

Why isn't the government supporting a global min...

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The [Daily Record](#) has noted, along with a number of other papers, that:

Labour is to stage a Commons vote to try and force the Government to back the global minimum rate of corporation tax being proposed by President Biden at the upcoming G7 summit.

Britain is now the only country to not back the plan, with Germany, France, Canada, Italy and Japan backing Biden's proposal.

This move by Labour is welcome. The government's refusal to back the Biden scheme is very hard to explain unless it is signalling one of three things.

The first is that it wishes to stand out from the crowd: the exercise of opposition is simply one suggesting that the UK is pursuing its own self interests now, come what may, in the style of Trump's 'America First' and that any compromise with others is unacceptable to it, just as it was to Trump on this issue. I think that entirely plausible. A lot of politics is not about the issues and is instead about a bigger game: this posture may fall into that category.

Second, the UK is acting in its own self interests, or at least those of the tax havens that it is responsible for. Jersey has, for example, been vocal in opposition to Biden's move, suggesting that this is an attack on it, as if the US might care about that. But Johnson might. The UK tax havens are central to the operation of the City of London. Opacity and low tax remain key UK offerings to the world of finance and the Biden plan does, undoubtedly, go to the heart of the low tax issue, and rightly so.

Third, there may be a simpler political posture in this, which is that the UK really does want the OECD to tackle the specific issue of tech company tax as well as the more generic issue of creating a minimum tax rate, and believes that the tech company deal on the table from the US is not good enough and that there is bargaining to do on that before giving way on the minimum tax rate. Treasury officials have hinted at this. In that case the failure to come into line is an old fashioned negotiating ploy.

I can't say for sure which of these lines is the right one. I think all three might be in play, making the issue a complex one. At an instinctive level the UK Treasury really will not like this offer, I suspect. Tax rate control has always been a philosophical red line for it, even at cost to the UK's tax revenues, which it has undoubtedly been.

How much might we gain by agreeing? Tax Justice UK, working with the Tax Justice Network has suggested that the gain could be as much as £13.5 billion a year. However, that is not on the basis of the Biden plan as tabled but on the basis of a revised version suggested by some tax justice campaigners that creates a bigger bias towards developing countries. The estimate may be right, although I should warn that some recent estimates from tax justice organisations (not the two mentioned) have been a little on the wild side and not helpful.

My concern is not so much the money side, but the accounting side. It is still not clear what 21% is a percentage of, and using the OECD accounting rules allows too much flexibility in the way in which accounting for tax may take place (look at para 261 of the OECD tax according rules for the basis of my concern if you're into such things). I also hope to publish data this week showing just how hard it is to be sure what the effective tax rate of a company really is given the state of current accounting practice, presuming that the data on that can be finalised.

All this, however, is detail, and getting the detail of these arrangements right is not the subject of G7 meetings, at which this issue could be approved for development by the OECD. The detail comes in long negotiation in Paris long after the politicians have left the scene, as I know from experience on country- by-country reporting.

The in principle issue right now is in getting the UK to agree to this, and Labour is right to draw attention to, and to seek to bring out the reasons for the government's failure to agree to this proposal. A minimum tax rate is the right way for the world to progress right now. It will be a major spanner in the world for tax havens. It does indicate real political divides. The government will have big problems defending its position. I look forward to the debate, when it is secured.