

Business plan on tax evasion among us businesses

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US Businesses and Tax Evasion

There is no doubt, that the high tax rate in the US is the reason leading US multinationals to shift manufacturing facilities, research facilities, and regional headquarters to other low-tax regions. Other than defying the morality of paying taxes, this tax-evasion haven leads to massive cuts of jobs in the United States. To some extent, a logical company-one that aims to make profit-will consider moving operations to a region where the tax rate is 12.5% such as Ireland than stay in the US where that tax rate is triple (35%). This makes sense to shareholders of such companies who expect returns on their investments. Another factor that enables countries to shift operations is the simplicity of paperwork.

Changing this strategy calls for the lowering of the tax rate to a level considered level to other competitive tax-rates across the globe. Even though the government will lose trillions of dollars if it lowers the tax rate to say 20%, the long run benefits will enable the government to collect more revenues because companies will return to the United States. This can be achieved by changing the tax laws to give companies an incentive of shifting capital to the United States. The IRS will collect over \$60 Billion if the companies can return (CBS News, 2011). Employment will increase and an increase in employment will bring a positive effect to the GDP. What the IRS needs to do must largely involve providing incentives and changing the Tax code. Companies must also pay taxes from not where they are registered but rather from where the majority of sales or operations are located. This

will help in curbing the issue of American companies registering non-existent headquarters in foreign companies.

Reference

CBS News (2011). Lesley Stahl's Report: The New Tax Havens. Retrieved from

<http://www.cbsnews.com/video/watch?id=7360932&tag=contentMain;contet>

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