

# HMRC Failings and the Eurobonds Loophole – Will the UK Ever Tackle Tax Evasion?

TIMPERLEY, CHESHIRE, UNITED KINGDOM, January 8, 2014 /EINPresswire.com/ -- In July 2013, Starbucks announced they'd made their first tax payment since 2009. A giant in the UK's coffee scene for over 15 years, Starbucks UK had only reported taxable profit once. Despite sales of £400million in 2012, Starbucks paid nothing in corporation tax between 2009 and 2013 and MPs found it hard to believe that they were trading with losses nearly every year.

Starbucks had in fact struck a deal with Dutch authorities and transferred their earnings to a sister company in Holland. When they were found out, they vowed to pay up, close or relocate unprofitable stores and hoped to ensure their profits remained in the UK in exchange for offering employment to the UK's economy.

The Public Accounts Committee say the UK tax authority are losing its nerve when chasing tax avoiding companies and have pinned their focus on smaller UK businesses. The committee have even said the HMRC have failed to show they back those who pay their taxes in full (much to their disgust) and also state the HMRC are failing to use all sanctions when it comes to unpaid tax.

Whilst the HMRC tackle tax avoidance of small to medium sized businesses, they do claim they're making the UK a more attractive business location. However when it comes to international corporations Margaret Hodge, chair of the Public Accounts Committee, believes this may enable them to avoid tax payments.

Failing to close the loophole created by Eurobonds made it easier for companies to avoid tax. Company owners lend their money instead of putting it into the shares they buy and the interest on these loans cuts the company's taxable income and owners get the interest tax-free. Without this loophole, HMRC would be able to deduct 20 percent "withholding tax" for payments overseas and overall tax would be reduced. This has been acknowledged as more than a minor issue amongst a handful of companies with top names including Nando's, Pret-a-Manger and high street retailer BHS racking up billions in unpaid taxes.

Although Apple, Microsoft and Google claim to follow tax rules in every country they operate, they have all been in the tax avoidance spotlight over the past year. Apple funnelled profits to Irish subsidiaries which declared no tax residency anywhere in the world. In October 2013 the Irish government said they planned to make it illegal for companies to have no tax domicile; however this would not stop companies from nominating tax residency in countries such as Bermuda where there are zero tax rates and where Microsoft and Google legally channel their Irish subsidiary profits.

During October's tax avoidance witch hunt, Facebook were also found to have paid no corporation tax in the UK despite generating and estimated £223million in revenue. Again using Irish subsidiaries the US social media giant failed to contribute its fair share to the UK economy.

Ms Hodge has called for the HMRC to focus on a new tax regime which equally balances support and enforcement no matter what size the company.

Last year the government said they'd be introducing tax breaks for companies who contribute to the UK's unemployment situation. Reducing corporation tax and increasing allowances for machinery and equipment could open up 300,000 new job opportunities in FTSE 100 companies. Tax breaks would help the UK's international business popularity, but should Eurobonds loophole remain open and Irish subsidiaries conform with UK tax rules is this a contributing factor to the UK tax evasion issue?

It does make you wonder why concessions are not more balanced towards start-up companies where cash flow in their infancy is most needed. The seed enterprise investment scheme (SEIS) is one tax break available by the HMRC; however only limited funds are available in the early stages and there is a big awareness and eligibility problem.

[Steve Dale](#) is chairman of EmptyLemon; the largest source of [direct employer jobs](#) in the UK. Steve Dale also runs a blog and [twitter](#) page.

Steve Dale  
EmptyLemon  
08456897046  
email us here

---

This press release can be viewed online at: <http://www.einpresswire.com>

Disclaimer: If you have any questions regarding information in this press release please contact the company listed in the press release. Please do not contact EIN Presswire. We will be unable to assist you with your inquiry. EIN Presswire disclaims any content contained in these releases.

© 1995-2015 IPD Group, Inc. All Right Reserved.