



Tax Evasion

Reading Test

Copyright: These materials are photocopiable but please leave all logos and web addresses on handouts. Please don't post these materials onto the web. Thank you

Student

Time: *Approximately 1hour*

Two types of lesson

Lesson#1: [Easy] ***** [B2/C1]

1. Predict the content of the text by reading the title. Write down the key terms & ideas.
2. Read the text. Check the unknown words with a dictionary.
3. Answer the comprehension questions.
4. Check your answers with the provided key (pass mark is 70%).

Lesson #2: [Hard] ***** [C1]

1. Read the text without looking up any words.
2. Answer the comprehension questions.
3. Check your answers with the provided key (pass mark is 70%).

Teacher

Two types of lesson

Lesson#1: [easy] ***** [B2/C1]

1. Distribute **text 1 (without reference words underlined)** a week before the test. Students read, check vocabulary & meanings.
2. Test day. Distribute **text 2 (with reference words underlined)** & the **questions** (no dictionary or notes).
3. Set 1 hour to read the text & answer the questions.
4. Take in & correct or go through answers in class (pass mark is 70%).
5. Extra activity. Students write the *summary (add 30 minutes to the test).

Lesson #2: [hard] ***** [C1]

1. Test day. Distribute **text 2 (with reference words underlined)** & the **questions**.
2. Set 1 hour to read the text & answer the questions.
3. Take in & correct or go through answers in class (pass mark is 70%).
4. Extra activity. Students write the *summary (add 30 minutes to the test).

*Summary writing: www.academic-englishuk.com/summary

Tax Evasion: how the rich avoid paying tax (Text 1)

By A Watson (2022)

Tax evasion can be described as an illegal activity which occurs when an entity or individual deliberately [redacted] (Alstadsæter et al., 2019). [redacted]

the tax authorities of the true nature of their business affairs by declaring fewer profits or more losses [redacted] their tax liability. [redacted]

to generate unregistered profits, and this is having a catastrophic impact on many economies. In the US, an estimation of [redacted] and taxes (Irs.gov, 2017), and countries operating under the EU lost an estimation of € 824 billion in the form of tax evasion in 2015 [redacted] of the assets [redacted]

services and infrastructure like education, health and transport, as well as tackling poverty and [redacted]

MNCs have a complex tax structure and often apply different schemes to avoid paying taxes in nations where they operate. [redacted] affairs over the last decade in the UK. In

2012, the company had only paid £8.6 million in [redacted] [redacted] Amazon has been criticised for its tax affairs as the firm's UK subsidiary used share-based awards as a scheme [redacted]

[redacted] 2017 (Ft, 2018). If the regular corporation tax rate had applied, the firm's subsidiary would have had to [redacted] [redacted] strategies to avoid paying taxes completely.

Offshore banking allows the depositor living outside their native land to deposit their funds at minimal or no taxation (Chernykh & Mityakov, 2017). [redacted] the underground

[redacted] economy) through tax evasion (OECD, 2017). Multinational companies or rich individuals exploit the legal loopholes [redacted] their [redacted] these firms form subsidiaries offshore. The different devices used by taxpayers to hide the wiring of money [redacted] trusts, [redacted], private investment companies and captive insurance companies.

Similarly, shell companies are often used for the purpose of tax avoidance [redacted] et al., 2019). [redacted] but no active operations and are often used

illegally to conceal business ownership from law [redacted] of tax [redacted] public companies. The establishment of the shell companies allow large public companies or rich billionaires to [redacted] savings.

[redacted] funnel their earnings through these companies in such a manner that they will not be counted in their annual [redacted] company.

To mitigate tax evasion, a number of strategies could be implemented. Firstly, the executive body i.e. [redacted] Parliament need to [redacted]

with new penalties for serial avoiders. Secondly, the loopholes in policies need to be rectified so as to make it [redacted]. Thirdly, tax rates [redacted]

act as an incentive for these billionaires or large public companies to avoid tax evasion (Pappa et al., [redacted] be educated about the significant [redacted]

they can report the wrongdoings [redacted] towards a cashless economy [redacted] evasion as the transactions would be more transparent.

Overall, tax evasion has actually fallen in recent years. In [redacted] to 12 % [redacted] Statista, 2019). In the future, tax evasion is likely to

happen less due [redacted] by different [redacted]
infusion of the cashless economy.

References

Alstadsæter, A., Johannesen, N. & Zucman, G., 2019. [redacted] *American Economic Review*, 109(6), pp. 2073-2103, doi: 10.3386/w23772.

