*A Taxing Time Ahead: The Reality Behind The Rhetoric*

*In 2013 a raft of measures were introduced by the government to crack down on tax evasion both on an individual and on a corporate basis. In these stringent economic times, the political imperative was at the very least for the government to be seen to be doing something to address the perceived unfairness of high net worth individuals and corporations avoiding their fiscal responsibilities. After all, as the politicians were so keen to remind us, we were all in this together.*

*The measures ranged from headline grabbing international tax treaties with the Swiss and other European countries; greater co-operation with the US and our off shore dominions as well as increased funding being diverted to tackle tax evasion on the home front. The impetus being to increase revenue through recoupment and fines, close down aggressive tax avoidance schemes and apparently to divert the enforcement process through the civil and regulatory route and avoid the criminal process wherever possible if the cost benefit analysis was in favour of it. Mediation was also advanced as an alternative to time consuming litigation in tax tribunals as there appeared to be a concerted and joined up approach by HMRC to increase revenue recoupment on an expedited basis. Their was also a concerted press and public relations offensive to apply pressure on multi national corporations to comply with their corporate tax obligations. It seemed that a brave new world was being entered into by the government and there would be no hiding place for the fiscal miscreants of this world.*

*Whilst the rhetoric was impressive and the measures outlined above appeared to be setting a new agenda in the financial world, the reality has been somewhat different. The international tax treaties have not recouped the level of monies envisaged by the HMRC (as money located in Switzerland was simply transferred out of its jurisdiction to other parts of Europe or elsewhere) and the multi national corporations paid lip service to responsible compliance with their corporate tax responsibilities, whilst apparently constantly looking for the most cost efficient tax location to base their financial hubs. In relation to tax avoidance schemes, whilst the pre-registration scheme introduced by the government has seen a reduction in the number of schemes being disclosed, is that because of the effectiveness of the governmental approach or a scenario where tax professionals are reluctant to engage with a system in which they do not fully trust the undertakings given at the outset of the scheme, to be adhered to by HMRC several months or years later as the schemes come to fruition.*

*The result has been therefore that for all the impressive political and diplomatic rhetoric emanating from the UK Government, the measures proposed have not been as fiscally productive as envisaged and thus any effect on macro economic policy has been minimal with a similar result on the development of responsible corporate governance.*

*Against this background, what will 2014 hold for the financial world?*

*The one thing that will remain constant is the political imperative to be seen to be doing something (at least until the global economy recovers). In this age of rolling news, political spin and the ever increasing profits of the large multi national banks and corporations, a failure to address the fiscal inequalities of our society would spell political suicide for any party. But in the real world of global finance, it is fast becoming noticeable that the ability of any national government either on its own or in conjunction with fellow member states, to impose sound fiscal policies on the corporate leviathans is limited at best. There may be successful one off taxes levied at certain business sectors or groups of individuals (if they can pass through their respective legislatures) but a concerted, joined up approach seems to lack the political will for it to be enforced at the present time. The fear of upsetting 'big business' and the threat of jobs being lost (whether real or imaginary) seems to be at the forefront of our politician's minds.*

*The result therefore is likely to see a move away from the headline grabbing international and corporate tax policies so beloved of governmental conferences, and for it to be replaced by the dogged pursuit of the individual or the SME and their professional advisers whom work within a system in which the parameters are constantly in a state of flux due to the somewhat quixotic approach of the HMRC in this area.*

*In an atmosphere such as exists at the moment, it will come as no surprise therefore if the HMRC focuses its attention and considerable resources on "easy targets" as identified above in order to recoup monies owed through the civil route and on occasion bring a headline grabbing prosecution in order to demonstrate that something is "being done" in relation to fiscal malfeasance in the financial industry.*

*What really needs to be undertaken by the government in the first instance is for the current tax system to be simplified and for the government to stop penalising the individuals and professional advisers whom are trying to work within its ever shifting boundaries and instead, for the government to implement realistic policies (and critically enforce them) in relation to endemic tax avoidance by the large multi national corporations which have a far greater net effect on the loss to the revenues of this country.*

*A simple and straightforward reform in the first instance would be to prevent the constant cross fertilisation between the public and private sector where government employees with an intimate knowledge of tax procedure and policy (as well as future policy initiatives) seem to be able to move effortlessly between the two spheres of public good and private wealth without any hindrance or criticism. Further a tightening of the political control of HMRC and a structured system of reviewing their decisions and arrangements with multi nationals before they are "signed off" would also bring an element of transparency and legitimacy to the process and hopefully avoid the fiscal and politically inept arrangements that have been reached in recent times.*

*The democratisation of the tax system would allow greater accountability and control being given to the public that it purports to serve and to recast it in the eyes of the public as a source of good instead of its current public image as either pedantic and petty towards "Joe Public" and obsequious and obliging to the money men of our global economy.*

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