

**SEPTEMBER 2012**

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**TAX  
AVOIDANCE**

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**TOM SLATER**



**MOTION:**

**“TAX AVOIDANCE IS  
MORALLY WRONG”**

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## KEY TERMS

General Anti-Avoidance Rule

PAYE

Tax avoidance

Tax evasion

Tax gap

Tax haven

# INTRODUCTION

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# NOTES

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In contrast to tax evasion [Ref: [Investopedia](#)], tax avoidance is the entirely legal practice of arranging one's finances in order to pay the least amount of tax possible; it has recently been cast as a morally dubious practice. In 2010, a series of protests orchestrated by UK Uncut were aimed at high street chains such as Vodafone and Topshop, when it was revealed that they were paying virtually zero per cent in corporation tax [Ref: [Guardian](#)]. They argue, as have many commentators, that it is morally wrong of businesses not to contribute to the government's coffers as they are depriving the less fortunate of state services, which are now facing rigorous cut backs [Ref: [UK Uncut](#)]. More recently, the revelation that many high-profile celebrities were involved in schemes which dramatically reduced their income tax has led to even more indignation, with Prime Minister David Cameron denouncing such behaviour as 'morally wrong' [Ref: [Independent](#)]. While the government's tacit approval of tax avoidance schemes has led many to deem Cameron's outburst hypocritical, the sentiment remains that taking advantage of the system is a distinctly immoral practice [Ref: [The Week](#)]. However, others claim that the criticism aimed at tax avoidance is unjustified: if lawful money management is so morally reprehensible, it is the law that should be changed [Ref: [Guardian](#)]. Others argue that the shameless scapegoating of individual corporations or celebrities only distracts us from the true causes of the economic crisis [Ref: [Big Issue](#)]. No matter what position one takes, morality has become an increasingly prominent issue in the tax avoidance debate.



## ‘...all in this together’?

In his speech at the 2009 Conservative Party conference, Chancellor George Osborne stated that, in these hard economic times, we should consider ourselves ‘all in this together’ [Ref: [Telegraph](#)]. This idea seems to underpin the moral indignation surrounding the recent tax-avoidance scandal. In this atmosphere, the revelation that retailers were operating out of tax havens [Ref: [Guardian](#)] while celebrities were channelling their income into tax-avoidance schemes [Ref: [Accountancy Age](#)], seemed to run against the grain of this communal idea of us all being in it together. Many speculate that recovering funds from wealthy tax avoiders would allow the welfare system to avoid the cuts which they are now facing in the Coalition’s attempt to tackle the government deficit. Thus, wilfully avoiding tax is morally wrong as it directly deprives the less fortunate of services which are now needed more than ever [Ref: [Guardian](#)]. On the other hand, there are those who have suggested that the extortionate rate of tax levied against the highest earners inevitably leads them to participate in tax-avoidance schemes, in order to preserve their businesses or personal wealth [Ref: [BBC News](#)]. Furthermore, others have argued that aggressive taxation discourages businesses from growing to their full potential, as higher turnover will only mean reaching a higher tax bracket [Ref: [Telegraph](#)]. From this perspective, the morality of tax avoidance isn’t black and white. If long-term prosperity is dependent on growth, which is in turn fuelled by a thriving businesses, then tax avoidance is a necessary means to continue the creation of wealth and jobs in an otherwise inhospitable climate. Hence as one commentator argues: ‘[T]he best way to grow the economy, and so increase tax revenue, is to cut

taxes to the lowest level possible... high tax rates are not only economically wrong-headed, they also drive law-abiding citizens to take advantage of schemes that have no purpose other than minimising their taxes.’ [Ref: [Express](#)].