Chernykh, L. & Mityakov, S., 2017. Offshore schemes and tax evasion: [redacted] *Economics*, 126(3), pp. 516-542, doi: 10.1016/j.jfineco.2017.09.004.

Ft.com, 2018. Amazon slashes [redacted] [Online].
Available at: <https://www.ft.com/content/928a16d0-966c-11e8-b67b-b8205561c3fe>
[Accessed 28 January 2022].

[redacted]. Starbucks' European unit paid 2.8% UK tax last year. [Online].
Available at: <https://www.ft.com/content/4d85c99c-bb44-11e8-8274-55b72926558f>
[Accessed 31 January 2022].

Irs.gov, 2017. [redacted]: Department of the Treasury Internal Revenue Service.

OECD, 2017. Shining light on the shadow [redacted]. [Online]. Available at <https://www.oecd.org/tax/crime/shining-light-on-the-shadow-economy-opportunities-threats>. [Accessed 31 January 2022].

[redacted] and poverty: the hidden costs of tax dodging. [Online]. Available <https://www.oxfam.org/en/inequality-and-poverty-hidden-costs-tax-dodging>. [Accessed 25 January 2022].

Pappa, E., Sajedi, R. & Vella, E., 2015 [redacted]. *Journal of International Economics*, 96(1), pp. S56-S75, doi: 10.1016/j.jinteco.2014.12.004.

[redacted]. Tax Evasion Costs EU Countries Billions. [Online]. Available at: <https://www.statista.com/chart/17133/tax-evasion-cost-to-eu-countries/>
[Accessed 20 January 2022].

Tax Evasion: how the rich avoid paying tax (Text 2)

By A Watson (2022)

1. Tax evasion can be described as an illegal activity which occurs when an entity or individual deliberately [redacted] (Alstadsæter et al., 2019). [redacted] the tax authorities of the true nature of their business affairs by declaring fewer profits or more losses [redacted] their tax liability. [redacted] to generate unregistered profits, and this is having a catastrophic impact on many economies. [redacted] [redacted] and taxes (Irs.gov, 2017), and countries operating under the EU lost an estimation of € 824 billion [redacted]
2. MNCs have a complex tax structure and often apply different schemes to avoid paying taxes in nations where they operate. [redacted] affairs over the last decade in the UK. In 2012, the company had only paid £8.6 million in [redacted] [redacted] Amazon has been criticised for its tax affairs as the firm's UK subsidiary used share-based awards as a scheme [redacted] [redacted] 2017 (Ft, 2018). If the regular corporation tax rate had applied, the firm's subsidiary would have had to [redacted] [redacted] strategies to avoid paying taxes completely.
3. Offshore banking allows the depositor living outside their native land to deposit their funds at minimal or no taxation (Chernykh & Mityakov, 2017). [redacted] the underground [redacted] economy) through tax evasion (OECD, 2017). Multinational companies or rich individuals exploit the legal loopholes [redacted] their [redacted] these firms form subsidiaries offshore. The different devices used by taxpayers to hide the wiring of money [redacted] trusts, [redacted], private investment companies and captive insurance companies.
4. Similarly, shell companies are often used for the purpose of tax avoidance [redacted] et al., 2019). [redacted] but no active operations and are often used illegally to conceal business ownership from law [redacted] of tax [redacted] public companies. The establishment of the shell companies allow large public companies or rich billionaires to [redacted] savings. [redacted] funnel their earnings through these companies in such a manner that they will not be counted in their annual [redacted] company.
5. To mitigate tax evasion, a number of strategies could be implemented. Firstly, the executive body i.e. [redacted] Parliament need to [redacted] with new penalties for serial avoiders. Secondly, the loopholes in policies need to be rectified so as to make it [redacted]. Thirdly, tax rates [redacted] act as an incentive for these billionaires or large public companies to avoid tax evasion (Pappa et al., [redacted] be educated about the significant [redacted] they can report the wrongdoings [redacted] towards a cashless economy [redacted] evasion as the transactions would be more transparent. Overall, tax evasion has actually fallen in recent years. In [redacted] to 12 % [redacted] Statista, 2019). In the future, tax evasion is likely to happen less due [redacted] by different [redacted] infusion of the cashless economy.

