
FAIRER TAXES, FAIRER ECONOMY



co-operative
party

For too long, tax havens and legal loopholes have enabled large multinational companies to shift profits around the world and get away with paying less than their fair share of taxes.

Fairer taxes mean a fairer economy. Research by Tax Justice UK suggests that putting an end to tax havens and making multinationals pay taxes in the country where they make their profits would raise at least £13.5 billion a year for the UK. This means billions more to fund our vital public services like the NHS, social care and local government.

Fairer taxes also make it fairer for our high streets, where local businesses have struggled, both before and throughout this pandemic, to compete with tech giants like Amazon. Those local high street businesses pay their taxes here, while the big businesses they're up against choose to pay little or no tax through the artificial use of tax havens and accounting tricks to shift their profits to the places with the lowest tax regimes rather than where they actually made their money. A lack of transparency in

80% think companies like Amazon and Facebook should be paying more taxes than they do currently.

the way that tax contributions are measured and reported makes it difficult for customers and communities to scrutinise and hold those companies that contribute less than others to account.

At the Co-operative Party, we have long been concerned with plugging the holes in our global tax framework. Society relies on taxation to raise the revenue needed to fund our public services and invest in infrastructure. But in a progressive system, tax also combats inequality by redistributing wealth, provides a tool to tackle wider issues from carbon emissions to smoking, and creates a level playing field for businesses large and small.

There is a growing movement of organisations – from local councils to co-operatives and responsible businesses – proud to pay their fair share of taxes, and the Fair Tax Mark champions organisations that pay the right amount of tax in a transparent way. But our unfair system and loopholes in the global rules mean those businesses that do the right thing by contributing their fair share are at a disadvantage, while tax dodging is rewarded handsomely. Research from the Fair Tax Foundation shows that the six big US tech firms – Amazon, Facebook, Google, Netflix, Apple and Microsoft – have collectively and aggressively avoided \$100 billion of global tax over the last decade.

65% back Biden's plan to tackle global corporate tax avoidance.

The Biden-Harris tax plan

However, there is cause for optimism. The Biden-Harris administration has proposed sweeping reforms which would force big companies like Amazon, Apple, Facebook and Google to be honest about where they make their profits, as well as setting a worldwide minimum corporate tax rate – effectively putting an end to tax havens.

82% of respondents think that global businesses should pay their taxes in the country where they make their profits.

These proposals have been made ahead of the G7 gathering of world leaders in June and would be a truly historic advancement of tax justice if they are adopted. With tech giants like Amazon in the news for making giant profits during this pandemic – while paying no corporation tax – this could not be more vital.

The likes of France, Germany and Italy have quickly responded to publicly back the US's proposals, as has the IMF. But while other world leaders have welcomed the plans, the UK Government has failed to give a straight answer.

Three quarters of respondents think that the UK should be playing a leading role in tackling global corporate tax avoidance.

Public support for action on corporate tax avoidance

New polling from the Co-operative Party shows that the British public is frustrated by this inaction on the part of Boris Johnson and Rishi Sunak, and that not only has it weakened Brits' trust in their ability to stand up to big businesses and manage the public finances, but that it has weakened Britain's standing on the world stage too.

82% of respondents think that global businesses should pay their taxes in the country where they make their profits, while only 7% support businesses seeking out the countries with the lowest tax regimes instead. 80% think companies like Amazon and Facebook should be paying more taxes than they do currently.

A significant majority of Brits back Biden's plan to tackle global corporate tax avoidance by cracking down on tax havens through a worldwide minimum corporation tax rate and forcing multinational companies to pay taxes in

the countries where they make their profits. Co-operative Party MPs and the Shadow Chancellor Anneliese Dodds have repeatedly asked Rishi Sunak why the UK hasn't yet backed President Biden's tax plan, but the Government is yet to commit.

This is likely to reflect poorly on this Government. Already plagued by scandal having given key Covid-19 contracts to friends and donors, our polling shows that less than a third of the population trusts Boris Johnson and Rishi Sunak to take on big business interests and tackle global tax avoidance.

Instead, the British people are looking for leadership. Three quarters of respondents think that the UK should be playing a leading role in tackling global corporate tax avoidance – and most people feel that this Government's failure to do so diminishes the UK on the global stage.

Less than a third of the population trusts Boris Johnson and Rishi Sunak to take on big business interests and tackle global tax avoidance.

41% believe the current Government is worse at managing the public finances as a result of them not backing Biden's plan to tackle global corporate tax avoidance.

Amazon

Amazon's corporate filings in Luxembourg for 2020 show that the company collected record sales income of £38 billion in Europe last year, but did not have to pay any corporation tax to the Grand Duchy. Despite showing a record income through the pandemic, their accounts instead show a €1.2 billion loss which meant they did not need to pay any taxes – in fact it meant they were granted a massive €56 million tax credit to offset any future tax bills.

Amazon EU Sarl handles sales for the UK, France, Germany, Italy, the Netherlands, Poland, Spain and Sweden – but files all their accounts in Luxembourg. Luxembourg is used by many big multinational companies, billionaires, celebrities and even criminals to shift profits and artificially minimise their tax bills. 55,000 offshore companies are taking advantage of their 'preferential' tax regime and discretion.

Policy Recommendations

1) The Government urgently needs to put its weight behind President Biden and other world leaders to tackle global corporate tax avoidance. These plans would create a global minimum corporation tax, which at 21% would be close to twice the headline rate of tax in Ireland, for example, where Google bases its European operations and Apple books most of its non-US profit. They would also create a formula to ensure that across the globe the largest multinationals are taxed not just on the basis of profits declared, but where customers are situated.

The UK is the only G7 country who has failed to give its backing – potentially jeopardising a once in a lifetime chance at closing the loopholes in the system. With all eyes on us when the UK hosts the G7 summit in June, the Government must quickly ensure we are leading on this agenda to rebuild trust with British people, re-establish our place on the world stage and take the first steps towards a fairer economy as we recover from the Covid crash.

2) Government bail outs and financial support should only be offered to companies who commit to the following three fair tax conditions going forward. These conditions aren't about punishing individual companies – they should be about plugging the many holes in our tax rules. We need to build a fairer economy after coronavirus, and to do so we need a fairer taxation framework to match. These conditions should apply to all businesses and should form the basis of a new system where everyone pays their share. Should we face another crisis in the future, there will no longer be an issue of tax avoiders benefiting from a public purse that they haven't paid into.

a. Businesses must publish a binding tax policy that explicitly shuns tax avoidance, the artificial use of tax havens and profit-shifting. Companies must abide by both the spirit and the letter of the law.

b. Business must publish their real profits, losses and tax paid on a country-by-country basis – after all, companies that have done nothing wrong should have nothing to hide.

c. Businesses must publish their real owners and beneficiaries – the ultimate beneficial owners of the company are and those with significant control. Anonymously owned companies are one of the key tools used by money launderers and tax evaders to hide their illicit gains. Transparency on ownership and control allows law enforcement and tax inspectors to follow the money and make sure everyone is paying a fair share of tax

3) The Treasury should use its powers under the Finance Act 2016 to properly enforce country-by-country reporting for global corporations, so that public scrutiny of corporate behaviour can put pressure on businesses to be more responsible.

4) The playing field between businesses based on bricks and those based on clicks should be levelled. To achieve this, we not only need to holes plugged in global taxation policies, but also a significant reform of the way we tax businesses in the UK. Business rates are no longer fit for purpose, and disadvantage our highstreets relative to the tech giants that undercut them.

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