subject to withholding, or debt issuance, or both, people won't have any incentive to comply other than the fear of being caught, which again, given the massive scale of the evasion, is vanishingly small.

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Andunedhel

16 hours ago

"found that the top 0.01 per cent of households in Scandinavia evaded about 25 per cent of their tax, compared with an average of 2.8 per cent for the rest of the population"

Nah, really? They found out that people with multiple income streams and the possibility of opening bank accounts in tax havens evade taxes more than people who mostly live of their salary, which gets taxed before it even gets in their hands, leaving them to , at most, evade VAT on services or go totally "shadowy"?

Who could have told, indeed.

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AndyC555

16 hours ago

@Andunedhel Except that isn't what it showed at all.

The report is littered with 'implied' 'estimated' 'extrapolated' and so on and is in any case only looking at those individuals identified by the so-called "Lux Leaks" and similar.

The point is that "rich people were in the Lux leaks" and "people in the Lux leaks were evading taxes" does NOT mean "all rich people are evading taxes".

Those found to be evading taxes were found to be evading taxes on 25% of their income does not mean EVERYONE is evading taxes on 25% of their income.

It's like concluding that because 43% of people convicted of knife crime are black, that means 43% of black people commit knife crime. See the lack of logic in that?

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16 hours ago

I don't equate working off the books with whatever is done at UBS. First, people who work off the books are more subject to the violently regressive VAT than the rich. Second, poor folk have to cut corners that middle-class and wealthy people can simply pay their way out of.

Yes, the middle class, if they are so inclined, will resent poor people who work off the books. But they will resent poor people who simply breathe, especially if the middle class continues to be attacked from above. (Fascism, after all, is rooted in a middle-class sense of loss, a search for culprits, and desire for easy redemption. This is something that rich folk have been exploiting since the mid-19th century.) Off-the-books work is simply one excuse for resentment--others can easily be concocted.

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17 hours ago

The increase in non-cash payments has probably decreased tax evasion too.

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17 hours ago

Is this the very same Richard Murphy giving advice on how people can pay their nannies tax efficiently?

<https://www.theguardian.com/money/2001/jan/14/childcare.observercashsection>

[Report](#) [Share](#)[2 Recommend](#) | [Reply](#)**AndyC555**

16 hours ago

@Fras It's certainly the same Richard Murphy who claimed that Singapore could afford to have low taxes because its government owned 80% of the housing stock when the reality is that (i) the Singapore government owns the land but not the houses as it leases the land out to people to build on and (ii) the Singapore government has stated on numerous occasions that it does NOT even make a profit from rents it receives on land, never mind so much profit that it subsidises taxes.

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17 hours ago

"Tax avoidance is a decision by a taxpayer to minimise his or her tax burden by taking a course of action that goes against the spirit of what legislators had intended (which can obviously be subject to different interpretations)."

In the UK, the legal situation was once black and white, although we have blurred this by adopted more of an interpretative approach from EU law, not least because tax advisors were too effective in finding loop holes in tax legislation as tax law became ever more complex in the 1960s. We should simplify the tax system and go back to the

democratic principle that adherence with rule of law (not the 'intangible spirit' of legislators) can never be punished, and that HMRC and the government's actions are confined only to what is lawful.

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AndyC555

17 hours ago

The problem here of course is that Murphy's figures are notoriously unreliable. His 2010 UK tax gap figures (which quadrupled the official figures) were described in a House of Commons briefing paper (7948, 11 Feb 2019) as "deeply and systematically flawed", "dangerous if not countered", "misleading" and "double counting is involved". Murphy used discredited methodologies but most blatant of all included £28bn of tax owed as part of the 'tax gap' when that figure was in fact the amount owed on 31 March 2009 and £25bn of that WAS subsequently collected.

Think on that. An accountant claiming that all tax debt owned on a certain day should be included as part of the tax gap. There will ALWAYS be large sums of tax owed on any given day. It's the amount written off we should worry about. A competent accountant would know this. An honest accountant would acknowledge this.

Murphy talks of 'resent building' but constantly tries to stoke that resentment with lurid and ridiculous claims about the amounts of tax being evaded and avoided. He has made repeated claims that 'millions' (his claim) of companies could be completely evading tax because they aren't filing returns (when the truth is these companies are simply dormant).

He included in his UK tax gap amounts which the government CHOSE not to collect by way of tax incentives and allowances. His nonsensical argument being that the tax gap should include ALL tax that a government MIGHT collect if it chose to. If a government CHOSE to it could put tax rates up to 100% so in Murphy's crazy world all income forms part of the tax gap.

It's nuts but it's dangerous nuts and shame on the FT for giving the tax equivalent of Andrew Wakefield a platform.

