Taxing Questions

A few of my meaner friends have lately started muttering darkly that I am living in one of the world's last tax havens – "lucky bugger" is an oft heard phrase. Not Monte-Carlo or Liechstenstein or even a Cayman Island, but the good old United Kingdom. Laugh as you may, if you compare direct taxation (and throw in a bit of social security contributions for good measure) , Britain, it seems, comes out smelling like one of its own well-bred English roses.

Now, I used to live in Brussels, Belgium home of very strange tax practices. While these may not touch the average expatriate worker, try and run a business there and you soon find out that double entry book-keeping was invented by the Belgian tax authorities. Basically, this means that taxation in Belgium is based on the Napoleonic Code, which assumes (rightly in the case of most Belgian butchers, bakers and candle-makers) that you are guilty until, you can prove yourself innocent.

Indeed, centuries ago the candle-makers became so incensed (candle-makers, incensed, gettit?!!), that they started their own bank, the Nagelmakers Bank (a nagelmaker being a candle-maker in Flemish). So desperate is the situation in Belgium that cross border movement of money assumes epic proportions. The main beneficiaries are Luxembourg (why else would it exist, except to do the same for the Germans since the government changed inheritance tax?) and the southern Dutch town of Breda (otherwise known as the caravan capital of the world).

Where are we going with all this? Well, it has finally come to my notice that things have got so bad in Belgium – tax-wise, at least – that employees are begging not to be given any more money. And, "please, please, please, don't give us any end-of-year-bonus". Reason? tax, tax, tax. Today the fashionable compensation perk is to trade in salary for days off. As in, "I'll give you back a month's wages (which under the current tax regime will make about five percent difference to my take home pay and you give me four weeks more vacation." Now Belgians already get some of the longest holidays in the industrial world, so what we have created is a situation where these people get even more, because it makes fiscal sense. Of course it makes sense for the employer as well: because as they reduce their employees' salary, so their portion of social security, et al, goes down too.

This means that you can take this to the logical – seemingly Kafka-like conclusion – that you NEVER let the employees come to work at all, and everyone gets rich. Doesn't quite work out like that, but if you are bored enough and run the numbers through, somewhere between 14 and 18 weeks a year seems to be the optimum for a skilled worker. Now that ain't at all bad.

Of course the good news for other high taxed nations (the U.K. doesn't qualify, being a tax haven – honest), is that every so often the Belgians get the presidency of the European Union (EU) and they always come up with a few great new ideas. THIS COULD BE ONE OF THEM. So if you are an oppressed employee reading this in France, Italy, Latvia or Estonia, take courage. As the Belgians have moved to save themselves from both egregious taxation and the need to go to work, so can you. Coming soon, a new EU directive that will propose measures to reduce the working year.

The only people who won't like it will be the British, the hardest working (50 plus hours a week), but the lowest taxed, and, of course, the Greeks, where full employment currently racks up an eye-popping weekly average of 22 hours (but hey, it gets hot and around seven million naked German girls arrive around April).

The sad part is that no one is going to believe all this, but it is all true (the actuaries and lawyers involved in this article declined to be named for professional reasons). But wait. If you think this is crazy, now here is ANOTHER TRUE STORY.

What is the one country that everyone thinks is the highest taxed in the world. No, it's not Scotland … It's SWEDEN.

Now here is a final story. It is so bizarre it has to be true. And as with all TRUE fairytales, it begins with:

Once upon a time, there was a big, big corporation that spent its days buying stuff. So much stuff did it buy, in so many places around the globe, that its very basic compensation system was groaning at the seams. The saddest people in this conglomerate's world lived in Sweden (then the highest taxed nation on earth. Excess in the country was so frowned on that golf tees were taxed at 2,000 percent of their selling price. Which is why, if you watch golf on TV, you will always see Swedish golf professionals go rooting about looking for their golf tees. Seriously look out for this!).

The Swedes in this corporation were so concerned about their imminent tax burden that they begged the headquarters not to pay them their bonus. For the most successful salespeople it was going to be taxed at 105 percent! Understanding that this posed a problem, headquarters in New York got right down to solving it (I know this story is true, because I met the man responsible for the next part of this story last week in California).

What did they do? Brilliant solution. Edward De Bono's lateral thinking meets compensation expert (this has got to be an exciting moment for anyone in human resources).

I am not even sure you are ready for this. Well, here goes anyway. Three guys, all comp experts, are asked to solve it. They adjourn to a bar. Six drinks each later (hey, maybe it WAS more than that), they find the solution.

Problem: we can't pay our high performers in Sweden bonuses, because they are going to get taxed at 105 percent.

Fact: the Swedish lottery has a high pay out rate and IS NOT TAXED AT ALL.

Solution: What we do is invest each bonus in Swedish lottery tickets and see how lucky they get. Heck, anything's better than getting taxed at 105 percent.

Action: Let's have one more drink to celebrate a brilliant idea and go call Sweden.

Did they do it? Oh please! Where do you think all those Swedish millionaires living in Marbella came from ?