

UK report accused PwC of tax avoidance on industrial scale

February 6 2015, by Danica Kirka

(AP)—A British parliamentary committee on Friday accused the accounting firm PwC of promoting tax avoidance on an industrial scale and urged the government to step in and do more to regulate the tax industry.

The Public Accounts Committee issued a scathing report, accusing PwC of mass-marketing [tax avoidance](#) plans and diverting profits to Luxembourg through intra-[company](#) loans.

"We believe that PwC's activities represent nothing short of the promotion of [tax](#) avoidance on an industrial scale," committee chair Margaret Hodge said. "The effect has been to reduce the amount of corporation tax that some multinational companies pay in the countries in which they make their profits."

The committee said the tax avoidance plans show the "government needs to take a more active role in regulating the tax industry, as it evidently cannot be trusted."

PwC said it disagreed with the committee's conclusions and stands by its evidence. However, PwC agreed that the tax system had become "too complex, as governments compete for investment and tax revenues."

"We take our responsibility to build trust in the tax system seriously and will continue to support reform," PwC said in a statement.

The U.K. committee cited the example of Shire Pharmaceuticals, saying the company arranged to have its interest payments on intra-company loans significantly reduce its overall tax liabilities. Although the company borrowed 800 million pounds (\$1.2 billion) externally, it had made interest payments on intra-company loans worth \$10 billion to a company it established in Luxembourg.

"The effect is to shift profits from other countries, where tax rates are higher, to Luxembourg," the committee said. "The 'substance' of Shire's business in Luxembourg, used to justify these arrangements, consists of two people out of the 5,600 staff the company employs globally."

Shire said it complies fully with its tax obligations in jurisdictions in which it operates.

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