IN THE BACK

TAX AVOIDANCE

Haven sent

IN a bizarre change of British tax law, the offshore millions of multinational corporate tax avoiders are set to be taxed at a rate less than half that paid by those little people who earn just £7,500 a year.

Last week Treasury minister and ex-City lawyer David Gauke set out his vision of low-tax corporate Britain to appreciative suits at tax avoidance advisers Deloitte.

First he boasted of already having cut company tax rates to "the lowest rate of any major western country". Then he revealed there would be yet more reliefs and concessions. A few days later he produced his "corporate tax roadmap", agreed with the Treasury's "business forum on tax and competitiveness group" which comprises finance directors from the very companies that will benefit most from the changes, including Shell, Diageo, Glaxosmithkline and, er, Vodafone (*Eyes passim*).

Gauke was keenest to advertise a tax break for income from patents, which coincided neatly with the announcement of an investment by GlaxoSmith-kline. It was quickly dismissed, however, by the Institute for Fiscal Studies which found that the tax break "will lead to a large reduction in tax receipts… and it is far from clear that any additional research resulting from the policy will take place in the UK."

The biggest give-away is reserved for Vodafone-style tax avoidance schemes, in which British companies stuff their tax haven subsidiaries with money on which they earn tax-free interest. Under current law these profits remain fully taxable in the UK (unless the company is let off, Vodafone-style, by a friendly taxman). But in future income dumped in havens by the largest multinationals explicitly to dodge tax will be taxed at a maximum of just 8 percent. Gauke's "roadmap" is thus more of a corporate tax flight-plan, so effectively will it see British profits flee to the world's tax havens.

Gauke also used his appearance at Deloitte to take the extraordinary step of endorsing Vodafone's dodgy tax deal while claiming to know nothing about it.

"While, as a minister, I don't know the details of individual cases, I was pleased to see HMRC recently achieve the largest cash settlement in the department's history," he said. "This has brought in extra revenue that has sat in financial purgatory for numerous years, and shows the department and business working to resolve long-outstanding issues."

The Vodafone dispute had indeed rumbled on for years, largely because the company argued every inch of the way even on procedural issues. But following a court of appeal victory last year the taxman was nearing the winning post – before pulling up just in time to throw the race.

Gauke dismissed protesters against the dodgy deal as joining "a bandwagon" – a choice metaphor since one bandwagon with plenty onboard is the group of companies now demanding their own "Vodafone deals".

Tory MP and former public accounts committee chairman David Davis has established there are 190 ongoing tax disputes involving the same tax law. Dozens involve Vodafone-style arrangements, with companies demanding equally generous treatment (some waving under the taxman's nose the same public information that the *Eye* picked up to demonstrate what a cushy deal the phone company received). Among them is Vodafone's rival O2 which, the *Eye* has learnt, runs a similar scam – though for mere hundreds of millions rather than billions of pounds in tax – through the Isle of Man. Several more billions in public funds are likely to be flushed down the toilet soon.

MONEY LAUNDERING

Green stuff

DETAILS of HSBC's money-laundering troubles in the US put the men in charge over recent years at Britain's biggest bank, including new trade minister and ex-HSBC chairman Stephen Green, in a tricky position.

In a comprehensive "cease and desist" order, the US currency regulator has found that between 2006 and 2009 HSBC Bank USA failed to monitor cash transactions for money-laundering purposes, didn't perform "due diligence" on cash transactions with other parts of the HSBC empire and didn't identify "politically exposed persons", ie those bearing suitcases of cash and connected to senior government officials, as high risk.

Green, then HSBC worldwide chief executive, was chairman of HSBC Bank USA itself until May 2006 – just about the start of the period that US investigators looked at and found the rudimentary failings. Sitting on the board as it turned a blind eye to bent money was HSBC's recently appointed global chief exec, Stuart Gulliver.

Money-laundering failings were not confined to North America. Ambivalence to the provenance of wads of dodgy greenbacks was closely linked to money laundering through HSBC in the UK. A recent report by Global Witness revealed how millions of dollars were channelled through HSBC accounts in London in the early and mid-2000s on behalf of a couple of corrupt Nigerian state governors (despite having been caught out a few years earlier laundering President Abacha's money), much of it while the government's new business minister, Lord Green, was chief executive.

No investigation, never mind penalty, followed in the UK. Just as there was no repercussion over Green's chairmanship of HSBC Private Bank in Switzerland as it facilitated largescale tax avoidance (*Eye* 1273). Which is all very convenient for a famously ethical banker with political ambitions.