## Immoral individuals or an immoral system?

In June of 2012, a wave of criticism led comedian Jimmy Carr to withdraw from a scheme which had enabled him to pay as little as one per cent income tax. Although he had done nothing illegal, he apologised for his actions, stating that he had made a ‘terrible error in judgement’ [Ref: [Express](#)]. In the wake of this, the government put forward legislation that would allow the HMRC to ‘name and shame’ tax avoiders, underlining the now common conception that tax avoidance is the mark of an immoral individual [Ref: [Huffington Post](#)]. However, many feel uneasy with this type of condemnation. For instance, Reverend Peter Mullen writes: ‘Reasonably and legitimately, within the confines of the law, to avoid paying more tax than one needs to pay is no more dishonest than, say, the effort of a working man to sell his labour to the highest bidder; or for another to invest his money at the best rate of interest’. In denouncing legal tax avoiders we are suggesting that law and morality are separate entities and in doing so we are ‘undermining the principles of any rational social ethic’ [Ref: [Telegraph](#)]. As such, many commentators have argued that, if the tax laws are so questionable, they should simply be changed [Ref: [Accounting Web](#)] as the needless denouncement of individuals only ignores the wider ‘systemic’ issues at play [Ref: [Guardian](#)].



### Is paying tax a moral issue?

As the famous American jurist Oliver Wendell Holmes once said, 'Taxes are the price we pay for a civilised society' [Ref: [Wiki Quote](#)], and recent events in the UK have fostered this notion that tax compliance is the mark of a moral and responsible citizen. For instance, during the 2012 London mayoral election, the three leading candidates were moved to release their personal tax details [Ref: [Telegraph](#)]. Similarly, when it was revealed that Gary Barlow was involved in a tax avoidance scheme, there was a clamour for the singer to return his recently awarded OBE, as he had failed to uphold the standards of citizenry which the honour represented [Ref: [BBC News](#)]. Columnist David Aaronovitch argues that how one pays one's taxes is a matter of conscience, an indication of one's morals: 'One cornerstone of moral systems is imagining what would happen if everybody did the same thing. If we all found a Carr-style way to avoid paying our taxes, would we be a better or a worse society? The answer — criminals roaming unhindered, the borders unpoliced, children uneducated, the sick left to die at home — is obvious, and that should be the basis for a conscience-based decision on paying tax.' [Ref: [The Times](#)]. In contrast, some have suggested that making how much tax one pays a moral and political issue reduces morality and politics to mere accountancy [Ref: [spiked](#)]. Others have asserted that it is 'morally wrong to suggest to pupils that paying high taxes is a good thing' [Ref: [Daily Mail](#)]. This position is echoed in the diaries of George Orwell, as in 1940 he wrote: '[I] would dodge paying the tax if I could. Yet I would give my life for England readily enough, if I thought it necessary. No one is patriotic about taxes' [Ref: [Orwell Diaries](#)].



## ESSENTIAL READING

Fact File: Tax Avoidance

*Independent* 21 June 2012

Tax Briefing: Tax avoidance, evasion, compliance and planning

*Tax Research UK* July 2010

## FOR

Jimmy Carr tax row turns to David Cameron and his rich pals as

Carr apologises

James Lyons *Mirror* 22 June 2012

Why Cameron was right to condemn Jimmy Carr

Richard Morris *New Statesman* 21 June 2012

Pay tax according to conscience, not the law

David Aaronovitch *The Times* 20 June 2012

Tax, that unlikely window on our politicians' souls

Marina Hyde *Guardian* 6 April 2012

It's time to hold Ken Livingstone to account

Nick Cohen *Observer* 4 March 2012

## AGAINST

It is morally wrong to suggest to pupils that paying high taxes is a good thing

Steve Doughty *Daily Mail* 27 July 2012

Tax is not a window into the soul

Tim Black *spiked* 25 June 2012

Don't blame the rich on tax, blame the government

Stephen Pollard *Express* 21 June 2012

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The sin of Jimmy Carr and Take That is hypocrisy, not the entirely rational act of tax avoidance

Tim Stanley *Telegraph* 20 June 2012

Wrong reaction to tax avoidance

*Financial Times* 28 February 2012

## IN DEPTH

Labour needs to stop moralizing about tax

Peter Watt *Labour Uncut* 2 August 2012

Paying tax is not a moral issue

Mohammed Amin *Conservative Home* 25 July 2012

Yes, I pay builders in cash. But what's really immoral is

billionaires and firms like Google

Stephen Glover *Daily Mail* 24 July 2012

Moral Maze: Tax Avoidance

*BBC Radio 4* 24 March 2012

Yes, Britain's open for business – the sort of business that doesn't pay tax

George Monbiot *Guardian* 8 November 2011



## BACKGROUNDEERS

Is David Gauke a member of UK Uncut?

