

BRITISH BROADCASTING CORPORATION

RADIO 4

TRANSCRIPT OF "FILE ON 4" – "A TAXING DILEMMA"

CURRENT AFFAIRS GROUP

TRANSMISSION: Tuesday 26th October 2010 2000 - 2040

REPEAT: Sunday 31st October 2010 1700 - 1740

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PRODUCER: Gail Champion

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PROGRAMME NUMBER: 10VQ4859LHO

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ROBINSON: After last week’s focus on spending cuts, we look at the other side of the Government’s balance sheet - tax - and at how some of our biggest companies avoid paying it. We track down the new Swiss home of one of Britain’s most famous high street names.

ACTUALITY WITH POST OFFICE BOXES

ROBINSON: Facing me here are hundreds of post office boxes, each with their little number and their little key. Die Post – it’s a post office! We work out how one of Britain’s biggest banks created hundreds of millions of pounds worth of tax savings seemingly out of thin air. And, across the Irish Sea, we find tax-saving companies with nothing in them except money. Half a billion in assets, and how many people are working for this?

STEWART: The annual reporting account shows that there are actually zero employees.

ROBINSON: No employees at all?

STEWART: Yes. All its assets comes as financial assets. It has no buildings, it has no machinery, it's showing as zero.

ROBINSON: And as Britain's tax gatherers now also face budget cuts, we ask what chance they have of keeping up with the growing army of corporate tax advisers.

OAKESHOTT: The problem we have, from a national point of view, is that Her Majesty's Revenue and Customs are miles behind the curve on this. It's like a fat policeman chasing a speeding Ferrari.

SIGNATURE TUNE

ACTUALITY IN CAR

BALDWIN: This is one of my favourite parts of Zug. I think it's a classic example of the city. On the left hand side you have a fantastic old Swiss farmhouse, and on the right hand side of the road here, you are coming into commercial office space.

ROBINSON: Half an hour's drive south of Zurich, nestled between green mountains and a crystal-clear, alpine lake, the little town of Zug - population around 25,000 - is now one of Europe's most popular low tax destinations. Robert Baldwin makes a living helping companies move here.
Okay, so where are we heading?

BALDWIN: So we're heading now down towards the main train station. I am going to show you somewhere where there's a company that has come in very recently bringing in about a hundred and fifty or so people.

ROBINSON: Zug's combination of low taxes, pleasant environment, and good infrastructure has attracted plenty of companies. Ten thousand have registered here in the past decade alone and the town now has more companies than people.

BALDWIN: Just turn left down this road here. You've got Siemens there on your right - one of the major employers actually here in the city. And where you see all these new buildings that have gone up here on the left hand side, British American Tobacco.

ROBINSON: That's a big company.

BALDWIN: And Burger King as well.

ROBINSON: Burger King are here?

BALDWIN: Burger King. European head office.

ROBINSON: European head office – Zug.

BALDWIN: And that's fairly recently established.

ROBINSON: We've got the hills behind us and then in front us there's a big building site.

BALDWIN: They are certainly developing massively and the canton itself is being very energetic towards encouraging companies to look at establishing here.

ROBINSON: In terms of why people come here, what's the main reason?

BALDWIN: Primarily for tax. That will be the first driver, and what type of cost savings they can hope to achieve by moving to Zug.

ROBINSON: How much tax they are going to save?

BALDWIN: Absolutely.

NEIDHART: Taxation is the door opener, it brings you on the shortlist.

ROBINSON: If the tax is wrong, they won't come?

NEIDHART: That's right.

ROBINSON: At Zug Town Hall, Dr Bernhard Neidhart has two priorities: to keep Zug's corporate taxes low enough to compete with other Swiss cantons which are also trying to attract mobile global companies. And to fend off complaints from Britain and Europe that Zug's taxes are unfairly low. What's the lowest a company can pay here?

NEIDHART: It's 8.8% because tax is a deductible expense in the taxation calculation.