References

- Alstadsæter, A., Johannesen, N. & Zucman, G., 2019. [redacted] *American Economic Review*, 109(6), pp. 2073-2103, doi: 10.3386/w23772.
- Chernykh, L. & Mityakov, S., 2017. Offshore schemes and tax evasion: [redacted] *Economics*, 126(3), pp. 516-542, doi: 10.1016/j.jfineco.2017.09.004.
- Ft.com, 2018. Amazon slashes [redacted] [Online]. Available at: <https://www.ft.com/content/928a16d0-966c-11e8-b67b-b8205561c3fe> [Accessed 28 January 2022].
- [redacted]. Starbucks' European unit paid 2.8% UK tax last year. [Online]. Available at: <https://www.ft.com/content/4d85c99c-bb44-11e8-8274-55b72926558f> [Accessed 31 January 2022].
- Irs.gov, 2017. [redacted]: Department of the Treasury Internal Revenue Service.
- OECD, 2017. Shining light on the shadow [redacted]. [Online]. Available at <https://www.oecd/tax/crime/shining-light-on-the-shadow-economy-opportunities-threats>. [Accessed 31 January 2022].
- [redacted] and poverty: the hidden costs of tax dodging. [Online]. Available <https://www.oxfam.org/en/inequality-and-poverty-hidden-costs-tax-dodging>. [Accessed 25 January 2022].
- Pappa, E., Sajedi, R. & Vella, E., 2015 [redacted]. *Journal of International Economics*, 96(1), pp. S56-S75, doi: 10.1016/j.jinteco.2014.12.004.
- [redacted]. Tax Evasion Costs EU Countries Billions. [Online]. Available at: <https://www.statista.com/chart/17133/tax-evasion-cost-to-eu-countries/> [Accessed 20 January 2022].

Comprehension Questions

1. Headings: choose a subheading for each paragraph. One title is not needed.

1	<i>F (Example)</i>	A	Financial institutions operating outside an entity's home-base
2		B	██
3		C	Justified criticisms of some establishments
4		D	██
5		E	Agencies helping businesses to avoid paying tax
		F	Definition of tax evasion

___ / 4

2. What is the controversy?

___ / 1

3. True / False / Not Given: One question per paragraph.

		T / F / NG
Paragraph 1		
i.	More taxpayers commit tax evasion in the EU than anywhere else in the world.	
Paragraph 2		
ii.	The author believes ██████████ of Starbucks is unjust.	
Paragraph 3		
iii.	Offshore banking ██████████	
Paragraph 4		
iv.	Rich individuals often use shell companies to conceal their finances.	
Paragraph 5		
v.	The number of people who avoided paying tax has grown recently.	

___ / 5

4. Open Answer Questions

Paragraph 1. **Who does the author** ██████████ **of tax evasion?**

i)	
----	--

___ / 1

Paragraph 2. **How did Amazon manage to pay less tax?**

i)	
----	--

___ / 1

Paragraph 3. What is the [redacted] as?

i)	
----	--

___ / 1

Paragraph 4. What do shell companies have and not have?

Have	
Not have	

___ / 2

Paragraph 5. Why does the author claim a [redacted] to less tax evasion?

i)	
----	--

___ / 1

5. Reference Words: Explain what these reference words connect to: (underlined in the text).

Paragraph	Word	Connection
1	<i>their</i>	<i>The taxpayers (Example)</i>
1	this	
2	they	
2	their	
3	their	
3	it	
4	these	
4	their	
5	they	

___ / 8

6. Author's Stance: What is the author's opinion?

Does the author think tax evasion will continue to decrease?	
Yes	No [choose one]
Why/not?	

___ / 2

7. Vocabulary: Search for the word in the paragraph that means:

Paragraph	Explanation	Word
1	Overcome (a problem or difficulty), typically in a clever and surreptitious way.	<i>Circumvents (Example)</i>
1	Lessen the gravity of an offence or mistake.	
1	Involving [REDACTED] alteration.	
2	A company controlled by a holding company.	
2	Of [REDACTED] worth.	
3	A person who keeps money in a bank or building society account.	
3	An ambiguity or inadequacy in the law or a set of rules.	
4	Money received, [REDACTED] for work or through investments.	
4	Regular earnings, especially when of an organization and of a substantial nature.	
5	Strict, precise [REDACTED]	
5	A payment or concession to stimulate greater output or investment.	

___ / 10

Overall Total: ___ / 36

Comprehension Questions **ANSWERS**

1. **Headings:** Choose a subheading for each paragraph. One title is not needed.

<u>1</u>	<i>F (Example)</i>	<u>A</u>	Financial institutions operating outside an entity's home-base
<u>2</u>	<u>C</u>	<u>B</u>	Approaches to lessen tax evasion
<u>3</u>	<u>A</u>	<u>C</u>	Justified criticisms of some companies

ALL ANSWERS INCLUDED IN PAID VERSION...