TAX, LIES AND VIDEOTAPE

BRITAIN'S SHADOW TAX SYSTEM REVEALED

A *Private Eye* Special Report by RICHARD BROOKS

THE coalition's frequent claim to be clamping down on corporate tax avoidance is a sham, an undercover investigation by *Private Eye* and the BBC's *Panorama* reveals.

The Treasury, HM Revenue & Customs and Britain's biggest accountancy firms all connive to allow the biggest companies and richest individuals to deny the UK exchequer billions, while undermining the global fight against tax dodging too.

Our investigation reveals that Britain operates a shadow tax system thanks to a clique of ministers, officials, select multinationals and accountancy firms – the largest of whom, PwC, appeared to misrepresent its own activities to parliament. Only two groups are not supposed to know about this – the public and their MPs. But now they can…

"THE parties agree that tackling tax avoidance is essential for the new government, and that all efforts will be made to do so." So promised the new government's coalition agreement in May 2010, a crucial concession to the Lib Dem campaign against tax dodging led by Vince Cable. Within weeks chancellor George Osborne announced an anti-tax avoidance panacea known as a "general anti-avoidance rule" and the Lib Dems could congratulate themselves on a much needed win inside the uneasy coalition.

More significantly, through his junior minister David Gauke, Osborne was about to launch a "corporate tax roadmap" on which the unmentioned destination was a land of vast tax-dodging opportunity for the largest companies. The clever bit was that, since the new tax breaks were to be found in the smallprint of legislation, there was no chance that the tax schemes emerging would be caught by any anti-tax avoidance law.

Over the following two years, through a series of committees comprising notorious tax avoiders including Vodafone, Tesco and HSBC, the most important British corporate tax laws – those governing how multinationals' overseas profits are taxed – would be overhauled. The ostensible purpose was to make the tax system "more territorial", limiting the scope of British taxation just to profits made in the UK, as opposed to the historically preferred alternative of a worldwide tax net with tax relief given for taxes paid overseas. But at the same time, tax minister Gauke stressed in parliament, the rules would continue to "protect the UK tax base from the artificial diversion of profits".

In a series of covert discussions with Britain's leading accountants, *Private Eye* and *Panorama's* investigation has discovered that this repeated assurance was entirely misleading. The coalition government has in fact created the opportunity for the biggest companies to slash billions of pounds from their UK tax bills. It knew it was doing so; but it pretended otherwise to parliament and to the British public.

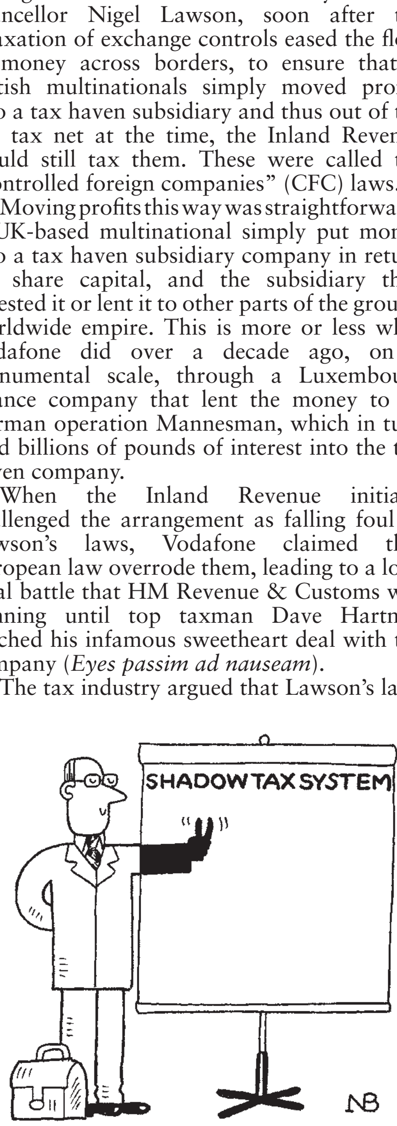
Controlled explosion

The tax avoidance con is being played out through laws introduced in 1984 by the then chancellor Nigel Lawson, soon after the relaxation of exchange controls eased the flow of money across borders, to ensure that if British multinationals simply moved profits into a tax haven subsidiary and thus out of the UK tax net at the time, the Inland Revenue would still tax them. These were called the "controlled foreign companies" (CFC) laws.

