

17th February 2015

Dear Constituents,

Thank you for contacting me about HSBC and tax avoidance.

I appreciate your concern on this issue. We believe in low taxes, but low taxes that are paid. That is why David Cameron has done more than any other Prime Minister to crack down on tax avoidance and evasion, clearing up another mess left by Labour.

The Government has made over 40 changes to tax law, closing down loopholes and introducing major reforms to the UK tax system. As part of a concerted effort to clamp down on avoidance and evasion, we have introduced a General Anti-Abuse Rule, strengthened the Disclosure of Tax Avoidance schemes, tackled the misuse of partnership structures and clamped down on stamp duty avoidance.

We are leading international efforts on tax avoidance, with the G20 countries agreeing to a new global mechanism that makes it easier for HMRC to identify UK taxpayers hiding assets or income offshore. Those avoiding tax can be fined twice the tax owed, with the possibility of criminal prosecution and a prison sentence. Last year over 90 countries signed up to new international Comprehensive Reporting Standards, further shutting down the options for tax cheats who pursue this increasingly high-risk practice.

Thanks to our actions, the amount raised from compliance has increased to a record high and the tax gap has been reduced. HMRC is forecast to raise £26 billion this year from compliance, £9 billion more than in 2010, while the tax gap has fallen from 8.5 per cent in 2005-06 to 6.8 per cent in 2012-13.

With respect to HSBC, these reports throw a spotlight on the opportunities for tax evasion on Labour's watch on the eve of the financial crash in 2007. However, it is for HSBC to explain what it did to ensure its clients complied with tax law.

Since 2010 we have closed many of the loopholes exposed in this report and have specifically taken action to get back money lost in Swiss bank accounts. We have also taken wider action to tackle aggressive tax avoidance and evasion. To date our agreements with Switzerland and Liechtenstein alone have brought in around £2 billion in previously unpaid tax.

While the release of information pertaining to malpractice from 2005 to 2007 by individual HSBC accountholders was public knowledge, I understand that at no point were Ministers made aware of individual cases due to taxpayer confidentiality, nor were they made aware of leaked information suggesting wrongdoing by HSBC itself.

Alok Sharma, MP for Reading West

Furthermore, Ed Miliband and Ed Balls did absolutely nothing to tackle aggressive tax avoidance and evasion when they were Ministers in the Treasury during this time, even allowing bankers to pay less tax than their cleaners. Labour turned a blind eye to tax dodging because it thought it had ended boom and bust.

In my capacity as a member of the Treasury Select Committee, I have made extensive efforts to properly scrutinise the Government's measures to tackle tax avoidance. Please take the time to review the transcripts from some of the committee's recent sessions taking evidence on the Autumn Statement during which I questioned the Chancellor of the Exchequer, the Director of the Institute for Fiscal Studies and the Chairman of the Office for Budget Responsibility on tax avoidance.

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/autumn-statement/oral/16883.html>

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/autumn-statement/oral/16315.html>

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/autumn-statement/oral/16248.html>

Thank you again for taking the time to contact me.

Yours sincerely,



Alok Sharma MP