

Why do we give small companies a free tax ride in the U...

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My video this morning notes that HM Revenue & Customs reckons more than 30 per cent of all tax owing by small UK limited companies is not paid. Why are our politicians doing nothing about this - and why are they letting down honest small businesses so badly by not doing so?

https://www.youtube.com/watch?v=9hvoPY_8SGQ

The audio version is here:

https://www.podbean.com/player-v2/?i=yp2t8-163fa10-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=8bbb4e&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

The transcript is:

Why do we give small companies a free tax ride in the UK?

We all know that there is a problem with collecting tax from businesses in this country. About 30 per cent of all tax owing by small companies in the UK is, according to HM Revenue and Customs themselves, not paid, which is a staggering statistics and shows, well, complete ineptitude on their part for not yelling for greater resources to be able to tackle this problem.

What are the resources that they need?

Well, first of all, we actually need a functioning Companies House in the UK. Companies House is a department of government organized as an agency based in Cardiff that is the Registrar of Companies under company law. And what a Registrar of Companies does is record the existence of a company.

In other words, it issues to whoever wants to form a company, a number saying your company, whatever it might be called, is now in existence.

And then it records whatever information that company wishes to file with it to record its activities.

Now, it should, every year, file a return stating who the members are, who the directors are, and so on.

And it should file a return of its annual accounts once a year, stating what it's got up to.

These days, those accounts should actually be quite comprehensive because of recent changes in the law, which I've welcomed. There should, for example, be a profit and loss account in there. But the reality is that more than half a million companies a year tend to fail to submit one or both of those documents.

Put that in context. That's more than 10 percent of all UK companies usually fail to submit one of those documents each year.

And of the remaining companies that exist, about half claim that they don't trade at all. And, as a consequence, HM Revenue and Customs accept their statement that they don't trade, just as readily as they presume that those companies who don't file anything whatsoever with the Registrar of Companies, or a corporation tax return with HM Revenue and Customs, don't trade.

And therefore, as a consequence, they say they can't owe any tax, we won't worry about them, we'll let them off any liability, and in fact in many cases they don't ask for another tax return for years to come.

This is ludicrous. Anybody who forms a company accepts an obligation to society in exchange for the favour that they've been given.

The favour that they have been given is that they may trade with limited liability. In other words, presuming that they have used their best endeavours and avoided being dishonest, if they go bust they don't have to pay their creditors.

That is a ridiculous benefit to be provided with, and yet it's being abused by vast numbers of people, and I'm afraid to say some of those people who are abusing that benefit will be fraudsters, conmen, cheats, and whatever else.

As a consequence, 30 per cent or more of small business tax is not being paid. This is costing billions of pounds a year. HM Revenue and Customs underestimate the amount. I think it could easily be £6 plus billion a year. And that's only corporation tax. When we take into account the PAYE, the VAT and other things not being paid, the figure could be much higher.

So all of those who keep saying there's no money to be found from tax cheats in the UK are wrong.

There is money to be found from tax cheats in the UK. The cheats are using our limited liability company system to facilitate criminal activity.

Because that's what this is. It's tax evasion. It's a criminal activity designed to defraud HM Revenue and Customs and ultimately, the government.

And yet the government is letting it happen. And by doing so it is failing the honest small business community. Because the honest small business community is dependent upon the government running a system of rules so that there is a level playing field on which all can compete.

But it isn't doing that. Far from that. It's actually running a system of rules where those who wish to cheat can do so.

It's like one side playing with the offside rule and the other not. Or one side playing with 15 people and the other with only 11, if you don't mind me using a few footballing analogies. You can provide cricket, basketball or whatever else instead.

The point is, the rules are being rigged in favour of the cheats, and the government's letting that happen. I don't understand why. I want politicians to talk about this, because when they say they're going to crack down on tax evasion and tax avoidance, this is where they have greatest opportunity to do so.

It's not the large companies who are now cheating in large amounts. Some do, but nothing like on this scale. It's not the self-employed, the tiny self-employed business that's probably cheating on this scale. It's the abuse of UK limited companies, the more than 5 million of them that exist, that is creating this problem.

We need an effective companies regulator in the UK who cracks down on the cheats and who is funded by bigger regulatory fees charged to all those honest companies who are complying with the law to make sure that the cheats are eliminated from the system.

Then, and only then, can we have effective markets in the UK and none of our political parties are committed to delivering that.

And when they're all neoliberal and claim that they are in support of free markets, that is the most amazing contradiction implicit in all their policies.

Let's get rid of tax cheats.