Moving profits this way was straightforward. A UK-based multinational simply put money into a tax haven subsidiary company in return for share capital, and the subsidiary then invested it or lent it to other parts of the group's worldwide empire. This is more or less what Vodafone did over a decade ago, on a monumental scale, through a Luxembourg finance company that lent the money to its German operation Mannesman, which in turn paid billions of pounds of interest into the tax haven company.

When the Inland Revenue initially challenged the arrangement as falling foul of Lawson's laws, Vodafone claimed that European law overrode them, leading to a long legal battle that HM Revenue & Customs was winning until top taxman Dave Hartnett reached his infamous sweetheart deal with the company (*Eyes passim ad nauseam*).

The tax industry argued that Lawson's laws were in any case too far-ranging; that in cases like Vodafone, it was other countries' tax, not the UK's, that was being avoided so why should a British chancellor care? Osborne and Gauke were easily persuaded and readily approved plans from the business-dominated committees under which profits supposedly made outside the UK could be diverted to British multinationals' tax haven companies with minimal tax charges. The main tax break would be a special rule for offshore "finance companies" like Vodafone's in Luxembourg that would be taxed at somewhere between nothing and one quarter of the main corporation tax rate – which from 2015 means a maximum of 5 percent – on interest earned from overseas business.



Opportunity knocks

This at least was the official position, but for those in the know – which excluded parliament and public – the rules were not just about facilitating foreign tax dodging (considered harmless in a parochial Treasury but in fact highly damaging to other countries including some of the world's poorest). They were a clear chance to dodge British tax, too.

Posing as an independent tax consultant, I telephoned a well-connected senior manager from KPMG, one of Britain's "Big 4" accountancy firms that simultaneously helps clients to avoid tax while earning millions of pounds of taxpayers' money giving the government consultancy advice on PFI contracts and suchlike.

Robert Edwards, who had been seconded to the Treasury to manage the process of making the offshore tax changes from 2010 to 2012, was now back at his desk in the beancounters' London office advising multinationals how to use the laws to cut their tax bills.

He confirmed a simple UK tax saving technique: a British multinational could borrow money here and then place it in a tax haven finance company that would lend it to businesses elsewhere in the world. The borrowing costs would reduce the company's tax bill not just in the overseas location (as the government was happy to admit) but also in the UK.

I suggested to him that if his British corporate client wanted to lend to, say, a German affiliate, it could use this structure and get a "[tax] deduction in the UK and one in Germany" – in other words double tax relief on the same cost – Edwards confirmed: "Yes, exactly." Not that anybody outside the tax world would know about this tax alchemy. "Whilst the policy won't specifically say it," he explained, "but [*sic*] borrowing in the UK to equity fund your finance company for it to on-lend, that is fine." Asked if this could generate a "significant UK tax saving", Edwards confirmed: "Potentially, yes, there's that opportunity there."

And what an opportunity it is. By moving money in this way, explained KPMG tax director Kashif Javed in another call, not only would there be no UK tax bill, but "you'd actually be left with a net sort of minus 15 [percent tax rate]". Put to Javed that a British multinational could thus "probably eliminate [its] UK tax profits", the accountant agreed: "That's quite likely". In return for no investment at all in Britain, in other words, British companies can artificially wipe out their UK tax bills.

It's simple to set up the necessary offshore arrangements, too. A tax haven finance company somewhere like Luxembourg or Ireland can be established through a company service administrator that will provide a couple of local rent-a-directors and a shared office that can be visited for the occasional board meeting. With fees for an adviser like his firm, explained Javed, "implementation" would cost "around sort of a hundred thousand", while running costs might be £20,000 a year. This is well within the budget of a multinational but way beyond the means of smaller firms that simply have to pay their tax.

