

Labour's tax avoidance plans

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Labour issued a press release tonight that sets out its plans for tackling tax avoidance. It says:

Labour will tomorrow (Wednesday) set out the measures it will take to tackle tax avoidance in the first months of a Labour Government.

With campaigners and NGOs backing calls for a “Tax Dodging Bill”, Labour’s first Finance Bill will act to tackle tax avoidance. Labour will set out the measures in an Opposition Day Debate tomorrow (Wednesday).

Labour’s motion also notes that just one out of 1,100 people who have avoided or evaded tax have been prosecuted following the revelations of malpractice at HSBC bank, which were first given to the government in May 2010.

It also calls upon Lord Green and the Prime Minister to make a full statement about his role at HSBC and his appointment as a Minister in 2011.

Labour will act in our first Finance Bill to:

- Introduce penalties for those who are caught by the General Anti-Abuse Rule***
- Close loopholes used by hedge funds to avoid stamp duty***
- Close loopholes like the Eurobonds loophole which allow some large companies to move profits out of the UK and avoid Corporation Tax***
- Stop umbrella companies exploiting tax reliefs***
- Scraping the “Shares for Rights” scheme, which the OBR has warned could enable avoidance and cost £1bn and is administered by HMRC, and so ensure HMRC can better focus on tackling tax avoidance***

- **Tackle disguised self-employment by introducing strict deeming criteria**
- **Tackle the use of dormant companies to avoid tax by requiring them to report more frequently**

Labour's measures to tackle tax avoidance will also include:

- **Ensuring stronger independent scrutiny of the tax system, including reliefs, and the government's efforts to tackle tax avoidance**
- **Forcing the UK's Overseas Territories and Crown Dependencies to produce publicly available registries of beneficial ownership**
- **Making country-by-country reporting information publicly available**
- **Ensuring developing countries are properly engaged in the drawing up of global tax rules**

I added the underlining: they're issues where I think it fair to say my work has had some pretty direct influence on this policy agenda.

So is it all I could hope for? No of course it is not.

For start there is no commitment to extra funding at HMRC. Nothing will happen without that.

Second, there is no direct reference to the tax gap and making explicit that these issues are meant to close it. Whilst HMRC works with the current deficient version of the tax gap this problem cannot, again, be resolved.

Third, I want a general anti-avoidance principle, not a revised General Anti-Abuse Rule, but penalties sure as heck help.

Fourth, there is no mention of the extra resources needed to make sure Companies House works properly, which is as important as the changes in dormant company reporting.

Fifth, there is no mention of BEPS implementation or action on things like permanent establishment and controlled foreign companies.

And there's no Office for Tax Responsibility as yet (although the hint of one has, I note appeared, so I am hopeful).

But let me stop complaining for a moment because I will probably never be completely satisfied.

This is a package that indicates commitment to listen and commitment to change. It is

a package that looks across the board at the issues of concern. And it addresses a fair range of items into debate. I welcome that, of course. The devil is always in the detail but there is room for manoeuvre in here and many statements are moves in the right direction when those are sorely needed. That is what is needed for now, and I'll take it at that level.