

## Tax havens in the EU – why does the BBC miss them out?

I noticed in all the BBC allegations about use of tax havens they of course made no mention of why it is that most UK collective investment fund investments are now made through Dublin or Luxembourg.

The EU invented the passported investment fund that can be easily used throughout the EU called UCITs – Undertakings for collective investments in transferable securities. These have replaced many of the domestic UK unit trusts that savers used to use. 88% of these vehicles are established in either Dublin or Luxembourg rather than in London which remains the principal centre for investment expertise.

One of the reasons behind this dominance by two of the smaller world centres is the favourable tax regime. In Ireland overseas investors in the funds pay no Income tax, CGT, Subscription tax, Corporation Tax or Redemption tax to the Irish authorities. Obviously holders of the units do pay income tax on the dividends and CGT on the gains in their country where they are registered to pay taxes. UK investors large or small pay Income tax on dividends and CGT on gains in any offshore fund they hold anywhere in the world, unless their gain is below the taxable threshold or unless they hold the investment in a pension fund or ISA which are tax exempt. Ironically given the coverage it is the smaller savers who can more easily use sensible tax avoidance schemes like pensions and ISAs to avoid tax on their holdings.

In Luxembourg too there is a very favourable tax regime to encourage the establishment of UCITs. Dublin has proved more attractive because it also offers a very low Corporation Tax rate of 12.5% if the sponsor company for the UCIT also wishes to move there.

It is curious how Labour and the BBC concentrate on favourable tax regimes in UK offshore centres but not in these two larger EU locations. I see nothing wrong with the approach of the Irish or Luxembourg authorities who have successfully competed with a tax and services offer which has attracted a lot of business away from London and other large centres. I do detect bias in the recent treatment of tax avoidance stories. They have been unwilling to point out up front that offshore funds do not allow UK citizens to avoid tax on their investments, and do not point out the huge volume of offshore funds generated by EU policy favouring places other than London within the EU.

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## Standards at Westminster

I understand the interest in the various stories about actual and alleged

misconduct by MPs at Westminster. I have no intention of writing about them and will not be publishing any comments about individual cases. I do not know the rights and wrongs of individual cases and have no wish to get in the way of any enquiry or legal process.

If criminal wrongdoing has taken place it must be prosecuted. If an MP has behaved unprofessionally but not criminally then there needs to be an apology and some recognition of the error. If an MP is falsely accused they deserve a fair and independent process to clear their name.

The Prime Minister and Leader of the Opposition are working together to produce a new procedure for anyone working at Westminster to pursue a complaint about another MP or staff member. This needs to be done with due process in a way which ensures it will be properly examined independently, with judgement and arbitration as needed. Staff members need protecting against any predatory MP, and MPs need to be able to dismiss any false allegations in a timely and convincing way.

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## [The Government's Broadband Achievements](#)

I have received an update from the Minister on what the Government has done to improve access to superfast broadband.

- **Superfast broadband is now available to more than 94 per cent of UK homes and businesses, up from 45 per cent in 2010.**
- **Since 2013, more than 4.5 million homes and businesses have superfast broadband available for the first time thanks to the Government's Superfast Broadband Programme.**
- **We are reaching thousands more properties every single week and on track to reach 95 per cent of the UK by the end of the year.**
- **We have announced that up to £645 million is to be made available to help take superfast broadband coverage to 98 per cent of the nation over the next few years.** Together with other planned delivery, it is estimated that this could see more than 900,000 extra UK homes and businesses gain access to superfast speeds at the end of this year alone
- **Up to £56 million of this funding will help take superfast speeds further across Wales.** This will build on the 650,000 Welsh homes and businesses that our rollout has already reached.
- **And up to £78 million of this funding will help take superfast speeds further across Scotland.** This will build on the 800,000 Scottish homes and

businesses that our rollout has already reached.

