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PRESS RELEASE | 31 MAY 2017

Newly launched Tax Justice UK assesses party manifestos in the UK's 'snap' general election

Tax Justice UK [1], the newly launched sister organisation to the Tax Justice Network, releases today its detailed analysis of the general election manifestos of the main political parties, assessing how far they advance, or reverse, an agenda that is compatible with the pursuit of tax justice principles and the public interest.

It finds that none of the parties will admit that, ten years after the financial crisis, the British economy is being run in the interests of a small financial elite based in the City of London, to the detriment of the rest of the British population and of many other people across the world.

In November 2008, the Queen visited the London School of Economics and asked why no-one had foreseen the largest financial crisis since the 1920s. In reality the warning lights had been flashing for years, but people in power chose to ignore the signals and failed to represent the public interest. The subsequent breakdown in trust has caused an unprecedented crisis of social cohesion that threatens our democratic institutions.

In 2016, the Tax Justice Network looked back at the financial crisis and argued convincingly that economic growth and equality in the UK are still held back by a 'finance curse': "the crash... and growing inequality cast doubt on the idea that finance is a boon to the host economy... beyond a point, a growing financial sector can do more harm than good". [2] The glib politicians' assumption that the interests of the British people are aligned with those of the City of London could not be further from the truth.

A year on, the manifestos of the Conservatives, Labour, the Liberal Democrats, the Greens, UKIP and the SNP demonstrate varying levels of commitment to addressing tax avoidance and building a fair and progressive tax system, according to a detailed analysis by Tax Justice UK. The analysis assessed the extent to which the general election manifestos of the main UK political parties advance, or reverse, an agenda that is compatible with the pursuit of tax justice principles. It scored their pledges on tax issues based on 10 criteria (covering tax avoidance and transparency, the UK's secrecy network, tax 'competition' and tax fairness). [3] Key findings are as follows:

- **RESOURCING HM REVENUE & CUSTOMS:** Only Labour have made a significant commitment to increase HMRC's resourcing and its ability to tackle tax avoidance in a meaningful way, although the Greens come close. A relatively small investment by the next UK government would yield significant financial returns as well generating political capital.
- **CLAMPING DOWN ON THE UK'S SECRECY JURISDICTIONS:** Both Labour and the Lib Dems plan to put pressure on 'tax havens' as part of their international development strategy, although Labour is specifically focused on the UK's network. The Conservatives do not make any mention of this, following their failure to cajole or compel Britain's overseas territories and crown dependencies to embrace transparency in 2016, while UKIP are also silent and the Greens and the SNP do not present any detailed plans.
- **CORPORATION TAX:** There is a clear ideological distinction between the parties here, with the Lib Dems and SNP taking a middle-ground position between Labour and the Greens on one side, and the Tories and (presumably) UKIP on the other. Reducing business taxes is a form of tax 'competition', a policy that is based on flawed economics, and there is no evidence to support the argument that higher business taxes will be passed on to workers and consumers. A corporation tax rate of 26% would still be the lowest in the G7.
- **WEALTH TAXES:** Labour and the Greens plan to actively increase taxes on unearned income; the Lib Dems will simply reverse recent cuts, while the SNP will support limited action across the UK. UKIP will go backwards by increasing inheritance tax thresholds, while the Tories do not plan any changes. Leaving aside the evolving Tory plans to use property wealth to fund in-home social care, the Conservatives have missed an opportunity to tackle inequality of wealth, rather than income. The top 10% own 45% of wealth and the bottom 50% own just 9%. As Phillip Blond recently wrote, "there can be no popular capitalism if people do not have capital".

And the scores: Labour leads the pack with a score of 76 out of a possible 100, followed by the Greens on 51, the SNP on 48, the Liberal Democrats on 47, and the Tories and UKIP both on 22. (Plaid Cymru have been excluded because only local taxes are devolved to the Welsh Assembly, so their manifesto could not be fairly compared to the others.) For the full report see www.taxjustice.uk/election.

