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What is wrong with tax avoidance? [1]

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I was on Channel Four News commenting on so-called tax avoidance [3] yesterday evening, putting across some points that I think are important to the recent discussion.

I take the view that nothing requires people or firms to voluntarily pay more in taxation than the law requires. Indeed, most try to minimize their taxes by offsetting their allowable expenses. Firms have a duty to their shareholders to operate efficiently, and this includes paying no more tax than the law specifies. This is tax minimization, not tax avoidance.

A firm like Amazon follows the rules of both the EU and the UK, choosing to locate in Luxembourg to take advantage of its benign tax rates. The EU single market not only allows firms to do this, it encourages it by preventing other governments from imposing extra taxes on such firms. Google similarly chooses to locate in the Republic of Ireland. Locating in one EU member state and paying its taxes gives access to markets in all of them. The single market was designed to ensure that.

Firms should not be blamed for minimizing their taxes. The people who should be blamed are the politicians who maintain tax laws so intricate and complicated that firms have to employ expensive teams of lawyers and accountants to navigate them. Taxes should be so low and so simple that people will neither seek nor need complex shelters. That would bring in more revenue, if done right, as well as making tax liability more transparent.

There is no level of tax that is somehow more 'fair' or more 'moral' than that stipulated by the law. It should be the laws interpreted by judges that decide what is right, rather than the opinion of media commentators and politicians. If law-makers do not like the present levels of taxes that are paid, they have the power to change the law, just as any firms that found the new levels too punitive would have the power to move elsewhere.

The whole discussion of so-called tax avoidance tackles the wrong agenda, in that the aim of it is to have government take in more taxation. Instead of trying to increase what government siphons off from the economy, we should be looking at ways of reducing it in order to create the conditions for growth. The whole debate is misconceived, pandering to envy of success, and can only harm the country's economic prospects instead of helping them.

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[3] http://link.brightcove.com/services/player/bcpid601325122001?bckey=AQ~~,AAAAAEabvr4~,Wtd2HT-p_Vh4qBcIZDrvZlvNCU8nxccG&bctid=1992938123001
[4] http://disqus.com/?ref_noscript

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