

<b>Institution:</b> University of Essex
<b>Unit of Assessment:</b> 19 – Business and Management Studies
<b>Title of case study:</b> Informing the Government, Parliament and the Public about Tax Avoidance
<p><b>1. Summary of the impact</b></p> <p>Professor Prem Sikka has become widely known in finance circles for his research on the ‘dark side’ of the finance industry. His research on tax avoidance in particular has established him as an expert on the mechanisms by which companies find legal loopholes to avoid tax. As a result he has been asked to use his research to inform policy discussion in three main ways: by consulting with the UK Government’s Secretary of State for Business Innovation and Skills; by informing politicians and parliamentary committees in Westminster, Scotland, and France; and by acting as a senior adviser to a number of NGOs concerned with the tax conduct of global corporations. In recognition of his contributions to public discourse he has been named by specialist publication <i>Accountancy Age</i> as one of the 50 most influential figures in UK finance.</p>
<p><b>2. Underpinning research</b></p> <p>Since joining Essex in 1996, Sikka has scrutinised what he has referred to as the ‘dark side’ of the finance industry. His publications have covered a broad range of anti-social corporate practices, focussing particularly on the role of accountancy firms in these practices. Unlike most other accounting scholars, his work examines the predatory practices of these firms. Drawing on a large number of examples from the ‘big four’ global accountancy firms, Sikka’s research has argued that such firms are complicit in an enterprise culture that encourages international companies to engage in tax avoidance, price-fixing cartels, and corruption, in order to increase profit (see e.g. Sikka, 2008c).</p> <p>Sikka’s research has included a series of studies of the tax avoidance practices of accountancy firms and their clients. He has, for instance, published analysis of transfer pricing, research that has been much cited in public discourse about tax avoidance. His 2010 paper (Sikka and Willmott, 2010) addressed a gap in accountancy literature by focusing on the political significance of transfer pricing, and in particular its use as a tool for tax avoidance. While other literature focuses on the technical aspects of the transfer pricing process, Sikka and Willmott’s paper explains the way that transfer pricing has been used by corporations to shift capital and avoid tax.</p> <p>The research has also covered the use of tax havens by companies to avoid paying tax. Sikka has published his research into tax havens in academic journals (2003, 2008a) and in open access documents (2002). The research has detailed the operations of tax havens such as Jersey, Guernsey, the Isle of Man, and former British Colonies in the Caribbean. This work also explains how the existence of tax havens is damaging to the general public.</p> <p>Sikka’s research on the ‘dark side’ of auditing practices has focussed most recently on the role that auditing failure played in the post-2008 global financial crisis. His research showed that many financial enterprises sought state support after receiving unqualified audit opinion from auditors who collected large fees from those enterprises. His 2009 paper raised questions about the value of company audits, auditor independence, and the economic incentives for good audits.</p> <p>This research has been published both in peer-reviewed journals and in publicly accessible news media. Since 1993 he has written 49 peer-reviewed articles and over 200 non-academic</p>

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publications, including 98 articles on the Guardian website, as well as a particularly influential piece on the UK's Private Finance Initiative with the Chartered Accountants (2008b).

**3. References to the research**

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- Sikka, P. (2009) Financial crisis and the silence of auditors, *Accounting, Organizations and Society*, 34 (6/7), 868-873. DOI: 10.1016/j.aos.2009.01.004
- Sikka, P. and H. Willmott (2010) The dark side of transfer pricing: Its role in tax avoidance and wealth retentiveness, *Critical Perspectives on Accounting*, 21 (4), 342-356. DOI: 10.1016/j.cpa.2010.02.004

**4. Details of the impact**

Sikka has a history of interventions in public debates through the media. His newspapers and magazine articles have translated his academic papers into popular language and made them accessible to the general public, legislators, and civil-society organisations. His commentary on tax avoidance has received a huge amount of attention by national and international news media. His work has been cited in online and print media across the world, including The Guardian, the Mail on Sunday, The Telegraph, The Independent, the Belfast Telegraph, Scotland's The Herald, Le Monde, China National News, CNBC, and Italy's International Business Times. In 2010, Accountancy Age listed Prem Sikka as one of 50 most influential individuals in the field of UK finance [corroborating source 1].

The most notable examples of his contribution to public debate have concerned tax avoidance. His contributions to public discourse have taken the form of expert testimony to parliamentary commissions and committees, consultation with policy makers, citations of his work in parliamentary debate, advice to NGOs and civil-society groups, speaking engagements at a variety of non-academic conferences, and media appearances on multiple platforms in multiple countries. These contributions have had an effect on government and parliamentary policy debate in the UK and abroad, have informed and influenced anti-tax avoidance NGO campaigns, and have added considerably to media discussion of tax avoidance.

