PFI projects switched to tax havens, report claims

Equity held in Guernsey and Jersey, says think-tank

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More than 90 private finance initiative projects have been moved into offshore tax havens, according to a report by the European Services Strategy Unit, a think-tank highly critical of the PFI and that maintains a database of the projects.

The equity in projects originally owned by HSBC Infrastructure, John Laing Infrastructure, 3i and others, including hospitals, schools, courts and police stations, is held in Guernsey and Jersey, the unit said.

The switch of equity ownership to tax havens – and its effect on whether PFI projects are good value for money – was raised with Treasury officials by MPs on parliament's spending watchdog, the Commons public accounts committee, last week.

The committee is growing increasingly sceptical about the value for money of PFI – particularly about 61 new projects in the pipeline – when the cost of the deals has risen sharply since the credit crunch.

Stella Creasy, a Labour member of the committee, asked Treasury officials if they were concerned that 33 projects originally owned by HSBC Infrastructure but sold last December to HICL Infrastructure had generated £38m profit last year but paid only £100,000 in UK tax.

The Treasury, she said, took into account the tax it was likely to get back from a PFI deal compared with more conventional procurement to decide whether the PFI route was value for money. But if ownership of the schemes was moved offshore, the Treasury tax take was likely to be lower, she said.

Andrew Hudson, the Treasury's director of public services, confirmed the tax consequences were part of the initial assessment. But once projects were signed, he said, PFI consortiums become "private companies who are conducting their business".

However, Ian Swales, a Liberal Democrat member of the committee, said so many deals had moved offshore "the working assumption should be that they will end up offshore. That should be the assessment you should make".

Mr Hudson told the committee that he understood the issue. It was, however, "not part of our work programme at the moment".

Later, however, Andy Rose, head of private finance policy at the Treasury, told MPs that it would "reflect" on the discussion as assessment methods for PFI projects are updated.

Treasury officials confirmed that they were examining whether, in future, the taxpayer should take a share when equity stakes in PFI projects were sold on at a profit. Stakes have been sold on at least 150 occasions, and possibly closer to 250. Mr Hudson told the committee it was assembling data on the equity ownership ofPFI deals.

Meanwhile, the government is set to ask the PFI industry to sign up to a "code of conduct" to cut the £8.5bn a year cost of current deals, for example by sharing or removing insurance cover, reducing unnecessary services and through other savings that it hopes to identify from a pilot project at Queen's Hospital in Romford.

Mr Rose said the Treasury would shortly be in a position to makerecommendations to ministers about what the code should contain.

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