Tom Bailey *spiked* 31 July 2012

Reasonable tax planning or 'morally wrong' tax avoidance?

Francesca Lagerberg *Grant Thornton* 5 July 2012

Crown dependencies : the Loophole islands

*Guardian* 28 June 2012

How advisers to stars lobbied MPs to make it a human right to avoid tax

Jamie Doward *Guardian* 23 June 2012

Time for tax dodging multinationals to learn from Jimmy Carr

Joe Ware *Huffington Post* 23 June 2012

Cameron should avoid blind sanctimony on legal tax avoidance

Abhijit Pandya *Daily Mail* 22 June 2012

Tax avoidance: The most common schemes

Kevin Peachey *BBC News* 21 June 2012

When does tax avoidance become tax evasion

Philip Fisher *Accounting Web* 21 June 2012

George Osborne's new plans to tackle tax avoidance

Fiona Fernie *BBC News* 28 March 2012

Tax Avoidance costs UK economy £69.9 billion a year

Mark Jenner *New Statesman* 25 November 2011

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NOTES

## ORGANISATIONS

Chartered Institute of Taxation

HMRC

Tax Justice Network

Tax Research UK

The Tax Experts

UK Uncut



## IN THE NEWS

Tax evasion aided by global inertia

*BBC News* 8 August 2012

BBC faces probe over allegations of encouraging tax avoidance

*Mirror* 24 July 2012

Middle class families doing nothing illegal or immoral by paying in cash, minister says

*Telegraph* 24 July 2012

Tax avoiders to be 'named and shamed' after Jimmy Carr revelations

*Huffington Post* 23 July 2012

It is 'morally wrong' to pay tradesmen cash in hand, says Gauke

*Telegraph* 23 July 2012

London Mayor Boris Johnson admits paying cash 'a lot'

*Daily Mail* 23 July 2012

£13tn hoard hidden from taxman by global elite

*Guardian* 21 July 2012

Tax avoidance: HMRC could gain billions as court rules against 'artificial' scheme

*Telegraph* 18 July 2012

Jersey threatens to break from the UK over tax backlash

*Guardian* 26 June 2012

Stop tax dodgers or their will be 'riots on the streets', warns top lawyer

*Daily Mail* 26 June 2012

Danny Alexander says tax avoidance 'adds 2p in every £1 to basic tax rate'

*Independent* 24 June 2012

Top Tory donor linked to Jimmy Carr tax scheme

*Guardian* 23 June 2012

Tax advisers attack ministers over avoidance 'witch hunt'

*Telegraph* 23 June 2012

Cameron ducks Gary Barlow tax avoidance question

*BBC News* 21 June 2012

Jimmy Carr apologises over tax scandal

*Express* 21 June 2012

Gary Barlow 'should consider' returning OBE over tax scheme

*BBC News* 21 June 2012

Gimme Carr: Greedy TV comic Jimmy is dodging tax on £3.3 million a year

*Mirror* 20 June 2012

Minister says HMRC 'on the case' on tax avoidance

*BBC News* 19 June 2012

Vodafone in controversy over its tax bill

*Telegraph* 10 June 2012

Ken Livingstone: The truth about that tax affair

*Evening Standard* 19 April 2012

Boris Johnson and Ken Livingstone release personal tax details

*Telegraph* 5 April 2012

MPs to investigate corporate tax avoidance

*Guardian* 28 March 2012

George Osborne's new plans to tackle tax avoidance

*BBC News* 28 March 2012

UK tax gap narrows to £35bn, say HMRC

*BBC News* 21 September 2011

Topshop's flagship London store hit by tax protest

*BBC News* 4 December 2010

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NOTES





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