

Big companies pay a lower tax rate on their profits tha...

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The TUC issued this press release this morning:

"Many multi-national companies are paying a lower rate of tax on their profits than most people pay on their income or when buying items subject to VAT, the TUC says today (Thursday) as it urges the government to launch a comprehensive review of the tax system to ensure that everyone pays their fair share.

The TUC call comes as the CBI launches a new report on tax and business alongside Treasury Minister David Gauke MP at a Policy Exchange event in London today.

A TUC report in 2008 — *The Missing Billions* — found that the 700 largest corporations in the UK had an effective tax rate 7.5 percentage points below the corporation tax rate set by Parliament (30 per cent at the time).

With corporation tax now at 24 per cent, the effective rate for many big companies is well below 20 per cent — the rate that small businesses pay on their profits, basic rate income tax and VAT — says the TUC.

Media investigations about the tax arrangements of companies like Amazon, Google and Barclays show that some companies are paying virtually no corporation tax despite enjoying huge profits, says the TUC.

While perfectly legal, tax avoidance by multi-national corporations and super-rich individuals is costing the government at least £25bn a year — or £1,500 for every family in the UK — and undermining the UK tax system at a time when ordinary families are being squeezed by tax rises and falling wages.

The TUC is calling on the government to launch a comprehensive review of the tax system to create a level playing field and ensure that effective tax rates are as close as possible to the tax rates set by government.

The TUC suggests five ways that the government could ensure a fairer tax system:

- Introduce a comprehensive General Anti-Avoidance Principle which would allow HM Revenue & Customs (HMRC) to over-rule any tax avoidance scheme specifically designed to exploit tax loopholes and allowances.
- Take leadership at an international level to clamp down on the abuse of tax havens.
- Bring capital gains tax into line with income tax to prevent people, particularly those in one person companies, converting pay taxed as income into low-tax capital gains or profit.
- Stop staff cuts at HMRC which are resulting in a loss of government revenue because of a lack of resources to tackle aggressive tax avoidance and evasion.

TUC General Secretary **Brendan Barber** said: "As living standards are squeezed, ordinary taxpayers cannot afford to keep footing the bill for tax avoidance by highly profitable companies and super-rich individuals.

"For all the tough talk from ministers on tax in recent weeks, multi-national companies and the super-rich were the big winners in last month's Budget, while small businesses and the young unemployed received no help at all.

"Big companies and wealthy individuals are now so adept at exploiting tax loopholes that they are seemingly able to choose their own tax contributions. This is both deeply unfair and risks fatally undermining people's confidence in the UK tax system.

"Everyone wants to see a competitive tax system. But there must be a level playing field, rather than one in which multi-national companies enjoy huge tax advantages over their smaller competitors.

"Most importantly, everyone must pay their fair share of tax so that we can all contribute to the public services and infrastructure that businesses and individuals rely upon."

- The TUC touchstone pamphlet **The Missing Billions** is available at www.tuc.org.uk/touchstone/missingbillions/1missingbillions.pdf

- **The TUC report The Corporate Tax Gap** is available at www.tuc.org.uk/extras/corporatetaxgap.pdf

NB: As is obvious, I advise the TUC on these issues and am paid to do so