

UK reports aim to clear confusion surrounding tax avoidance

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Reports point to a need for fundamental reform in the international tax system.

The level of tax paid by some of the multinational companies operating in the UK and the schemes used to reduce the tax bills of wealthy individuals are the subject of much public debate. Researchers from the Oxford University Centre for Business Taxation have this week published three reports on tax avoidance, in which they note that the discussion in Parliament and in the media and social networks has become confused.

They say the confusion is due to a lack of [differentiation](#) between activities which are all grouped under the label "avoidance". The report authors conclude that important domestic reforms and improvements can be made to address certain [tax](#) schemes, but a fundamental reform of the international tax system is the only effective way of increasing the tax paid by multinationals in the UK and worldwide.

In the reports, they distinguish 'ineffective avoidance' (which can already be tackled under current law) from 'effective avoidance' (which relies on a defect in the legislation or failure in the way it is written that cannot be corrected by the courts). They also point out a third type of activity, sometimes referred to as avoidance, where companies use the legislation or the international tax system to their own advantage.

The reports explains how a General Anti-Avoidance , or Anti-Abuse Rule (GAAR) can help to ensure that transactions are moved from the category of effective avoidance to that of ineffective avoidance.

Commenting on the Chancellor's introduction of the UK's first ever GAAR in the Autumn Statement, Judith Freedman, Professor of Taxation Law and a member of the government appointed study group which supported the proposal for a UK GAAR, said: 'The GAAR, together with other domestic measures, is an important tool for tackling abusive schemes which fall within the second category of avoidance in our report.

'Some critics say it is too narrowly drafted and will not deal with the issue of low corporate [tax payments](#) from multinational companies like Starbucks, Google and Amazon. Of course it won't do that- no GAAR could, since a GAAR cannot change the fundamental structure of international tax law.

'The only solution to problems in the third category is to undertake fundamental reforms, many of which will require international cooperation.'

Provided by Oxford University

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