ROBINSON: 8.8% here in Zug, 28% in Britain, it's quite a difference.

NEIDHART: It is.

ROBINSON: There are plenty of people in Britain who say Zug is bad news, it costs all this tax. What do you say about that?

NEIDHART: Our philosophy is to cut down the taxes as low as possible for everybody. Should we change the system to higher taxes or should Britain change a little bit?

ROBINSON: I think a lot of people in Britain see you as offering something which is actually unfairly taking taxes that the British Government needs.

NEIDHART: I think they have their own system, we have our system. We don't blame England and so I think they shouldn't us.

ROBINSON: Particularly, Dr Neidhart says, when Britain has tax havens of its own, just off-shore in the Channel Islands. Meanwhile British companies continue to come. Last month, Warwickshire-based Wolseley, which claims to be the biggest supplier of building and plumbing materials in the world, announced it was making the move. Had it left last year, Wolseley's Finance Director said, it would already have saved £23 million in British tax. Even more famous British names are already in town.

ACTUALITY IN ZUG

ROBINSON: Let's see what we've got. This is 98, so we have to go further on. Here's Baarerstrasse 96, that's not it. Nearly there ...

Nottingham's most famous company, Boots the Chemist, is now part of a private equity group, Alliance Boots and has a new contact address: 94, Baarerstrasse in Zug. I thought I'd look them up.

I'm just heading down the street now, ok, nearly there. Right, here's 94 and I think this is it. A big red office block, four storeys high - and it's a post office! Baarerstrasse 94 in Zug - Die Post. It's a post office. And facing me here are hundreds of post office boxes, each with their little number and their little key.

None of the post office boxes had a name, so I went into the post office to ask.

ACTUALITY IN POST OFFICE

ROBINSON: Darf ich bitte Englisch sprechen?

WOMAN: Yes sure.

ROBINSON: I'm looking for the office of Boots, Alliance Boots.

WOMAN: Boots?

ROBINSON: Alliance Boots. It's a very big company and its registered office is here.

WOMAN: Alliance Boots? Is it on this street or in this building?

ROBINSON: The registered office is this address.

WOMAN: This address, okay, just a moment.

ROBINSON: Thank you.

The post office clerk checked her computer but found no record of the company or its office. So I tried a firm of accountants upstairs, but they couldn't find it either. Alliance Boots wouldn't confirm whether or not the company has a physical office in Zug. But they did tell us that when its directors meet in Switzerland, they use an office in nearby Zurich, belonging to another company in the group, and that Switzerland is generally a good place for pharmaceutical companies. But Alliance Boots preferred not to comment on why the company is registered in Zug.

ACTUALITY OUTSIDE BOOTS

ROBINSON: Of course, for most of Boots' customers, like the people here in this flagship store in West London, it doesn't matter where the company is registered. But for Britain's tax gatherers, Her Majesty's Revenue and Customs, where the company is registered certainly does matter - and matters a lot.

Shoppers won't see it, but as John Ralfe, Boots' former head of corporate finance explained, the ownership of this onetime mainstay of corporate Britain has changed dramatically in recent years.

RALFE: In 2006, Boots merged with another UK quoted company called Alliance, and then in 2007 it was taken over by a private equity firm called KKR, so it's been a privately owned company for the last three years or so.

ROBINSON: Before the takeover, when Boots was still a British company, John Ralfe says it was clear how much British tax it paid: between £100 and £120 million a year. But he says from the accounts published by the new Zug-registered Alliance Boots, it's hard to see how much tax Britain now gets.

RALFE: It's very very difficult to put all the pieces together and see what's going on in the UK as a whole. However, Alliance Boots, which is now a Swiss registered company, produces consolidated accounts. Unfortunately those include the

RALFE cont: turnover of the group worldwide, so it doesn't just talk about the UK and it certainly doesn't just talk about what we would recognise as Boots the Chemist, and working out what part of the total picture refers to Boots the Chemist is not easy.

