

Labour's new tax policy: welcome moves in the right dir...

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I have already noted Labour's press release, issued overnight, that might best be seen as the opening salvo in the tax debate that is going to run from now until the next election - and which is bound to be a key element in who might, or might not, form the next government of this country.

There is a lot to welcome in Labour's announcement. First, and perhaps foremost, the fact that there has been an announcement is in itself significant. It is the clearest indication that Labour is moving on from what, for many, has been a frustrating period when saying precisely what it might be about on such key issues has been hard for many. There are commitments in this announcement, and that is welcome.

Secondly, and many will be disappointed by this, there is no indication as yet (although there might be on Monday when Ed Balls makes the speech that this announcement precedes) on such key issues as tax rates, the approach to redistribution, how fairness will be hardwired into the system, and, perhaps, how tax and benefits will interface.

But if none of those things happen yet, then I have sympathy for Labour. If I was in office I would not want to say them either: announcing budget decisions in advance simply encourages tax evasion, as was seen when the 50p tax rate was announced too early. Caution on these issues is required. If that is frustrating, so be it: politics is all about the art of timing, and the 2015 budget cannot be announced now.

What we have got today is, however, something which may be at least as significant, which are statements that give a clear indication of how Labour is thinking on tax. As a tax campaigner I welcome this list. I should also be candid: in one or two respects, I think I recognise my influence on this list: it is hard for me to complain about that.

The devil, though, is always in the detail in such announcements but on this occasion I see more to celebrate, than to worry about. Let me give some examples.

The announcement on Eurobonds looks technical, but its more than that. It is aimed at City shenanigans where this abuse is popular and widely used to shift profits offshore. The message has more in it than the apparent simple desire to close a loophole: it says

financial engineering is now considered fair game to be controlled. This has much wider implications.

The commitment on tax transparency is also much deeper than it might appear to be from the announcement made. There is a commitment to a register of beneficial ownership of companies, and a threat to impose this on our tax havens if they do not willingly comply. That's the language many have been looking for. There's also a demand that company's publish details of what tax they pay. This looks very like a commitment to country-by-country reporting whether other countries demand it or not. That is , something I have long advocated.

The announcement of better regulation of dormant companies is for me particularly welcome. It adopts a proposal I have made most recently in my report '[In the Shade](#)', published last month. It also lifts [the idea almost straight from the Private Member's Bill I wrote for Michael Meacher in 2013](#). I believe that the ease with which these companies can be abused is giving rise to substantial tax losses. This proposal says that Labour is not just willing to talk about tax avoidance, but tax evasion as well. For too long politicians have ducked that issue.

As they have also ducked the Tax Gap until now. Margaret Hodge has done great work picking this issue up, again, I admit, building at least in part on my work. Labour has now said this will become a key issue at the heart of its policy. That's very welcome indeed, as its commitment, also following Margaret Hodge's lead, to look at how tax allowances are being used to help tax avoidance. This is neat thinking: tax abuse is not just offshore, it can happen at home too. This policy is saying that's fair game for review too. When Labour is opposing a government who seems to think tax giveaways for big business are core to its thinking that is a key differentiator.

The commentary on international tax developments is good too. The OECD has to deliver on its Base Erosion and Profits Shifting project. Labour offers clear support for that process but at the same time says it is not going far enough by highlighting the fact that this is no time to backtrack on any commitment and is instead the time to redouble and extend efforts to create a level playing field on which the multinational corporations of the world can play, with fair competition the goal. The nuance in the announcement is subtle, but important and essential, especially when it comes to developing countries who have always been at the forefront of the tax justice concern.

So why then pick on abuse in the construction industry? I think that here the message is threefold. First, this is joined up thinking. Labour intends to build houses: it does not want the money spent lost on tax abuse. Second, it says it is not just big company abuse that is in the sight lines; so too is common spread mispractice. And lastly, the message is that Labour is aware of such detail. That in itself sends out important messages relating to competence.

So, I welcome the announcement, and the detail, but the question to always be asked

on such occasions is what is missing. I have a list, because I'm never going to be entirely happy with all any politician will give me. This was an initial reaction:

1) Will companies be required to disclose their UK profits and tax paid in their accounts? They had to until 2005. Now it's nigh on impossible to find out. This could and should be clarified because it is key to holding big business to account in this country. The hint is present in the announcement. I really want to know the detail. 2) At the same time Labour should make companies explain their current UK tax bill and why it is not the expected rate. Accounting standards do not require this and companies can hide behind those rules and not disclose what is happening. The onus has to be on them. They know, after all. That data can then be used to find out what reliefs may be abused. This all aids evidence driven policy agendas. 3) Country-by-country reporting on public record has massive support - and we're getting it for banks - so why not a commitment to require it for all public companies? They're going to have to prepare it for tax now because of OECD demands. There is no cost of publishing it now as a result. The world needs to know who abuses tax havens and this data would tell us. 4) There is also no mention of more resource for HMRC. Labour has made this an issue of this in recent tax announcements but it is not explicitly in this one. It can be cost justified by extra revenues targeted which avoids any suggestion of a spending commitment. 5) A GAAR review could also be announced. This would be a simple step towards what we really need - which is a general anti-avoidance principle. 6) In the same vein, Labour could commit to purposive legislation - which says what it is meant to do on the tin. That way Labour people will better understand tax. That's a key part of the simplification agenda. It also makes it harder for abuse to be ruled out of order by courts and tribunals. 7) I might also hope for more commitments relating to tax evasion I would question why we need a £50 note. I might also hope for a legal limit on the amount that can be paid in cash on any transaction. 8) I would also want banks to report all people who have erratic deposit patterns in bank accounts as potentially self employed - which is where a massive part of the tax gap is. This is the next step beyond the commitment on dormant companies. 9) Next I would like a commitment to keeping HMRC in market towns - HMRC needs a public face, and eyes and ears locally. 10) Finally I would commit to boost transfer pricing resources at HMRC to tackle big business abuse quite specifically. But by the end of that list I am moving from policy into detail. At a policy level Labour has hit a lot of the right buttons today. I welcome that. I look forward to seeing the detail, and the delivery.