**Secretary of State for Business Innovation and Skills**

Sikka's research on tax avoidance and suspect accountancy practices has established him as an expert in an area that has undergone intense public scrutiny within the REF impact period. Public

debate about tax avoidance has been accompanied with efforts from the UK Parliament to analyse the tax conduct of companies in the UK, as well as much debate in Parliament about what to do about tax avoidance. His most notable contribution to these efforts has been his consultation with the Secretary of State for Business Innovation and Skills, who sought his advice in February 2013 [corroborating source 2]. He has both met with the Secretary of State and continued to contribute to his consideration of tax avoidance strategy with written advice. Writing to thank Sikka and respond to his advice, the Secretary of State has noted that the February meeting was very useful and that Sikka's advice has been passed to the UK Treasury [corroborating source 3].

### **Other Contributions to Parliamentary Debate**

Sikka's other contributions to UK policy debate have taken the form of evidence he has submitted to parliamentary committees and citation of his work in parliamentary discussion. For example, in January 2009 he was called to provide expert oral evidence at a hearing held by the House of Commons Treasury Committee inquiry into bank auditors [corroborating source 4]. His influence on the Committee is shown in their final report, which cites three of his contributions [corroborating source 5, paras 226 and 233]. His observation about the potential lack of correspondence between auditors and the FSA directed the committee 'to examine the existing links between auditors and the FSA, and whether they could be strengthened' [corroborating source 5, para 226]. This led to the Report's recommendation that the FSA should make better use of audit knowledge. More recently, Sikka has submitted evidence to the House of Commons Parliamentary Commission for Banking Standards, again drawing on his research on bad banking practice [corroborating source 6]. The Commission has yet to publish its final report.

His research has also been used to explain and argue for the implementation of an anti-tax-avoidance bill tabled in the UK Parliament. On 8 July 2008 Nia Griffith MP tabled a Bill in the House of Commons to deal with tax avoidance by companies securing publicly-funded contracts. Griffith introduced the bill to parliament by referring Members to Sikka's work on private finance initiatives (2008b). In her opening statement Griffith said 'I am indebted to [Prof Sikka] and his research on the complex workings of the PFI for much of the illustrative detail that I shall use to explain the purposes of my bill' [corroborating source 7].

In addition to his contributions to UK Parliament Sikka has contributed to a Scottish Parliament inquiry into the impact of the banking crisis [source 8]. He also met with a member of the French National Assembly in May 2013, upon the request of the French Embassy's tax attaché, to discuss tax avoidance and evasion using tax havens [source 9].

### **NGOs and Think Tanks**

Sikka's contribution to policy debate has also been achieved through consultation for NGOs and think tanks that analyse and communicate tax avoidance mechanisms to the general public. By collaborating with such institutions he both influences the activities of the third sector and raises public awareness of tax avoidance. Sikka co-founded the Tax Justice Network in 2003 and since then has been a senior adviser to their campaigns to analyse and communicate the mechanisms of tax avoidance and offshore finance to the general public [source 10]. He is also a member of the national advisory panel for independent think tank Centre for Labour and Social Studies [source 11]. His research has been cited in reports by Christian Aid, Irish NGO TASC (Think tank for Action and Social Change), Spinwatch, and Spanish think tank Real Instituto Elcano [sources 12-15].

Finally, Sikka has also informed NGOs concerned with tax avoidance through a series of speaking engagements and invitations to address non-academic seminars, conferences, and workshops

about tax avoidance and the regulation of financial institutions. Such events have included: the May 2011 'Good Banking Summit' organised by the New Economics Foundation (independent think tank) and Compass (political pressure group); a London conference organised in October 2012 by GlobalNet21, a civil-social public-debate group; and a G8 pre-summit conference in Belfast, June 2013, organised by the G8 Research Group and Queen's University Belfast.

**5. Sources to corroborate the impact** [All sources saved on file with HEI, available on request]

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2. Invitation from Private Secretary to the Secretary of State for Business Innovation and Skills
3. Secretary of State for Business Innovation and Skills
4. Uncorrected Transcript of Oral Evidence, UK Parliamentary Treasury Committee 'Banking Crisis – Auditors and Credit Rating Agencies', 28 January 2009:  
[http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/uc144\\_iv/uc14402.htm](http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/uc144_iv/uc14402.htm)
5. 'Banking Crisis: reforming corporate governance and pay in the City', UK House of Commons Treasury Committee, 12 May 2009:  
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6. Written evidence submitted by Sikka, Parliamentary commission for banking standards, 24 June 2014:  
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8. Economy, Energy and Tourism Committee Minute of Proceedings, Scottish Parliament, 24 September 2008: <http://archive.scottish.parliament.uk/s3/committees/eet/mop-08/eemop08-0924.htm>
9. Invitation from the Tax attaché, French Embassy, London
10. Tax Justice Network list of senior advisers:  
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12. 'Death and Taxes: the true toll of tax dodging', Christian Aid, May 2008:  
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14. 'Who Really Runs This Place? A short report on the Big 4 accountancy firms and their ties to government' Spinwatch, June 2013:  
[http://www.spinwatch.org/images/Reports/SpinWatch\\_WhoReallyRunsThisPlace.pdf](http://www.spinwatch.org/images/Reports/SpinWatch_WhoReallyRunsThisPlace.pdf)
15. 'Africa's Bane: Tax Havens, Capital Flight and the Corruption Interface', John Christensen, January 2009, Working Paper for Real Instituto Elcano: <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?id=95401>