ROBINSON: John Ralfe says Alliance Boots' consolidated accounts show a worldwide profit of £475 million last year, even after paying interest on the huge loans the private equity partners raised to buy the company in the first place. But how much tax do these worldwide accounts show them paying?

RALFE: It's not entirely clear what's going on. However, fortunately they produce what they call a group statement of cash flow, and as you know cash doesn't lie, and what that says is that in the year to March 2010 the group as a whole only £14 million on £475 million of profit before tax.

ROBINSON: £14 million on £475 million seems unbelievable. That's less than 3%, isn't it?

RALFE: It's a very very low effective tax charge.

ROBINSON: But this £14 million, did the tax authorities in Britain get that?

RALFE: My guess is that because most of the profits are made in the UK, most of that £14 million will have gone to the UK tax authorities. It's very unlikely to be more than £14 million and the only way it could be more than £14 million is if they got a tax rebate in some other jurisdiction, which seems improbable.

ROBINSON: So when Boots was a public company, the British tax authorities, the HMRC, were getting well over £100 million, £120 million roughly a year, Now you think they're unlikely to be getting more than £14 million?

RALFE: Yes, I mean, in round terms, I would say that the UK tax authorities are around £100 million a year down. Who is paying? Well, sadly it's the UK taxpayer.

ROBINSON: It's impossible to be sure about that figure. So we asked Alliance Boots to tell us how much British tax they were paying. Again they declined to answer or to be interviewed for this programme. Of course, HMRC know what they get from the company. But they're not allowed to say. No-one's suggesting Alliance Boots has done anything improper with its tax arrangements, and after all, tax avoidance is legal, so shareholders might reasonably expect companies to do it if they can. But given the apparently precipitate fall in the amount of tax allowance Boots is paying following its move to Switzerland, it's not surprising that, like Labour before them, the new coalition government is desperate to persuade British companies to stay put. But British companies with operations around the world don't have to move offshore to make big cuts in their tax bills. Instead they can set up subsidiaries in low tax areas to shelter their assets. Across the Irish Sea, in Dublin's International Financial Services Centre, there's a welcoming home for such tax-saving entities.

ACTUALITY ON DUBLIN TOURIST BUS

KEVIN: Okay, hello, good afternoon, welcome to the Irish city tour, to the sightseeing hop on, hop off tour of Dublin. I'm Kevin and I'm going to be your driver

ROBINSON: Perhaps it's a sign of the times that although it is a lovely sunny day, I am the only passenger on this Dublin tour bus. I'm the only person listening to the driver's commentary. Ireland is in the grip of a serious financial slowdown as the Government cuts public spending to try and balance its books after Ireland's own financial crisis. But not everyone is doing so badly. On the other side of town, on the banks of the Liffey, Ireland's International Financial Services Centre is doing good business helping companies in Britain and elsewhere slash their tax bills.

ACTUALITY OUTSIDE IFSC

STEWART: So there's the Irish Financial Services Centre, you can see just beyond the Customs House.

ROBINSON: Very shiny - lots of glass.

STEWART: Yes, new buildings, and it extends for quite a way down the quays.

ROBINSON: Dr Jim Stewart of Trinity College Dublin's business school took me for a stroll by the Liffey. Stretched out along the riverside, the International Financial Services Centre attracts subsidiaries from multinational companies across the world. It has plenty to offer: the respectability of an EU state, high quality legal and accountancy support, and a corporate tax rate of just 12.5% - that's less than half the UK's 28%.

STEWART: The point about the IFSC is that numerous activities take place. Some are definitely adding value - creating wealth, employing highly skilled individuals. Others are not. They are the kind of activities that are footloose, they could relocate to another jurisdiction very very easily.

ROBINSON: So those kind of companies, the footloose companies, how important is the low tax here, for the fact that they're here at all?