A question of substance

The only stumbling block on the path to this tax paradise is that the offshore company itself must escape the UK tax net by being UK "non-resident". This should mean *genuinely* making its business decisions offshore and not in the UK (which of course might be what actually happens). In practice this becomes an exercise in getting the paperwork right. Or as Javed put it: "Making sure that board meetings do happen… and you haven't got emails flying around within the client organisation which demonstrate that actually all these decisions are being taken by the [*finance director*] back here in the UK."

It's a charade the tax authorities once challenged but, asked about the chance of an investigation now, Javed laughed and revealed: "What the Revenue has explained to us is that they wouldn't look to try and challenge the benefits of the regime, you know, through aggressively challenging the residence of finance companies." For those with the cash, the immense tax breaks on offer are thus available through little more than offshore shell companies, no questions asked.

When I approached Britain's largest accountancy firm, PwC, under the same cover and spoke to its "UK international tax services leader" David Burn, he confirmed the minimal requirements for a finance company. "It's very light… you don't technically need any employees… I'm talking about go there, have your board meetings twice a year and, well, there's not going to be a lot going on in this company."

'We are not in the business of selling schemes'

PwC head of tax Kevin Nicholson plays a straight bat in front of the public accounts committee

To discuss the details Burn referred me to one of PwC's Manchester-based directors, Simon Thirlwell, who soon confirmed that the new laws were indeed "a potentially generous exemption" and that "we've used these [*finance company*] structures for example to fund some significant acquisitions". It wouldn't be hard for my notional "client" to set up its own offshore company: "Our FTSE100 clients have professional directors, you know, use those sort of arrangements, professional directors on the ground in Luxembourg." For professional directors, read stooges available to any tax avoider willing to pay him or her a few hundred euros to nod through a couple of board meetings every year.

Structural engineering

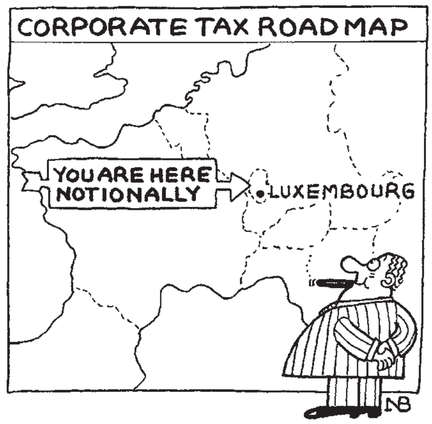
The Grand Duchy of Luxembourg is especially popular among corporate tax dodgers because it looks like a serious economic partner, unlike more recognisable sunny island tax havens. It was a founding member of what is now the EU and has treaties with other countries, including the UK, that allow money in and out often without the "withholding taxes" applied on payments to tax havens, on the basis that it nominally has a 29 percent corporate income tax rate. At the same time, however, it enthusiastically rubber-stamps complex corporate structures within its borders to reduce this, in Thirlwell's words, to "a very small fraction of a percent". Which is where his firm opens its jacket to reveal some choice wares. "There are a number of different structures and alternatives that we sort of prepare [*sic*] to put in place… There's more than one Luxembourg structure, for example."

Such offshore "structures" could be used, Thirlwell made clear, not just to fund new investments through the UK and offshore finance companies to pick up an extra tax reduction: they could also be deployed to shift income currently being earned by a UK company on loans to a foreign affiliate into a tax haven company. "We had a number of techniques to do that which were, you know, very straightforward," said Thirlwell. "We've got the whole range."

Once again this basic tax reduction strategy had been approved by the government privately but was studiously kept from public and parliament. KPMG's Edwards, who had been on the inside as the new laws were framed, confirmed that the scheme had been envisaged when the law was drafted and PwC's Thirlwell described it as "a very obvious and very well-understood opportunity to [*sic*] the introduction of this regime".