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Fras

16 hours ago

@AndyC555

Although this comment makes me wonder if Murphy is undergoing some kind of conversion (towards living in the real world):

"I know there are tax justice campaigners who aren't in the slightest bit comfortable with what I'm saying... But the figures for evasion are just too big to be attributable to the wealthy. They are split across the population as a whole."

Next stop, he'll be advocating flat, transparent taxes and a radically simplified system to maximise the tax haul for the Greater Good. Although he may yet be a few years from that revelation, to be fair..

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AndyC555

15 hours ago

@Fras @AndyC555

"tax justice campaigners who aren't in the slightest bit comfortable with what I'm saying"

Murphy likes to portray himself as some sort of visionary maverick.

A less charitable interpretation is that no-one can work with him. He has a remarkable talent for falling out with people. Even Tax Research UK (which he portrays as an organisation of which he is director) is in reality an LLP with no employees, no premises and only two members (partners). Murphy is one and his ex-wife (who shares only 1% of the profits so presumably does only 1% of the work) is the other.

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WEB

18 hours ago

My daughter babysits for one of the FTs rather well-known executives.

He always pays cash.

I trust that he realises that he's part of the problem!!

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Xouat Defoek

17 hours ago

And I trust that your daughter duly declares income from her thriving babysitting business to the tax authorities.

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WEB

17 hours ago

@Xouat Defoek

Ah, I see what you're doing.

Shifting the blame from a tax evading 1%er, who really shouldn't have that many £1 coins, onto a young girl who doesn't yet earn above the personal income tax threshold and then telling her that she has a thriving business!

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AndyC555

17 hours ago

@WEB No he isn't.

I bought a newspaper from the local newsagent and paid cash. I bought a sandwich from Tesco and paid cash.

My actions have nothing at all to do with whether the trader in question returns the income as part of his taxable receipts.

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2 replies

Valdemar

18 hours ago

There are a few things at work here.

Tax evasion should be punished severely, with penalties multiple times of the tax owed (estate liquidation to achieve this if necessary), criminal record and time in Wormwood Scrubs to serve as a powerful deterrent for those who even contemplate so. Ostensibly, the penalty for tax evasion is not sufficiently severe that tax evaders don't make much of it. Obviously, this needs to be enforced - HMRC has 60,000 employees which is almost the total size of the RN and the RAF put together, surely they can do a better job.

Tax evasion aside, the value of something must be indisputably measurable before taxes can be levied on it. The absurd complexity of HMRC's tax code gives rise to "interpretations" for tax avoidance and subsidising an entire industry of tax lawyers and tax accountants. We need to consider simplifying the tax code to such that anyone who has middle school diploma should be able to read and understand it so that consequences of non-compliance are beyond dispute.

Excepting economic circumstance which require the government to be more careful, officials usually figure out how much they need to spend before they figure out how much taxes they need to raise - contrary to say how you would budget for your household. How much of the spending is actually discretionary (such as being gouged by MoD and defence contractors) rather than business-as-usual, I have no clue.

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Alpha Male

17 hours ago

@Valdemar Sadly, the UK is a little island whose prosperity depends on facilitating not only tax avoidance, but also evasion. Recall the HSBC case not so long ago?

https://www.amazon.co.uk/dp/B004NBZG0G/ref=dp-kindle-redirect?_encoding=UTF8&btkr=1

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gelato

20 hours ago

in britain you can inherit hundreds of thousands of pounds tax free. without even optimizing/evading.

but someone earning hundreds of thousands of pounds through work will pay 50% tax.

the result is the worst kind of inequality. inheritance should be taxed from the first pound.

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Ohmy

20 hours ago

Couldn't agree more. Inheritance tax should be 99% world wide, so we can lower all other taxes. That would mean every generation would start fresh and with similar chances, instead of creating new family dynasties and inequalities, what we are doing now. It would be a better incentive system instead of increasing the tax for the rich up to 90%. Who would work for 10% of the money? But if you get almost all of it, but you have to give it up after your death, you would still be incentivised.

Problem though: even poor people don't like inheritance taxes. It seems to be part of our human nature to leave something for our kids. But if we overcame those instincts we would have a much better society imho.

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xchaotic

18 hours ago

It is very natural to share what you have with your kids. High inheritance tax won't work, it's too easy to evade.

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Alpha Male

17 hours ago

@gelato IHT wouldn't be a big contributor to the exchequer, and other countries have 0% IHT. It would also result in a collapse in the middle class: we are trying to shore up our democracy, not hammer the final nail in it's coffin, and shoring up a middle class, based on traditional values of high educational attainment and work ethic is key to that. And don't forget that much of this inheritance isn't even real: property has gone up by thousands of % due to credit/money creation, so to tax that artificial value appreciation is effectively to steal from the population. Buying a property is part of the UK's social contract, that ties much of the population into wage slavery for most of their lives: mess with that at your peril.