STEWART: Oh, low tax no doubt is very very important. Low tax in conjunction with ease of incorporation and the regulatory environment, all of these factors are very very important for this kind of operation.

ROBINSON: So many companies have been set up in the IFSC that in the plush, plant-filled foyer of one large law firm, instead of brass plates or printed lists, there's a computer on which visitors can browse through the hundreds of companies registered at their office. But Dr Stewart has been on the hunt for a particular type of subsidiary which multinationals commonly set up in Ireland: a so-called treasury management company.

STEWART: A treasury management firm is like a bank within a group. They may lend money, they may borrow money, they do a lot of financial transactions. So treasury management firms organise financial flows within the firm. All big companies would have a treasury management firm.

ROBINSON: Have you got any idea how many of these companies there are here and how much money is inside them?

STEWART: There is an estimate that there are around 350 or 400. I did a study of 46 of these and the average amount of assets they had was US\$656 million.

ROBINSON: Each?

STEWART: Each. \$656 million.

ROBINSON: And more than half a billion dollars each?

STEWART: More than half a billion each.

ROBINSON: So we are talking about an awful lot of money here.

STEWART: Yes, a lot of money.

ROBINSON: So let's add it up, you said about 400 companies ...

STEWART: Four hundred. And if there were around half a billion US dollars each, that's about \$200 billion. But it's likely

ROBINSON: \$200 billion?

STEWART: Yes. In treasury management firms alone.

ROBINSON: From the piles of paper and files surrounding him in his office, Jim Stewart dug out the 2006 annual report of one of two Irish Treasury management companies set up by the British-based Cadbury/Schweppes group.

ACTUALITY WITH DR STEWART

ROBINSON: Report and financial statements for Cadbury Schweppes treasury services. So what does this show us?

STEWART: Well, it shows it's a very large company, it has called up share capital of £520 million sterling. It has financial assets of slightly more than that, of £531 million. But the other interesting thing - and this will be your typical treasury management firm - it has no fixed assets. All its assets comes as the financial assets. It has no buildings, it has no machinery.

ROBINSON: Half a billion in assets and nothing else, just money?
And how many people are working for this?

STEWART: The annual report and accounts shows there are actually zero employees.

ROBINSON: No employees at all?

STEWART: Yes, and furthermore the company by law must have directors and there are four directors identified, but the annual report also shows that the directors' emoluments - that is the pay - is actually zero.

ROBINSON: Zero?

STEWART: These people, their main employment where they are getting paid is somewhere else within the Cadbury Group.

ROBINSON: For HMRC, Cadbury Schweppes' no office, no employee Irish subsidiaries proved to be a provocation too far.

GAMMIE: Cadbury Schweppes had set up subsidiaries in Ireland which were treasury subsidiaries, taking money from other members of the group and allocating them around the group. Obviously, by being based in Dublin they were benefiting from a much lower tax rate than in the United Kingdom on any profits they earned.

ROBINSON: Malcolm Gammie QC is a leading tax barrister who regularly represents both companies and HMRC in tax disputes. He says HMRC attacked Cadbury Schweppes using the so-called controlled foreign companies rules. First introduced

ATTWOOD: I think it's very substantial danger. If a multinational can decide where its profits will fall, then revenues will fall drastically in what you might call normal rate countries - like the UK, France, Germany, America - will begin to suffer as profit is sucked in to lower rate countries. The vital components that drive profit will be in a tax haven.

ROBINSON: Is there anything that HMRC can do about this?

ATTWOOD: Well I think it probably requires a change in the law.

ROBINSON: There's no prospect of that, is there?

ATTWOOD: There will be a prospect of that when profits have disappeared to the extent that governments will be turning around and wonder where the tax take has gone.