Tax advisers from Deloitte and EY confirmed that they advised on them too. Yet when the *Eye* tried as recently as July to clarify that the structures being sold by the big accountancy firms were effective, HMRC replied: "Currently there is no published guidance relating to the broad scenarios you identified. However, such issues are being considered." Only when it was put to HMRC that it was implausible that such "gaping tax avoidance opportunities" had not been considered did HMRC just about admit – at least a couple of years after it had told the tax industry and more than a year after the laws made the statute book – that, yes, these "structures" do work.

David Gauke still refuses to acknowledge the true impact of the laws he enacted. In an uncomfortable interview with *Panorama*'s Richard Bilton, the exchequer secretary repeatedly refused to admit that the new rules could be used to wipe out tax on companies' UK profits, even when confronted with this investigation's findings. The rules are, he claimed, "designed to ensure that UK activity is taxed in the UK", which was flatly contradicted by the accountants with whom I discussed various "structures". (He also boasted that they would be "good news for our professional services" – like, er, the big beancounters).



Nobody in parliament had probed the big tax giveaway when it was enacted (despite the *Eye's* warnings in 2010), partly because of shadow chancellor Ed Balls' continued obeisance, even post-financial crisis, to big business and partly because in the conveniently arcane world of tax the Labour opposition relies for its tax advice, including briefings for parliamentary debates, on… PwC!

Unreliable evidence

The blatant selling of tax "structures" and "techniques" – in PwC's case "the whole range" – contradicts what the big accountancy firms told parliament's public accounts committee in January this year about their role in the tax business.

Jane McCormick, head of tax at KPMG, whose staff are evidently brimful of "structures" to exploit rules they helped create, claimed: "Our main purpose is to help our clients calculate and pay their tax." Committee chairman Margaret Hodge quickly dismissed this as "laughable" but the ingratiation continued. "I think we probably all agree it would be good to collect more tax from business," simpered McCormick no less risibly.

PwC's head of tax Kevin Nicholson, who

TALE OF THE LONELY DODGER…

EVEN the crooked wealthy get a far better tax deal than do the little people.

Despite a mountain of evidence of tax evasion using the offshore accounts favoured by the richest tax evaders and well known to HMRC (especially since it acquired details of 6,000 Swiss HSBC accounts in 2007 from a whistleblower), only one offshore dodger has been prosecuted. By contrast, more than 600 less wealthy tax evaders, including builders, plumbers and doctors, were nailed last year for cooking their books.

Again, HMRC is less than honest about its (in) activity. Last November, the department's new head of tax, former City lawyer Edward Troup, told the Commons public accounts committee that the single prosecution masked "another dozen criminal ones in train" following the HSBC disclosure. Yet inquiries to the Crown Prosecution Service, which takes on the cases as soon as criminal proceedings are "in train", reveal that there are actually, er, zero further prosecutions of offshore dodgers lined up.

HAVING THEIR CAKE… AND SECOND HELPINGS TOO

Latest figures, 2011/12 and 2012/13

Big 4 firm	Income(£s) from tax 'planning' services	Income from taxpayers via UK govt contracts
PwC	659m	162m
Deloitte	453m	159m
EY	431m	73m
KPMG	310m	95m

admitted earning more than £1m a year, was similarly affronted by accusations of tax avoidance. "We do not mass-market tax products. We do not produce tax products. We do not promote tax products," he said, adding "we are not in the business of selling schemes". But it is hard to see much difference between the "products" and "schemes" and the "structures" and "techniques" his staff make available to clients for a fee. Indeed when, posing as a tax consultant, I later asked about "schemes" the Revenue did not like, Thirlwell described one without questioning the term.