In principle, I don't entirely disagree with you however.

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3 replies

adamsmithfreetrader

20 hours ago

People can quibble with the flaky stats or blame pensioners but the fact is that this guy IS on to something.

We keep hearing about how the world is drowning in debt.

Well ask yourself, whose' on the other side of the balance sheet and where?

I was some time ago talking to one of the leading campaigners about offshore centres absolute refusal to publish any sort of statistics about the volume of money under various guises that sits in their domain.

He reckoned about \$30trillion. And that was some time ago...

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BornCynic

20 hours ago

Did this bloke go out and talk to people?

Talk to a Belgian about tax and they will whine at you - with good reason. Working there in 2000 to 2002 I paid an effective tax rate of 80%. There is however no capital gains tax which explains why they all had their money in the Nasdaq.

A Belgian woman had a friend who owned business. The business had a tax inspection. She had paid every penny of tax due. Apparantly the tax inspector had turned round to her and said that she was not going to survive as a business if she did that.

If you want to upset a Scandinavian ask them how much tax they are paying.

Now - is that people justifying bad behaviour or is it right to whine when the government take away 80% of your income?

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luzh

20 hours ago

@BornCynic Your tax paid was 80% of your taxable income?

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BornCynic

19 hours ago

@luzh @BornCynic National Insurance and tax ate up 80% of what I had earned.

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Herodotus

19 hours ago

Probably the marginal rate, and even then the figure of 80% seems high. Belgium is a high tax jurisdiction (like France) but typically the high earners pay around 50% - 55% of total taxable income.

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2 replies

Kumar Devadasan

20 hours ago

There is a thematic fiche on tax commissioned by the EU and published in April 2016 that sets out a potential tax structure change for 2020. It does hit tax evaders and avoiders in an indirect and more cost-effective way.

It proposes an increase in VAT on high-end luxury goods and services that are normally purchased by high earners, a tax on certain kinds of property investment that are generally used by tax evaders (and funnily, indulged in by Brexit financiers) and removing the tax deductibility of debt finance so as to bring it level with equity finance. The money from this goes to reducing employment tax - an effect would be lowering the on-cost of minimum and living wages and hopefully see a rise in them but still not be overly burdensome via employment tax.

If the UK were still in the EU at that time, it could opt out but it would be exposing political bias. Similar to going around the EU championed Agency Workers Regulation with zero-hour contracts.

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GSo

18 hours ago

@Kumar Devadasan Well if the EU countries are so focused on this, why did so many of them rush to put in place patent box tax rules in order to lower their tax rate on income related to intangibles?

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Kumar Devadasan

20 hours ago

Having read Richard Murphy's papers carefully, they are fraught with technical errors and his resultant numbers are grossly over-stated - as they have been for the UK.

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xchaotic

18 hours ago

I wish you'd share at least one example of an error. You read the paper and only shared a short sentence to comment?

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AndyC555

17 hours ago

@xchaotic if you google 'House of Commons research briefing 7948' Murphy's figures are torn to pieces from page 13 onwards.

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Geoff Miller

21 hours ago

Does the chart not suggest, given that the highest earners pay the vast bulk of tax and tax evasion is far higher amongst the higher earners, that the focus should be on those individuals and corporates, not on the hairdresser or the cleaner pocketing some cash earnings?

[Report](#) [Share](#)[1 Recommend](#) | [Reply](#)**Kumar Devadasan**

20 hours ago

@Geoff Miller I would be interested in the evidence/data supporting your premise that tax evasion is higher among high earners. I would have expected that high earners would engage more in tax avoidance, because the cost-benefit risk. However, there are those who have become so-called high earners because of tax evasion, who would be a separate category.

[Report](#) [Share](#)[1 Recommend](#) | [Reply](#)**Geoff Miller**

18 hours ago

Not my premise - it's what the chart shows in the article!

[Report](#) [Share](#)[3 Recommend](#) | [Reply](#)**Fras**

14 hours ago

@Geoff Miller

Take another look at the chart - x-axis is wealth, not income..

Look at scaling on x-axis - makes it look like there's more folks on right (wealthier) side due to scaling

+See above comment from AndyC555 - <https://on.ft.com/2BMXhUj>

Also consider that a lower amount of tax evaded by some of The Many may be still be significant vs a larger per-person amount by some of The Few due to proportions of individuals in each group.

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2 replies

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