ROBINSON: In fact, across the world, governments have been reducing corporate taxes. And in Britain, multinational companies are now locked in a long-running battle with HMRC over the Controlled Foreign Company regime and whether their overseas operations should be subject to British tax at all. We wanted to ask a Treasury minister about the Government's strategy for corporate taxation, but no minister would appear on this programme. At the Oxford University Centre for Business Taxation, Director Michael Devereux believes as large companies get increasingly global, the downward trend in tax is bound to continue.

DEVEREUX: The current international tax system is unsustainable. The problem that we have is we have multinational companies who have to take their worldwide tax and divide it up into bits. Imagine we had a UK company which was operating only in the UK but we said, actually tell us how much profit you made in London and Birmingham and Manchester and Bristol and Edinburgh, they would say we can't do that, how can we possibly say how much profit we made in Edinburgh? But that is precisely what we are asking the multinational companies to do. So the more that globalisation takes place, the bigger this problem is going to get.

ROBINSON: But if you give up on it, isn't there a huge incentive for companies then to say, fine, we are going to make sure we shift all our profit to places where we pay next to no tax?

DEVEREUX: Well, if you look at what's happened to the corporation tax rates over the last twenty years or so, you'll find that they have come down considerably, and this is clearly a process of competition between governments both to attract real economic activity, real investment, but also to attract mobile taxable profit. The clear trend of rates is downwards. The UK rate in 1983 was 52%. In a couple of years' time it's going to be 24%.

ROBINSON: So the companies actually are winning on this?

DEVEREUX: There is a sense in which multinational companies are able to trade off the competitive instincts between governments.

ROBINSON: Among tax experts, Michael Devereux is not alone in believing that, as international competition reduces the tax take from multinationals, the burden will have to fall more heavily on those taxes which are all but impossible for most of us to escape: PAYE, National Insurance and VAT.

ACTUALITY AT CANARY WHARF

ROBINSON: Well, cutting your tax bills by going offshore is one thing, but using tax law to create profits out of seemingly thin air is something else. And here in Canary Wharf, in the heart of the City of London, that's what some banks found a way to do. And at the forefront of this is said to have been Barclays Capital, and I am here by Barclays Capital building, and a source from inside has told us that it all happened on the eighth floor of this building, a secret area that only employees of this division could gain access to, and a hundred people worked there in these conditions of strictest secrecy, working out how to play one tax regime off against another and produce huge profits. Barclays' closely guarded secrecy was suddenly blown last year when a batch of internal documents, showing how some of their complex schemes worked, were leaked. In London, the Guardian newspaper ran the story and posted Barclays' documents on its website. Then, in the middle of the night, editor-in-chief Alan Rusbridger got a call.

RUSBRIDGER: I got a phone call from my lawyer. Barclays had woken a judge up and the judge had ordered these documents to be taken off. They went for what is called a pyjama injunction, which is what it sounds, you get a judge out of bed and you say, 'Please judge, can you stop this.' I think I was also in my pyjamas, and so it was editor and judge both in pyjamas.

ROBINSON: So what did the judge tell you to do?

RUSBRIDGER: Judge said take them off the web and we'll have a proper discussion about it in the morning. So what happened the next day was that there was this rather arcane discussion in the High Court in London in which lots of barristers in wigs spoke to a judge, who was now out of his pyjamas. Where we ended up was we could publish the expert comments on the document, but not the document itself. I suppose it showed we had hit the bulls-eye with these documents, that Barclays were so anxious about the sensitivity of them, they wanted them killed by the time London woke up the next morning.

ROBINSON: But Barclays hadn't succeeded. In the short time they were on the Guardian site, the documents had been copied by other sites, where they're still available. And they'd been leaked to the Liberal Democrats' Treasury spokesman, Lord Oakeshott.

ACTUALITY IN HOUSE OF LORDS, 26 MARCH 2009

OAKESHOTT: Why won't the Prime Minister and the Treasury use their power over the banks to stamp out tax abuse right under their nose in London? You don't have to take a Caribbean cruise. All you have to do is get on a boat down the Thames to Canary Wharf.

