

Press Release

Countering Tax Avoidance in the UK: Which Way Forward

Government efforts to tackle tax avoidance too often address the symptoms of that avoidance rather than its root causes, a discussion paper written for the Tax Law Review Committee of the Institute for Fiscal Studies argues today.

In his 2007 Pre-Budget Report, the Chancellor of the Exchequer announced a review of anti-avoidance legislation. His aim was to see how anti-avoidance legislation can best meet the aims of simplicity and revenue protection.

Over the past 11 years, the Government has adopted various anti-avoidance techniques with varying degrees of success. The paper discusses these techniques, as well as other options not yet used in the UK, such as a General Anti-Avoidance Rule and purposive legislative drafting.

The paper concludes that there is no “golden bullet” with which to tackle tax avoidance. Avoidance reflects the design of the tax system and in particular the difficulty of describing in legislation what it is that Parliament wants to tax. The boundaries created by the system – between what is taxed and what is not and through exemptions and reliefs – create opportunities for “avoidance”. As a first step therefore such boundaries need to be minimised. Political preferences and practical administration, however, are likely to ensure that boundaries will remain and some boundaries, such as national boundaries, will always remain. So, other approaches are needed.

The paper illustrates that there is a range of methods which could be employed. The key, in deciding which to deploy, is to identify clearly the cause of the avoidance and not just address its symptoms. Too often the latter has been the case. In choosing the appropriate tool to address the problem, however, it is important to consider how different methods balance satisfactorily the rights and obligations of taxpayers, HMRC and government.

The discussion paper is published in order to encourage debate on these issues and to inform the TLRC’s further work in this area.

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Notes to Editors:

1. The Tax Law Review Committee (TLRC) was set up by the IFS in autumn 1994 to ask whether the tax system was working as intended, efficiently and without imposing unnecessary burdens. Its role is to keep under review the state and operation of tax law in the UK, which it does by selecting particular topics for study. It does not seek to question Government policy as such but to look at whether existing arrangements achieve the policy in a satisfactory and efficient way. The Committee’s members represent a broad cross-section of informed opinion from industry and commerce, the judiciary, academia and the professions. Among its current projects is one considering the effectiveness of tax legislation.

2. For further information please contact Bonnie Brimstone (IFS), or Malcolm Gammie QC TLRC Research Director, (IFS) (mgammie@oeclaw.co.uk).

3. An electronic copy of the TLRC Discussion Paper no.7 on “Countering Tax Avoidance in the UK: Which Way Forward” is available on our website at: <http://www.ifs.org.uk/comms/dp7.pdf>

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Embargo

Immediate release
Weds 11th March 2009

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