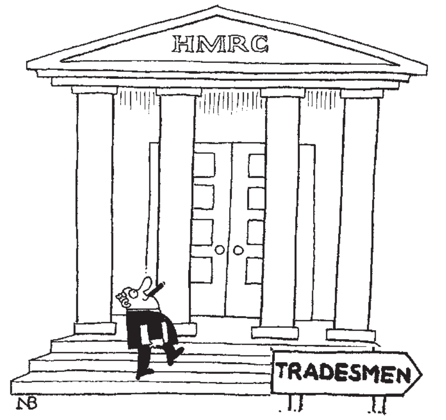
Finally, asked by an exasperated Hodge: "You do not create these terribly complex structures which are all about avoiding tax?", Nicholson again demurred. But, at a meeting in Manchester, his underling Thirlwell revealed that PwC *is* prepared to push the boundaries with schemes that HMRC considers to constitute tax avoidance.

My fictitious client – a medium-sized British-based metals group with a company in Germany – could reduce its UK tax bill pretty straightforwardly, advised Thirlwell, by moving its loans to the German company into a subsidiary in somewhere like Jersey. But in other circumstances, where the affiliate was not in Germany but in some other country that might impose "withholding" tax on interest payments to tax haven companies, cleverer structures needed to be found.

One that "companies liked", according to Thirlwell, involved a loan made from a finance company in the tax havens of either Jersey or Ireland to an overseas affiliate but dog-legged through the UK itself. Since this involved a loan *to* the UK on which tax-deductible interest would be paid, it potentially fell foul of pre-existing anti-tax avoidance laws. As a result, explained Thirlwell: "We got a bit of resistance [*from HMRC*]". (At a tax conference I attended in June, again in tax consultant persona, a partner from accountancy firm Grant Thornton said the structure was one "the Revenue are finding particularly offensive".) Asked if he nevertheless thought the scheme worked, Thirlwell replied: "We would still potentially give an opinion that [*sic*], yes." A client adopting the scheme would therefore "have to go into it knowing that actually the Revenue might take a different view". This gives the lie to his boss Nicholson's denial that his firm creates "terribly complex structures which are all about avoiding tax".

Club tax

It is in such grey areas that many tax avoidance opportunities exist. And it is here the big accountancy firms are powerful. Thirlwell told



me that on the troublesome anti-tax avoidance laws: "We've been lobbying I suppose and have expected some sort of further analysis..." – which might yet solve the problem. There is nothing unusual about such lobbying, either. The PwC director explained: "Senior people in our firm in London speak to senior people in the Revenue on a regular basis so that we get the benefit of that filtering through." All, of course, on laws and interpretations the Revenue will not discuss with those outside the club.

It is a picture confirmed by KPMG's ex-Treasury man Robert Edwards, who when told that he was having trouble getting information out of HMRC, agreed: "It could be perceived as a bit of a closed shop... They don't like to drop surprises which is a strength so... they have discussed the [*anti-tax avoidance laws*] with the Big 4 [*PwC, KPMG, Deloitte & EY*] as in they're testing where they're going and they seek comments." At the corporate tax avoidance conference in June, the Grant Thornton partner explained that, on the interpretation of the anti-avoidance law, HMRC had "entered into a fairly narrow discussion with a small number of firms and have deliberately sought to keep it within a small number of firms".

This is how premier league tax avoidance now works. Designing laws and then finessing their interpretation, the upper corporate echelons and their Big 4 advisers create their own tailor-made tax system.

Just as with the offshore finance laws, KPMG also seconded a tax expert to run the development of another great corporate tax giveaway: the "patent box" 10 percent tax rate for income associated very loosely with patented technology. It has been roundly condemned: the German government described it as "unfair competition" and the Institute for Fiscal Studies concluded that it won't increase real innovation. But it will produce tax breaks and fees for the accountants. As soon as the law was enacted, KPMG produced a pamphlet selling the tax break under the strapline: "What's in it for you?"