PENSIONS

A cosy Nest!

THE National Employment Savings Trust (Nest), under which millions of employees' retirement savings will be placed on the stock market (see last *Eye*), won't come cheap, partly because of the high costs of setting up the scheme. A big chunk of these, the *Eye* has discovered using freedom of information laws, has gone to a company founded by Nest's "business delivery director", Simon Richards.

IT consultancy company Alpheus Solutions Ltd was set up by Richards in 1996 before he moved on to work at a mobile phone payment company, Simpay, with current Nest chief executive Tim Jones, who in 2007 gave Richards the £200,000-a-year Nest job.

Richards himself soon appointed a couple of men from his old firm Alpheus to Nest. One of them, Nest head of project management Nick Sex, remains a non-executive director of the company and a significant shareholder. The best man at Richards' wedding, Mark Fawcett, readers of *Eye* 1256 will recall, was also appointed investment director after being "introduced" by his pal.

Against this background Nest spent ten months refusing to disclose its payments to external consultants until forced to by the information commissioner. And no wonder: the firm received £990,581 in 2008/09 alone. Since the two Alpheus companies in the UK earned less than £3m in the year up to 31 January 2009, this was not just another contract.

Alpheus's work, Nest explained, involved "tracking and managing project performance against the project plan", which sounds close to Sex's brief. Nest has insisted that Sex's contract contains "specific conditions" to "mitigate the risk of any potential conflict of interest…" So that's all right, then.

MINIMUM WAGE

Internshits…

AS youth unemployment hits a record 1m and school leavers and graduates are desperate to find work, UK employers are only too happy to help so long as they work for nothing.

In recent months some of corporate Britain's biggest names, including Tesco, Volkswagen, Morrisons and Harrods, have adopted David Cameron's Big Society approach to voluntary work and advertised unpaid internships.

Most involve clerical work dressed up as "exciting opportunities" for the inexperienced. Tasks include making the tea, filing, entering data, picking up the boss's lunch and in some cases, as documented by the website Interns Anonymous, scrubbing toilets and sweeping floors. Clothing chain Urban Outfitters expects its interns to work for nine months or not bother applying. In the search for "efficiency savings", even the Home Office and NHS are now getting in on the act while cutting back on paid staff.

However, the scam may soon be stymied because it appears that under national minimum wage legislation most of this labour exploitation could be illegal. As one employment lawyer says: "The law is far from watertight on this, but it follows the same principles as the duck rule. If it looks like work and feels like work, it is work, not volunteering or training. And these interns should be paid [the] minimum wage."

After a successful legal action by a member of the broadcasting and film union BECTU, the National Union of Journalists has taken up the cause too. In October it launched a campaign to help interns claim thousands of pounds in back pay from publishers. Its lawyers are reviewing nine cases they hope to use to test the minimum wage law.

Not surprisingly, the mainstream press has been quiet on the matter. As one editor on the *Guardian* put it: "We're in a slightly tricky situation here in that my understanding is that we don't pay them either."

Insiders at the *New Statesman* confirm that although editor Jason Cowley earns a handsome six-figure salary, around a third of his staff are unpaid interns. A review of their jobs board confirms that their soon-to-be-launched sister mag, *Charity Insight*, plans to staff itself from a rolling stock of unpaid interns with no guaranteed job at the end.

After hearing of the NUJ campaign, Girish Gupta, a former intern at the *Independent*, decided to claim back what he believed to be fair wages for stories the paper had published. In a rather curt email, deputy editor Adam Leigh concluded that Gupta's request was "particularly idiotic". After Gupta referred his case to the Department for Business work and pay helpline, another email, this time from the *Independent*'s legal department, mused that if Gupta should win "the fall out in the heart of the economy would be enormous, not least in the heart of government where unpaid internships are part of the structure".

GOBBLEDEGOOK

Stupid letter of the week

IT WOULD be easy to blame the plethora of stupid letters on automated computer mailout systems sending out messages without anyone checking them, but sometimes there's evidence of human involvement.

Take for instance, the letter sent to one *Eye* reader from social landlords Golding Homes, threatening to refer them to the small claims court or a debt recovery agency "who will pursue you directly for the outstanding sum of £0.00".

Golding's Luisa Parrett must have looked at the menacing letter for at least long enough to scribble her signature at the bottom in blue ink. Did it not occur to her that this might not be the best use of the courts, the bailiffs or even an envelope?