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Immediate News Release

MPs move to create new anti-tax avoidance principle in UK law

Related press conference: Committee Room 21, House of Commons

10.30am Thursday 13 September 2012

This Friday (14 September) Labour MP Michael Meacher is tabling a Private Member's Bill in the House of Commons to create for the first time a General Anti-Tax Avoidance Principle in UK tax law.

The bill will be tabled one day after Meacher leads a three hour House of Commons debate and on the same day as a consultation closes on the government's General Anti-Abuse Rule (GAAR).

Meacher's Bill would consign 76 years of tax case law to history. Since 1936 tax avoiders have relied on the so-called Duke of Westminster case that said if individuals could find a mechanism, however artificial, that let them avoid paying tax they were at liberty to use it. Meacher's General Anti-Tax Avoidance Bill would end that, for good.

Unlike the government's GAAR, the new Anti-Avoidance Bill covers VAT and national insurance. It also attacks shifting income from one tax to another to reduce the tax paid and it challenges any scheme resulting in tax paid late.

Meacher said of his bill:

"Tax avoidance is a curse on the UK economy costing us at least £25 billion a year. That's money the Treasury desperately needs. More importantly, it's money the people of the UK need to be paid so that cuts to essential public services can be avoided."

"George Osborne said in March that he thought tax avoidance was 'morally repugnant' but the proposal he has made to tackle it - called a General Anti-Abuse Rule - is so weak that by the government's own admission it will have no measurable economic impact. That's not what we need now. We need a real anti-tax avoidance measure that will stop this abuse for good. That's what my bill is."

Meacher's General Anti-Tax Avoidance Principle Bill was written by Richard Murphy, a chartered accountant and long-standing campaigner with the Tax Justice Network and other organisations. He said:

“Lots of things worried me about the government's proposal to tackle tax abuse. They missed out VAT and National Insurance for a start, which are big taxes. Worse though, the government has presented a proposal that seems deliberately designed to miss the point on tax avoidance by defining tax abuse so narrowly that almost nothing will be caught by its proposal.”

"Michael's General Anti-Tax Avoidance Principle Bill is very different. It's principles based so that if it looks like tax is being paid by the wrong person, the wrong amount, the wrong time or even in the wrong place; then HM Revenue & Customs will have the power to challenge the arrangements. The Bill does, of course, go to some lengths to explain what ‘wrong’ means. But none of this is bad news for 99% of taxpayers who want to get their tax right. Firstly, nothing encouraged by law is going to be stopped by this Bill. Secondly, for those worried about what they're planning to do, this Bill, unlike the government's, let's a taxpayer tell the Revenue what they're proposing and to then ask for a clearance from them that they're happy with it. As such this Bill creates the certainty in UK tax law that business and the tax profession have been demanding for years whilst stopping forever the sort of tax abuse that has become the standard practice of far too many UK accountants."

John Christensen, director of the Tax Justice Network welcomed the Bill saying:

“For far too long UK business has competed on the basis of who could abuse tax rules most and get away with it. This has encouraged short termism, unfair competition and dishonest business practices whilst discouraging long term investment, fair employment practices and corporate responsibility. The great thing about Michael Meacher's Bill is that it changes all this. If this Bill were to become law business would have to compete on the basis of the service it could supply to customers and that's a game changer for the UK economy as a whole and the sort of change that could revitalise the UK economy.”

Mark Serwotka of the PCS trade union, which represents most staff at HM Revenue & Customs said:

"PCS has been campaigning to close the UK's tax gap because we know that if wealthy individuals and organisations paid the taxes they owe itwould change the debate about cuts and public spending overnight.

"If this bill became law it would give our members who work for HM Revenue and Customs the tools they need to properly tackle the tax dodgers. But the government must back this up with an immediate halt to its seriously damaging plans to cut a further 10,000 jobs from HMRC in the coming years."

Ends

The bill is available from the House of Commons web site at **http://www.publications.parliament.uk/pa/bills/cbill/2012-2013/0025/2013025.pdf**

Press conference

Committee Room 21 House of Commons (Main entrance) 10.30am 13 September 2012

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Editors notes:

* Tax avoidance is considered legal unlike tax evasion, which is illegal. However, since tax avoidance involves getting round the law to ensure tax is not paid in the way parliament intends George Osborne was right to call it morally repugnant in this year's budget since it is effectively cheating HM Revenue & Customs. Michael Meacher's Bill is designed to tackle the artificial arrangements that permit tax avoidance. It does not as a result stop such things that are encouraged by law such as ISAs, pension contributions and giving to charity.

* For the last 76 years tax avoiders have relied on the judgement in the so-called Duke of Westminster case. This said if taxpayers could find a mechanism, however artificial, that let them avoid paying tax they were at liberty to use it. The House of Lords tried to limit this in the early 1980s, creating what became known as the Ramsey principle. However by early this century this was almost entirely neutered by subsequent House of Lords decisions. Although HMRC has improved its information gathering on tax avoidance since then, and won some cases on the most abusive tax schemes, the absence of a general anti-avoidance principle has left it, and in turn all other tax payers vulnerable to losses to such arrangements.

* More details about the bill and about the government's GAAR can be found here http://www.hm-treasury.gov.uk/tax_avoidance_gaar.htm