If tax avoidance is defined as scheming to defeat the intention of the law, the biggest companies rarely need to indulge in it now because their fixers in Britain's main accountancy firms can shape the law to suit their tax reduction demands. In a recent report on the intimacy between government and the accountancy firms, campaigning group *Spinwatch* found one, EY, selling the service. Since "there has been considerable media coverage of particular 'tax avoiders'," it advertised, "policy development offers a low risk alternative". If you no longer fancy scheming round the law, in other words, we'll use our access (the EY team is led by former Treasury special adviser Chris Sanger) to get the law changed. All out of public view, naturally.

Rhetoric and reality

The result is one tax system for the privileged and another for everybody else. It is a "shadow tax system" that extends not just to corporations but the richest individuals, to be found among the ranks of the thousands of "non-domiciled" taxpayers claiming allegiance to another country for tax purposes. Rules that supposedly require "non-doms" to pay tax on offshore income sent back to the UK, in practice – with the right advice from the Big 4 accountants and others – require them to pay nothing.

The shadow tax system makes a mockery of government claims to be tackling tax avoidance. The "general anti-abuse rule" (GAAR) brought in by George Osborne this year will not touch the schemes sold by the Big 4; it will be limited to "egregious cases", and has largely been handed over to a buffoonish "advisory panel" drawn from the even grubbier tiers of the tax avoidance profession. But while the "GAAR" was loudly trumpeted as evidence of domestic action, the offshore

'Our main purpose is to help our clients calculate and pay their tax'

KPMG head of tax Jane McCormick, whose statement to MPs was dismissed as 'laughable' by PAC chair Margaret Hodge

HOW NON-DOMS GET AWAY TAX-FREE

FOR the very wealthiest people living in Britain, paying tax is as voluntary as it is for the largest multinationals.

The oligarchs and industrialists who make London their home do so as "non-domiciled" taxpayers by virtue of their overseas origins (the top 15 names on the latest *Sunday Times Rich List*, with the exception of the Duke of Westminster, would all qualify for the status). "Non-dom" status can also be acquired through inheritance (as it has been by *Daily Mail* proprietor Lord Rothermere) and exempts an individual's overseas income until he or she brings it into the UK. But when he does so, there should be a tax bill.

That is the intention of the law, but in the hands of Britain's tax advisers it doesn't work out that way. When I spoke to KPMG partner David Kilshaw, he explained a simple scheme for a non-dom to get offshore income into the UK tax-free.

"If you want to bring overseas money into the UK," he explained, "you can borrow against the overseas money... and bring the... borrowing to the UK tax-free." The scheme had, he said, been ruled out by HMRC in 2008, but following changes in 2011 "was permissible and now I think people are using that, relying on the Revenue statement, and most banks who specialise in non-doms are familiar with how that would work so, yes, I think it's getting stronger."

For those with offshore fortunes, it's simple. "If you've got cash overseas they'll just back-to-back it" – that is, the banks will take the cash as a deposit offshore and lend the same amount in the UK, tax-free. The ruse is apparently selling like hot cakes. "We've done it for a few clients," confided Kilshaw, "and I know it's being used quite widely in the profession."

He's not the only one flogging it. A senior manager from PwC confirmed that the scheme worked regardless of what the money was used for, including personal expenses like school fees. Asked if HMRC objected to the scheme, he confirmed: "It's pretty much accepted as common practice; they're not challenging it."

With such options available, it's not surprising that one Big 4 tax partner told the *Eye* that "to all intents and purposes for your well-advised truly wealthy person this [the non-dom rule] is a complete exemption for investment income and gains."

As with multinationals' tax breaks, however, the authorities mislead anybody who dares ask. When the *Eye* put the scheme to HMRC in July, a spokesman claimed the income brought to the UK in this way *would* be taxed. The law "does not allow an individual to fund their living expenses whilst temporarily resident in the UK by loans secured on unremitted foreign income and gains," he said. But this was 100 percent incorrect – or, as the unkind might say, a lie – as several tax advisers confirmed.

