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Big companies 'avoid £20bn' in tax

Tax Justice Network issues report comparing effective tax rates to actual tax rates

Alex Hawkes, *Accountancy Age*, 16 Jan 2006

Britain's 50 largest companies have avoided £20bn in tax since the year 2000, according to a report by lobby group the Tax Justice Network.

The study, released at the weekend, examined the top 50 companies in the FTSE100 and examined their effective tax rates, at 24.5%, against the notional corporate tax rate, of 30%.

If they had paid the full amount, they would have paid £20bn more in tax of which £12bn could have gone to the UK exchequer, the report's author Richard Murphy said.

'The tax gap is growing steadily, a trend that is not explained by changes in tax rates around the world. That means tax avoidance has to be a significant part of the explanation,' Murphy was quoted in *The Observer* saying.

Companies mentioned in the report defended their low tax bills yesterday.

Astrazeneca, which paid a 23% rate, said it operated around the world where different and lower tax rates applied, as well as receiving credits for R&D work. BAA, said it got tax allowances for its investment in infrastructure.

Murphy has insisted that global variances in tax rates could not explain the low rates completely. A weighted average of worldwide tax rates would suggest they should have paid tax at 29.7%, he said.

Tax avoidance has become an increasingly sensitive issue for corporates, with the Tax Justice Network establishing itself as a leading critic.

To read the report go to <http://www.thetaxgap.com/4682.html>. A blog discussing the issues raised has also been set up at <http://taxgap.blogspot.com/>.