ROBINSON: Lord Oakeshott used parliamentary privilege to raise the leaked Barclays documents in the House of Lords.

ACTUALITY IN HOUSE OF LORDS

OAKESHOTT: These, my Lords, are documents which describe deals worth billions of pounds set up by the bank in order to make money out of depriving the UK and foreign exchequers of revenue. Barclays would not last for one minute without the British taxpayer standing behind them. Yet they're holding out one hand for taxpayers' money while they picking taxpayers' pockets with tax avoidance activities on the other.

ROBINSON: Were you surprised when you saw these documents?

OAKESHOTT: Yes, I was. I was horrified. I've been around the City for a long time and there's been a very bad change in the culture of what's acceptable and what's not. You know, banks and accountants don't like paying any more tax than they have to, but they did not go in for this highly aggressive, highly sophisticated, highly artificial tax avoidance - whole machines, factories if you like, big chunks of law firms solely engaged in tax avoidance.

ROBINSON: The injunction Barclays obtained means Lord Oakeshott is not permitted to discuss the contents of the leaked Barclays documents outside Parliament. But we found someone who knew exactly how they worked. In conditions of total secrecy, I met with one of the tax specialists who used to work in Barclay Capital's Canary Wharf office, designing its avoidance schemes. He told me the key to most of them lay in finding obscure differences between the way tax authorities in Britain and those in other countries like America treat what appear to be perfectly normal transactions. To illustrate the point, he drew me a chart of how a typical scheme worked. Fearing his handwriting would be recognised, he didn't let me take his chart - but allowed me to make a copy.

ACTUALITY WITH CHART

ROBINSON: I've got that copy here in the office, showing a maze of transactions between Barclays in London and another bank based in America - involving companies, limited partnerships, offshore investment funds - all especially created for the scheme. In all this complexity, the key transaction, my source showed me, is a perfectly ordinary interest payment on a loan - on which tax has already been deducted. What makes that transaction important is that the whole scheme is so designed that under British tax law

ROBINSON cont: Barclays can reclaim the tax paid, and under US law, the bank in America can do exactly the same. So a single tax deduction gets turned into two tax credits - perfectly legally - and the two banks can then share the proceeds. In the tax-avoiding trade, this is known as double dipping. Dr Desmond Fitzgerald is an old hand at unravelling complex tax-avoiding ploys. This year he helped New Zealand's Revenue recover over £1 billion worth of tax from bank schemes similar to Barclays'. He says that even though the amount of extra tax relief from one of the double-dipping Barclays schemes he analysed might look small – at around 1.65% - the potential for Barclays and its counterpart to profit at the expense of taxpayers is enormous.

FITZGERALD: Let's imagine it was a five year deal. On £650 million, 1.65% over five years is around about 8%, and 8% of £650 million is going to be something like £50 million in total.

ROBINSON: £50 million clear profit?

FITZGERALD: £50 million tax that they will not have to pay on their other activities. And of course this is on one deal. For example, on some of the deals that I've analysed, it wasn't a billion, it might be four or five billion or In other words, the total amount of tax saved is very large, and I think more importantly perhaps, they can do these deals, you know, in as large a quantity as they like. So I would imagine that if this is a sample of these deals, and looking at the quantities, then we are looking at figures in the tens of billions of dollars.

ROBINSON: What does that mean for the UK tax authorities, how much have they lost?

FITZGERALD: Well even on the basis of let's say Barclays getting 1%, you know, if you do \$10 billion of deals, that's £100 million per annum saving, so that would be £500 million on a five year deal. So these are very large sums of money.

ROBINSON: From what appears to be an essentially artificial set of transactions?

FITZGERALD: Yes, well I think that is correct, because from the point of view of the UK and Barclays, you know, there is no commercial rationale other than the tax benefit to be gained, essentially.

ROBINSON: That's what these deals were all about?