These secrets are not, however, for public consumption and are to be shared only within the tax club. They explain why, for the world's richest people, Britain is the world's premier tax haven.

corporate relaxations and non-dom tax breaks that cost the exchequer billions in lost revenue are quietly crafted behind closed doors.

On the international stage the chancellor poses as a leader in the war on tax avoidance. At the G8 Lough Erne summit in June he boasted of "concrete achievements today on changing the international rules on taxation, so individuals can't hide their money offshore and companies don't shift their profits away from where the profit is made".

The reality is that through the pernicious "non-domiciled" tax regime he enables the global footloose elite to shelter their billions offshore – much certainly untaxed where it originated – and continue to enjoy them tax-free in Britain. Meanwhile, as the *Eye's* investigation has proved, George Osborne's new offshore corporate laws deliberately enable multinational companies to "shift their profits away from where the profit is made" to avoid tax.

In January David Cameron told his Davos audience that "businesses setting up ever more complex tax arrangements abroad to squeeze their tax bills right down, well they need to wake up and smell the coffee, because the public who buy from them have had enough". Osborne then wrote in the *Guardian* that multinationals "are exploiting [*out-dated international*] rules by getting profits out of high tax countries and into tax havens, allowing them to pay as little as 5 percent in corporate taxes while smaller businesses are paying up to 30 percent. This distorts competition, giving larger companies an advantage over smaller domestic companies". Just six weeks earlier, the new UK laws facilitating exactly this harmful tax avoidance had come into effect. Rarely can the rhetoric and reality of government policy have been so contradictory.

Offshore bolt-holes

One expert understands how out of step Britain is. Pascal Saint-Amans, the head of tax at the Organisation for Economic Cooperation and Development who coordinates international efforts against tax dodging, told a United States Congressional committee in June that while many countries were moving towards "territorial" tax systems, "at the same time they have, most of them – it's not the case of the UK – strengthened their CFC [*offshore corporate*] legislation to make sure you… fight the delocalisation of the profit [*into*] low tax jurisdictions or no-tax jurisdictions. The UK has lowered its corporate income tax but has also changed its CFC legislation in a way that is not about strengthening it."

In plain English – and as the OECD's landmark report on "profit shifting" the following month would explicitly recognise – George Osborne is not just selling the UK taxpayer short, he is betraying the worldwide anti-tax avoidance effort by creating offshore bolt-holes for the world's multinationals.

And for what? The official line is that in the "global race" companies will want to come to the UK rather than leave it. In truth only a handful of companies ever emigrated over tax, and those moves amounted simply to establishing a brass plate holding company somewhere like Dublin rather than removing real business, with no serious loss of tax or jobs. Similarly, any companies arriving on the back of Osborne's tax breaks are coming to avoid tax here and abroad, without making any meaningful economic contribution beyond a bit more paperwork for Britain's major accountants and law firms.

The chancellor can of course count on the beancounters for support. In March this year he responded to a sycophantic parliamentary question from Tory MP Claire Perry by citing a "remarkable survey by KPMG that found that in the space of three years Britain has gone from having one of the least competitive business tax systems in the world to having the most competitive one; we are ahead of Ireland, the Netherlands and Luxembourg… because of the hard work we have done on corporation tax and on the controlled foreign companies regime."

The world's sixth largest economy is thus now also its largest tax haven – one created hand-in-hand with the beancounters, lucratively exploited by the beancounters and then "independently" endorsed by the beancounters.

Hence my parting exchange with the PwC tax director. Using George Osborne's new tax laws, for a British company operating successfully in the UK and paying a reasonable but not excessive amount of tax, "it looks to me", I suggested, "like we could take a few million off the tax bill". The unhesitating accountant's reply: "I would agree." ■

CARRY ON TAX DODGING

WHAT has the tax avoidance industry learnt from the furore over a business that costs governments so much in lost revenue? Conferences attended by the *Eye's* undercover "tax consultant" showed that the main lesson is: carry on… but just don't get found out.

