

We must restore the belief in tax

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The Parliamentary Accounts Committee has said today that there must be a detailed review of errors made in tax settlement cases by HMRC, and that is welcome.

It also says that there needs to be a thorough review of governance at HMRC and that is more welcome. That is a matter of even bigger concern than the errors made because this is an organisation with enormous responsibility for the economic well being of the country that has clearly lost its way. That is profoundly worrying. Only real change, including of many on the Board, can rectify this fault, and those coming in need to demonstrate first that they know about tax and second that they are committed to collecting it.

More important than either issue though is the issue the PAC missed. This is the need to reform how we assess and collect tax on this country. Easy, lazy and simply flawed arguments for reform from those who have never been near the sharp end of tax are easy to propose, [as we saw in the Guardian yesterday](#), and they serve no interests bar those of the elite that usually promote them. What we do need is a thorough rethinking of the whole tax system.

I do, of course, address some of these issues in *The Courageous State*, and I will be going much further in my next book - which will be solely dedicated to tax. For now let me address some of the key issues.

First, we need to reform the legal structure of small business so that it is distinct from large businesses. Only that way can we deliver the appropriate tax systems designed to meet the needs of each of them.

Second, the idea that a group of companies is made up of entirely separate units for tax - which hands all the weaponry of tax abuse to companies, has to be shattered. Unitary taxation has to come into play. Unitary taxation has a role here.

Third we have to rethink the concept of tax residence in a globalised era.

Fourth accounting to meet the needs of tax authorities has to be a priority - and as

much so as accounting for shareholders who have no interest in the company in which they hold shares. This is where country-by-country reporting comes in.

Fifth, we need to ensure tax is not lost to tax havens. Withholding taxes need to play a much bigger part in tax than they do now.

Sixth, wealth taxes undoubtedly matter, but we have to shatter tax haven secrecy first.

Seventh, we have to ensure Revenue authorities can access data easily on those who abuse. Why shouldn't the power to investigate be granted to tax agencies that need it to protect honest tax payers from abuse?

Eight, Companies House has to work if tax is to be collected - and it is a miserable failure right now due to our obsession with deregulation.

I could go on. My point is all this is possible and the right direction for travel. What is needed is the will to collect tax and a belief in what tax can do - both of which seem to be lost to a ruling elite in this country. And it's that belief we have to restore as much as the technical ability to collect tax.

It's a big deal.

It can be done.