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Tax havens 'put Britain high on list of corrupt countries'

By Charles Clover

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Britain is high on a list of the world's most corrupt countries, along with the United States and Switzerland, because of the refuge it offers to dirty money in tax havens such as the Channel Isles and the Isle of Man, researchers said yesterday.

Britain deserves inclusion high on any list of corrupt countries because of its "pinstripe infrastructure" of financial advisers squirrelling away money offshore and because of its reluctance to close down its tax havens, the Royal Geographical Society's annual conference was told.

John Christensen, of the Tax Justice Network, whose research is funded by the Joseph Rowntree Foundation, criticised the ranking of the world's most corrupt nations compiled annually by Transparency International, a not-for-profit organisation, in which African countries come out as the most corrupt. He said the index used a too-narrow definition of corruption, mostly bribery. He said Britain, Switzerland, America and other countries that provide tax havens would float to the top if the definition of corruption was broadened to include other forms of criminal cash transfers and illicit transactions. While the amount of bribery related corruption in developing countries was reliably estimated at \$20 billion a year, the inclusion of corrupt transactions across borders lifted that to \$539 billion.

Mr Christensen accused Gordon Brown, the Chancellor, of failing to carry out his promise to go after large scale corporate tax avoiders, because of a reluctance to alter Britain's perception as a "low tax" nation. Instead of going after the corrupt super-rich, the Chancellor had placed the burden of taxation on people of middle and lower incomes. Mr Christensen said that this had wider consequences than just starving the Treasury of tax revenue because money from corruption, or flight capital as it is sometimes known, helped to inflate property prices and did not lead to genuinely productive economic activity.

Calling for the abolition of tax havens he said: "You cannot move money in the quantity that has been moved out of Russia without using the western banking network and they are all deeply implicated in the process."

Prem Sikka, a professor of accounting at Essex University, accused Mr Brown of losing an estimated £97-150 billion a year to organised tax avoidance by large corporations because he was reluctant to tackle the trans-frontier transfer of

money, at preferential rates, between large corporations.