At the enticingly-billed "101 Corporate Tax Planning Ideas" event in June, Paul Smith, a partner at chartered accountancy firm Blick Rothenberg, outlined ruses used by the likes of Amazon and Google, advising assembled company tax advisers to "use transfer pricing to your advantage" and "use hybrid entities to obtain double [*tax*] deductions for expenses". He concluded, crucially: "Keep a low profile!"

Smith was one of a dozen speakers at the conference run by barrister Patrick Soares of the prominent London tax chambers, Gray's Inn. He should have been joined by PwC partner Peter Cussons with 10 "planning ideas" using George Osborne's new offshore corporate tax breaks, but Cussons dropped out at the last minute. Soares later confided to me: "The title of the talk is quite provocative, isn't it? Next time we may need to change the title to see whether it gets through big firms."

A couple of weeks later Soares reprised his role at the "101 Personal Tax Planning Ideas" conference. This time the notable no-show was KPMG partner and tax avoidance veteran David Kilshaw. In a later telephone call he told me "I wanted to be on it but KPMG decided they didn't want me to be on it."

Soares had plenty of his own tricks, however, such as: a plan for owners of a business partnership to sell it to their own company to exploit "entrepreneur's relief" intended for those who are genuinely selling businesses they have built up over years (enabling profits to be taxed at 10 percent rather than perhaps 45 percent); ways for a business to pay suppliers in kind or lend them money (possibly through a trust so the supplier can rely "on the customer not to call in" the debt) instead of settling bills properly so the supplier would escape tax; a "tax-relieved holiday" ruse involving borrowing up to the hilt on a holiday property, setting the interest against rental income for tax purposes but spending the funds on "holidays, wine and song", in Soares' words; and a "Houdini trust" for deathbed inheritance tax savings (it's never too late to dodge tax).

One "Big 4" man who did turn up was Ernst & Young's Craig Leslie, with ten ideas to save stamp duty. These included: transferring a property to a special company which is sold, rather than selling the property directly and so incurring stamp duty land tax; and selling companies by transferring them first to a Jersey company before disposing of them outside the UK.

All were eclipsed, however, by a bravura performance from one David Heaton, a partner at beancounters Baker Tilly, with wheezes to keep "the money out of the Chancellor's grubby mitts", in his words. Among them was the "bump plan", exploiting statutory maternity pay to "get the government to pay your bonuses for you". The trick involves paying a large bonus to a pregnant employee in the period over which "average" pay is measured for working out her statutory maternity pay (90 percent of average weekly earnings). The result, explained Heaton, would be that "effectively an employer pays out a million, that generates an extra SMP entitlement, if you pay it at the right time, of £675,000. That is a serious amount of maternity pay."

'[Keep] the money out of the chancellor's grubby mitts'

Baker Tilly partner David Heaton, whose wheezes include a maternity pay 'bump plan'

He illustrated the scheme with a photo of his infant grandson, adding: "Sadly his mother works for the NHS so she couldn't benefit from this plan". Still, as Heaton concluded: "You can't really knock that one. Right, next one." And with that he launched into yet more "ideas", including one for directors to have several jobs within the same corporate group in order to enjoy multiple national insurance lower earnings exemptions, and another for internationally mobile executives to time bonus payments to reflect not where they earn them but where their national insurance bill will be minimal or non-existent.

The schemes at Soares' conferences were almost certainly legal and many, said the speakers, are tacitly accepted by HMRC. All of which illustrates how Britain's shadow tax system operates. For the wealthy with the right advice, income tax, stamp duty, inheritance tax and corporation tax remain easy to avoid.

Such scheming has, however, done for David Heaton. A month after parading the "bump plan" he was appointed to a quasi-judicial advisory panel on the government's new "general anti-abuse rule" (GAAR) to assess whether tax schemes are "abusive" or "reasonable" ways of, er, keeping money out of the chancellor's grubby mitts. Told of this investigation's findings, the Treasury promptly sacked him.