- **We have pledged to ensure that 100 per cent of the UK will have access to affordable, fast and reliable broadband by 2020.** The success of the Government's superfast broadband rollout programme will help us reach the final 5 per cent.
- **We are investing £1.1bn in digital infrastructure to support the next generation of fast and reliable mobile and broadband communications for consumers and businesses.** The National Productivity Investment Fund (NPIF) will invest the money by 2020-21, with a focus on priority areas that are critical for improving productivity: economic infrastructure, housing and R&D.
- **We are investing £200 million to fund a programme of local projects to test ways to accelerate market delivery of new full-fibre networks.** The first stage of a £200 million Local Full Fibre Network scheme to help bring the UK's fastest and most reliable Gigabit connectivity to businesses, communities and public buildings was launched on 3 September.
- **We have announced a £25 million '5G Testbeds and Trials' competition to select projects for funding in 2018-19 to support the next generation of digital infrastructure.** Part of the £740 million National Productivity Investment Fund (NPIF), it will help to ensure the UK's position as one of the world's leading countries in the development of 5G technology by attracting inward investment to the UK, creating new opportunities for businesses and improving productivity.
- **We are introducing 100% business rates relief for operators who install new fibre on their networks.** The move will incentivise operators to invest in the broadband network, increasing speeds for both businesses and homes.
- **And we have provided immediate assistance for those people living in the hardest to reach places with the slowest internet speeds.** More than 10,000 rural homes and businesses have already used our Better Broadband Subsidy scheme to get a huge boost to their broadband speed.

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## **Brexit is an important political event but not an important economic event**

The opponents of Brexit who are still out to stop or dilute it seem to see Brexit as some big economic event. It is difficult to see why.

They concentrate on trade. There is no evidence that joining the EEC or completing the single market did anything to boost UK growth so it is difficult to see how leaving it will do the opposite. Our trade with the rest

of the world handled with tariffs under WTO rules is continuing to expand more rapidly than our trade with the EU. The figures quoted for the proportion of our goods and food trade that is with the EU fail to point out it is far more imports than exports.

I predict that you will not see the impact of Brexit on world growth or world trade figures after we have left. If there are tariffs we may import more food from non EU sources and less from the rest of the EU but not much else will change. We will certainly grow more of our own if the EU insists on tariff barriers.

It is also likely the EU will want tariff free when they think they have wrestled as much cash as possible from the UK government in search of a deal. The big win economically for the UK will be saving the money we send them. The more we delay taking control of our own money, the more we delay getting the benefit. The win is a double one, as it will lead to a sharp improvement in our balance of payments when we cancel the contributions, as well as giving us money to spend at home on our own priorities.

I assume the briefings that the UK government is offering E60bn of divorce settlement is disinformation. There is no way the public will accept that, and unlikely the UK government would have offered anything firm just to hold talks that the EU is going to hold anyway.

I see we are now going to train more nurses at home instead of expecting to bring in more EU nurses after we have left. All EU nurses currently here are of course welcome and can stay as valued members of our society, but it must be a good idea to train more of our own and work away at reducing unemployment further.

Those who say non tariff barriers and delays at borders are issues under WTO procedures are out of date. In February this year the new Facilitation of Trade Agreement by the WTO came into force which will work well.

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## **The UK Treasury needs to wake up to the power of those US tax cuts**

I read in the papers that the Treasury is busy scrambling around to find more taxes they can put up. If they stopped giving away so much of our money to the EU and stopped trying to find ways to carry on giving away our money to the EU they would not need to worry about where to find the cash. If they fully embraced the idea that lower tax rates often lead to higher revenues we could make more economic progress.

This week the Republicans at last rose to the challenge of tax cutting. They announced a blockbuster package. If it or something like it passes it will

increase US growth materially, it will be a boost to the whole world economy, and it will suck business into the USA from higher tax regimes elsewhere.

The Bill includes slashing the Corporation tax rate from 35% to 20%, and to just 12% as a one off to get large US corporations to repatriate profits they have been holding offshore to avoid high rates. It gives a big boost to the average earner by cutting bands of Income tax from 7 to 4, and lowering the tax take on all but the richest. It is costed as providing a \$1.5 trillion stimulus over ten years. In practice I suspect the proposals will collect rather more revenue than the conventional official models predict, but it will certainly be stimulatory in its impact.

We do not need at the same time a budget in the UK looking for new ways to tax small business with extra VAT or National Insurance. We can live without a tax attack on the self employed. We do not need further tax attacks on homeowners. We need to match the US approach and show some enthusiasm for lower tax rates. We need a more dynamic economy, collecting more revenue, which comes from fewer, simpler and lower tax rates.

So much of the UK economic establishment is dominated by endlessly repeating the arguments of the Brexit referendum for no good reason. Instead they need to talk about tax cuts and tax reform, appropriate deficit levels and Central Bank policy. There is a danger the UK will be left behind by the boldness of the US approach. If they carry this package or something like it it will have an electrifying effect on the US economy.