

## Building a fair tax movement

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*I have contributed the following as a chapter [in a new publication](#) by the Cooperative Party being launched [at a conference today](#) at which I cannot, unfortunately, be in attendance:*

It is unsurprising that the Co-operative Party should have an interest in Fair Tax. Co-operatives do, of course, operate in open markets and it is, therefore, vital to them that there is fair competition.

This is dependent on a number of things. The first is fair regulation that requires openness and transparency from all market participants so that a level playing field on which competition can take place is created. Then it is dependent on such regulation being properly enforced so that cheats cannot prosper. And it is vital that there is fair taxation that ensures that no one secures an unfair advantage over another with the result that market outcomes based upon best efforts are distorted.

It is an unfortunate fact that these conditions do not exist in the UK at present. We know that companies based in tax havens can compete unfairly with those based in the UK, and yet we know almost nothing about those entities, who owns them, how they are organised and whether they pay taxes, or not. We also know that hundreds of thousands of companies in the UK do not comply with the legal obligation that they file accounts each year. In some cases this omission will imply nothing more than the fact that company has not traded. In others it is highly likely to imply that trade has taken place and that no tax will be paid and no accountability is accepted. To put it another way: deliberate fraud is going on. Both appear to be openly tolerated: that is deeply prejudicial to honest UK businesses.

And we know that the tax system appears biased in favour of big business, who not only have better access and advice from HM Revenue & Customs that makes their task of being tax compliant easier to achieve, but who also seem to enjoy too cosy a relationship when it comes to tax avoidance, whether onshore or offshore.

The tax system itself also has biases built into it. Co-ops made up of worker participants

will usually reward their staff under PAYE but this puts them at a competitive disadvantage with smaller businesses who reward their owners with dividend payments that attract much lower rates of tax.

At almost every level the tax and regulatory environment appears to be biased against co-operatives, despite the fact that they embody standards that many think should exemplify the desired role of smaller and mid-sized companies in the UK economy. Putting best practice at a disadvantage is bound to prejudice the prospects of the UK as a whole and co-operatives in particular.

The tax justice movement has worked to address these issues since 2003. The Fair Tax Mark has been a very visible part of this campaign in the last three years. I have had an involvement in both precisely because it is my belief that those who seek social justice have to understand that markets help people exercise the right to choose but market abuse of the types I have described threaten the well-being of everyone in an economy.

The question is, firstly, what can be done to tackle these issues in the current environment where the mood on tax appears (at last) to be changing and, secondly, how can co-operatives and the Co-operative Party take a part in this? As a seasoned campaigner it would be easy for me to come up with a long list of reforms but prioritisation matters. What follows are those options I think most important.

The first thing to note is that no one likes a cheat. Perhaps unsurprisingly, it also seems that those who cheat really don't like to be found out to be doing so. This is exactly why a focus on transparency has proved to be so productive in tax justice campaigning to date. What we now know is that fear of being exposed has resulted in a fall in some types of tax haven usage by up to 25%, and the trend looks to be continuing. We also know that large companies hate the risk that they might have their tax cheating exposed on the front pages of newspapers. We can be pretty sure as a result that the same might also be true of small businesses who were also found to be in breach of their obligations. The good news is that things can be done on all these issues.

As a result of pressure from the tax justice movement in 2015 the OECD - the closest thing we have to a body setting the rules for global taxation - decided that all large multinational companies should file what are called country-by-country reports with their tax authorities. These are designed to provide details on a company's trade, including its sales, number of employees, level of investment, profit and tax paid in each and every country in which it trades. At a stroke those authorities were to be provided with information that would disclose which companies were using tax havens and to what extent they were doing so to avoid tax. That's good news, and the UK has enacted law to require this, but one condition of the recommendation from the OECD was that all this data was to be kept secret: we, the public were not to be trusted with knowing this vital information that could deeply embarrass many of the world's largest companies and so encourage them to change their behaviour.

In September 2016 Caroline Flint MP guided an amendment to the Finance Bill through parliament to require the Treasury to create regulations to require companies to publish this information. The trouble was the government would not accept that any date should be attached to this amendment. Demanding that this information be published as soon as possible is, then, essential and a first campaigning goal.

It's also essential that the UK continue to put pressure on its tax havens to improve their behaviour on tax. None of them currently require that companies formed there put their accounts on public record, and nor do they need to disclose who their real owners are. They are a cheat's paradise as a result and this is not only for tax; this behaviour also provides an artificial competitive advantage that distorts fair markets at cost to honest businesses. This is unacceptable and change is essential. Campaigning for tax haven reform is vital in that case.

Change on the enforcement of UK company law is also essential. It's a scandal that companies who do not file accounts and tax returns as required by company law currently get away with this without almost any real risk of prosecution arising. Simple changes in the law could correct this. Making the directors of companies who do not comply with the law personally liable for its tax debts would be a powerful deterrent.

Requiring UK banks to file a basic annual report to HMRC detailing all the companies they provide services to, what those company's bank account numbers are, where the company can really be contacted is and who the bank think really runs them would deny these cheats the cover they have enjoyed. This is an essential, cheap and easily deliverable reform to drive cheating out of the UK economy: the banks all have to have all this information already for reporting to some foreign countries in the case of companies owned by their citizens, so they must already have it for UK companies as well.

This would, however, only work if HMRC had the resource to chase the cheats down. So providing HMRC with the resources they need to do this is also an essential demand.

And it is vital that in some cases the law be changed: everyone wants to support small business but that some can still pay much less tax by paying dividends seems quite unfair, especially when the same rules also mean the very wealthy often pay less tax than working people. This then has to be addressed by better targeted taxes on dividends.

If this sounds daunting supporting the Fair Tax Mark is a way to do help achieve some of these goals in a very practical way. [\*The Fair Tax Mark\*](#) *accredits companies who are trying to not just pay the right amount of tax, at the right rate, in the right place, at the right time but who also want to demonstrate this by what they publish in their accounts and on their web site.*

*Three years in to the Fair Tax Mark programme thirty or so companies have done this*

*from FTSE 100 companies to start ups. Many co-ops are included in that number because they are keen to explain to their members just how their tax is paid. The Fair Tax Mark hopes to grow considerably over coming years and demonstrate that businesses are as committed as many in broader society to tax justice. It is notable that co-ops are playing a leading part in this process.*

*The logic of all this is that tax is at the heart of a fair society. That logic is one that is very obviously being accepted more widely now. However, if change is really going to happen this sentiment has to become part of a political process of change. Nothing else will eventually deliver tax justice.*