It is striking that Labour, even in its most radical manifesto for decades, holds back from grappling with the choke-like grip that the City of London exerts on UK economic and fiscal policy, which, to quote TJN's 2016 report, 'has crowded out manufacturing and non-financial services, leeches government of skilled staff, entrenched regional disparities, fostered large-scale financial rent-seeking, heightened economic dependence, increased inequality, helped disenfranchise the majority and exposed the economy to violent crises'.

Will Snell, Director of Tax Justice UK, commented: "Ten years after the crash, little progress has been made. Household debt is at record levels. Air pollution levels are hazardous in our cities; climate change is unaddressed. Investment in productive jobs has not materialised. Market power has become concentrated in the hands of multinational companies who extract wealth without paying taxes on their vast profits. The majority of new jobs pay low wages and provide little or no job security. Housing is unaffordable. Wealth and income is unevenly distributed between a tiny minority and vast numbers who are 'just about managing'. The UK's financial system remains opaque, unaccountable and rigged to serve the interests of the 1%, not the 99%. The status quo is neither equitable nor sustainable, and it will only get worse if the threats to turn the UK into a 'Brexit tax haven' become reality. The next government must take it upon itself to run the country and the economy in the interests of the whole population, not just those at the top of society."

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NOTES

[1] Tax Justice UK (www.taxjustice.uk) is a new organisation that is linked to but independent of the Tax Justice Network (www.taxjustice.net). Tax Justice UK is a campaigning organisation focused on the UK, while the Tax Justice Network is a global research and policy organisation. Tax Justice UK is politically non-partisan and will work on three issues:

- **The role of tax:** Taxation builds a civilised society, healthy economy, secure country and decent public services. *Tax Justice UK will celebrate the role of tax in building a civilised and fair society.*
- **A fairer tax system:** The costs of contributing to tax revenues should be shared fairly, taking into account the ability to pay. *Tax Justice UK will advocate for a fairer and more progressive tax system.*
- **A more effective tax system:** All UK taxpayers, including companies as well as individuals, should pay all of the tax that they owe. *Tax Justice UK will campaign against tax avoidance by companies and individuals.*

[2] See the full report at www.taxjustice.net/2016/02/10/the-finance-curse-britain-and-the-world-economy

[3] The full list of criteria is as follows:

Tax avoidance and transparency

1. The next government should increase the resources made available to HM Revenue and Customs to enforce UK tax legislation and to crack down on tax avoidance.
2. The next government should ensure that HM Revenue and Customs places more emphasis on reducing tax avoidance by large companies and wealthy individuals.
3. The next government should legislate to introduce public registers of *all* beneficial ownership of companies and of trusts (and legislation for the incorporation and registration of trusts).
4. The next government should legislate to introduce public country-by-country reporting for UK publicly quoted companies, while making the case for public country-by-country reporting on a multilateral basis.

The UK's secrecy network

5. The next government should use its statutory powers to compel all of the UK's crown dependencies and overseas territories to sign up to automatic information exchange, to introduce public registers of beneficial ownership of companies and of trusts, and to introduce public country-by-country reporting.

Tax 'competition'

6. The next government should commit not to make any further cuts to the corporation tax rate (and should, ideally, plan to restore it to its previous rate of 28%).
7. The next government should conduct a comprehensive review of the 1400 tax reliefs in the UK (which cost the UK exchequer £119bn per year, according to the NAO), analysing the costs and benefits of each and removing those that serve no useful purpose.

Tax fairness

8. The next government should avoid increasing regressive taxes (including indirect taxes such as VAT, and council tax) that have a disproportionate impact on the finances of poorer households in the UK (unless they serve an explicit social purpose, such as a sugar tax to reduce childhood obesity).
9. The next government should plan to increase taxes on wealth and unearned income, for example by introducing a land value tax, increasing the rates of capital gains tax and all investment income taxes, and protecting inheritance tax from further threshold increases and from rate reductions.
10. The next government should ensure that the tax system does not reduce the tax liabilities of companies so that they are subsidised by individual taxpayers (as happened in the oil and gas sector, for example, with the scrapping of petroleum revenue tax and reducing the supplementary charge for oil companies).