Parliamentary briefing for PPCs

Overview

Corporate tax dodging is unfair. In a just tax system, everyone pays their fair share to the public purse. It is a failure of the current rules that those most able to pay can escape their contributions to society without consequences, others lose out and there is less public money available to contribute towards improving the lives of the poorest.

British people, regardless of politics, are angry about corporate tax dodging. At a time of falling household income, scandals like those of Starbucks, Google and Amazon have underlined that some big companies get away with paying much less than their fair share of tax in the UK, eroding confidence in business.[i]

And it's not just in the UK. Some of the poorest countries in the world are losing out on tax funds which can pay for vital public services and reduce dependency on aid. In some British companies are making huge profits while paying virtually no tax back to these countries. This needs to change. Tax rules need to be fair, and be seen to be fair.

It's time for bolder and broader action against tax dodging. **It's time for a TAX DODGING BILL.**

A piecemeal approach is not enough. Only a systematic, joined-up approach will put an end to tax dodging. Nobody knows the true extent of tax dodging, but implementing the Tax Dodging Bill policies could save the UK around £3.6 billion per year and could also help raise billions in developing countries. They will also create a level playing field that supports responsible companies that do pay their fair share.

We are calling on all parties to pledge to introduce a Tax Dodging Bill in the first 100 days after the election, to make tax fair and to raise funds, both in the UK and in developing countries, to fight poverty.[ii]

Political context

A huge majority of the British public (85%) say that tax avoidance by large companies is morally wrong even if it's legal, according to a poll by ComRes.[iii] This holds across the political spectrum.

Only 1 in 5 (20%) people believe political parties have gone far enough in their promises to tackle tax avoidance. 73% want the next UK government to legislate to discourage large UK companies from avoiding tax in developing countries and 82% want the next government to increase the penalties against UK companies which avoid tax.

Public concern is justified by a National Audit Office report that more than 400 of the 800 largest businesses in the UK paid less than £10 million in corporation tax in the 2012/13 fiscal year, and around 160 paid *no corporation tax at all*.[iv]

Tax dodging by large companies around the world is also having significant negative effects on developing countries. Estimates suggest that developing countries could be losing out on as much as $160 billion a year in potential revenue due to tax dodging.[v]

Responsible companies are showing leadership by speaking out against tax avoidance and being more transparent about their own approach to tax, such as SSE, the first FTSE 100 company to be awarded the Fair Tax Mark[vi]. But to create a level playing field, we need to ensure no company is able to dodge taxes.

Senior figures from across parties have committed to do more to tackle tax dodging. The UK Government has taken some official action against elaborate tax avoidance schemes, and globally the G20 and OECD are working to close down some of the most obvious loopholes. The Diverted Profits Tax ("Google Tax") announced in December 2014 was a step in the right direction, but it still has huge loopholes for loan arrangements and would not stop the tax arrangements exposed by "Lux Leaks".

Britain's tax regime still enables big companies to dodge tax and still offers expensive and economically questionable tax breaks to business interests which lobby for them. Only a systematic, joined-up approach through a Tax Dodging Bill will tackle tax dodging and make tax fair.

Parliamentary candidates can demonstrate commitment to tackling this problem by personally supporting a Tax Dodging Bill, and by pushing their political party to commit to introduce a Tax Dodging Bill in the first 100 days after the 2015 General Election.

THE TAX DODGING BILL CAMPAIGN

Parliamentary briefing for PPCs

LET'S MAKE TAX FAIR

What should be in the Tax Dodging Bill?

Headline	The Tax Dodging Bill should	Further detail
1. Make it harder for big companies to dodge UK taxes and make sure they're not getting unjustified tax breaks	Ensure that foreign multinationals can't use tax havens to avoid paying their fair share of tax on their business in the UK.	The law should be changed to make foreign multinationals pay more tax on the profits from the billions of pounds worth of business they do in the UK.
	Rigorously review tax breaks for companies and scrap any which don't bring true benefits to society.	The Public Accounts Committee found a lack of transparency and accountability about tax reliefs in general and officials failing to keep track of the costs of UK tax breaks. A full review would reveal the true costs and benefits.
2. Ensure UK tax rules don't incentivise companies to avoid tax in developing countries	Toughen up the UK's anti-tax haven rules so they deter tax dodging abroad and at home, and review other UK tax rules to make sure they're not causing developing countries to lose out on potential revenues.	The Controlled Foreign Companies rules should be toughened up. The revisions that were made in 2013 should be scrapped as they adversely affect poor countries. The Finance Company Partial Exemption should be scrapped, which allows companies a 75% tax break on internal profits. An independent 'spill-over analysis' should be done on UK tax rules to ensure they don't harm poor countries.
3. Make the UK tax regime more transparent and tougher on tax dodging	Make companies that operate beyond the UK publish their taxes, profits and other key economic data for each country where they do business so the public can see what tax they pay and where.	Current Government and OECD plans would require big companies to report this country-by-country data to national tax administrations, but not publicly. The UK should make it a legal requirement for all large UK companies to publish country-by-country reports, in full and without exemptions for any country or type of information.
	Toughen the tax regime, making tax avoidance schemes riskier for those promoting and benefiting from them and more costly when they fail; and continue to give HMRC the means to crack down harder on tax dodging.	The penalties associated with successful challenges to tax avoidance schemes should be significantly increased. UK Barristers and other tax advisors should have a legal obligation placed on them to ensure that tax advice must not be based on 'unreasonable factual or legal assumptions or unreasonably rely upon representatives of the client or others, and must consider all relevant facts and law', or face financial penalties. This regime would be similar to America's. HMRC's budget should be ring fenced over the life of the next Parliament.

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[i] For data on household incomes in the UK, see ONS http://www.ons.gov.uk/ons/rel/household-income/middle-income-households/1977---2011-12/sty-middle-income-households.html
[ii] The Tax Dodging Bill is a politically neutral campaign supported by 13 national and international organisations.
[iii] ComRes. http://comres.co.uk/polls/Christian_Aid_and_ActionAid___Tax_Avoidance_Poll.pdf
[iv] NAO. http://www.nao.org.uk/wp-content/uploads/2014/03/Tax-reliefs.pdf. Page 22.
[v] Christian Aid. http://www.christianaid.org.uk/images/deathandtaxes.pdf
[vi] Guardian. http://www.theguardian.com/business/2014/oct/20/sse-becomes-first-ftse-100-company-awarded-fair-tax-mark