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Joined-up way to change culture of tax avoidance

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From Mr Alex Cobham, Mr Richard Murphy and Mr Mike Lewis.

Sir, The CBI is wrong to label the pre-Budget report's corporate tax avoidance measures a new "inquisition" ("Employers' chief warns over drive against tax dodging", December 6). In fact, in some instances the UK is simply playing catch-up to international standards.

The PBR's commitment to pursue information exchange with non-European Union countries regarding indirect taxes, and to ratify the 1988 Council of Europe/OECD convention on mutual administrative assistance in tax matters, comes some 17 years after these bodies recognised the issue's importance.

What the chancellor's statement lacks is a joined-up approach to the tax avoidance industry. Tax planners will adapt to exploit other loopholes as fast as existing ones are closed. The PBR gives some indication of the problem's scale, estimating that its tax avoidance measures will yield more than £700m a year by 2007-08.

But this represents only a small part of lost revenues. An estimated $255bn is lost each year through aggressive tax avoidance, much of it siphoned into UK tax havens. The heaviest burden falls on the developing world.

Both the CBI and government exchequers want certainty with regard to tax. Both would be served by a general anti-avoidance principle in taxation law in place of the current variable and piecemeal approach. This would equip the government to change the culture of tax avoidance, and ensure that each economic agent pays a fair share of public expenditure.

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