FITZGERALD: Yes, exactly.

ROBINSON: Barclays Capital refused our invitation to be interviewed for this programme on their leaked schemes and whether they still operate them. But they sent us a statement in which they emphasised that everything they did was legal and highlighted the tax they do pay.

READER IN STUDIO: Barclays is one of the UK's largest taxpayers: in the last six years it paid approximately £12 billion in direct, indirect and payroll taxes in the UK.

ROBINSON: As to their tax-avoiding schemes, Barclays says that far from keeping them secret from the British tax authorities, they meet their obligations of disclosure to the HMRC in a prompt, transparent and timely manner.

READER IN STUDIO: Where a transaction has tax implications, we have a policy of full and explicit disclosure to HMRC. This is a policy we have adopted for many years. Claims that we do not disclose transactions to HMRC are categorically untrue.

ROBINSON: Had Barclays agreed to be interviewed, I could have put to them what their former scheme designer told me: that Barclays do, indeed, disclose everything they are legally obliged to, but that their schemes are so designed that even when their legal disclosure obligations are fulfilled, the tax authorities here and elsewhere are unlikely to have the whole picture. Former senior tax man, Tony Attwood, has plenty of experience of that.

How hard was it for the Revenue to challenge deals like this?

ATTWOOD: I believe that the avoidance industry would try and make a horse look like a zebra so that it's difficult to find. It's a bit like a game of battleships. You've got to ask the right question. If you ask the right question you can sink the battleship, and if you ask a hundred wrong questions you get nowhere near the battleship. It's exactly like that.

ROBINSON: But Barclays says, we always disclose everything we have to disclose about the deal, we tell the Revenue.

ATTWOOD: That may well have been true but of course I can tell you everything and withhold the vital ingredient. I think Barclays were probably the most sophisticated outfit when it came to devising intra-bank arrangements. In terms of tax avoidance, they were extremely inventive. These people were thoroughbreds.

ROBINSON: Does a part of you admire the ingenuity of those tax avoiders, as you call them, in Barclays?

ATTWOOD: I would bite my tongue rather than say that.

ROBINSON: Barclays' schemes may be the most extreme example we've found of legal tax avoidance. But, as this programme has shown, for Britain's tax gatherers, trying to collect what's due from increasingly complex global companies and banks is getting harder. HMRC also declined our invitation to be interviewed - an indication, perhaps, of a growing sensitivity between them and large corporate taxpayers, with the ever-present threat that more of them will up sticks and leave for Switzerland or elsewhere. Liberal Democrat Treasury spokesperson Lord Oakeshott believes HMRC has another more fundamental problem: a growing imbalance between its resources to combat tax avoidance and the well-paid armies of lawyers and accountants which large companies and banks now muster to help cut their taxes.

OAKESHOTT: The problem we have, from a national point of view, is that Her Majesty's Revenue and Customs are miles behind the curve on this. It's like a fat policeman chasing a speeding Ferrari. They really do not have the resources or the expertise or the time to keep up properly with the very smooth tax avoidance machines that are running all the time in the City and elsewhere.

ROBINSON: Is there anything HMRC could or should be doing to stop this happening - is it possible?

OAKESHOTT: It's very difficult. There's not a single solution. The thing I would like HMRC to concentrate on is really beefing up, having much higher quality staff for dealing with the large scale tax avoidance machines, particularly in the City of London, and they really must get a grip on the tax avoidance that is going on on a very large scale by highly sophisticated operators who are miles in front of HMRC in their expertise.

ROBINSON: As part of last week's spending review, the Government promised more money for HMRC to combat tax avoidance. But it then turned out that the money will come from elsewhere in HMRC's budget - which now faces a 15% cut in funding. We wanted to ask a Treasury minister whether it made sense, when trying to balance the nation's books, to cut the budget of the nation's tax gatherers. But once again, no minister was available to answer that question.

SIGNATURE TUNE