

TAXJUSTICE.UK

Response to the Reset call for evidence

July 2020

[Tax Justice UK](#) campaigns for everyone in the UK to benefit from a fairer, and more effective, tax system. Our role is to build the political pressure needed to translate good policy ideas into practice. We provide the crucial links between think tanks and academics on the one side, and the levers of power on the other.

This response is based on a statement signed by 18 progressive organisations, including Oxfam, the New Economics Foundation, the Quakers and IPPR, on what the tax system should look like after the current crisis. The full statement and list of signatories can be found [here](#).

The coronavirus pandemic is a stark reminder of the value of those that provide the vital services on which we all rely - carers, nurses, bus drivers and others. As the call for evidence notes, over the long term, we need to be spending more money on health, care and other areas to ensure we have a resilient society and economy. However, this cannot happen without substantial reform of the tax system.

There are three areas where the tax system should play a crucial role in ensuring that our country is greener and fairer:

1. Higher taxes on carbon and environmentally destructive behaviour.
2. Higher levels of progressive taxation overall to support government spending on a green transition (alongside other mechanisms such as cheap debt and quantitative easing).
3. Higher taxes on wealth to support redistribution.

In this response we focus on the last two areas.

The UK's approach to tax is dysfunctional: we don't raise enough money, avoidance is rife and wealth is under-taxed. Despite some recent progress, estimates suggest that [£35 billion](#) to [£90 billion](#) of tax goes uncollected per year. The government also spends over [£164bn](#) a year on tax reliefs - many of which are badly targeted and largely benefit the well off and big companies. The corporate tax rate has been slashed from 28% in 2010 to the current 19%. The UK also contributes through its reliefs and loopholes to a broken international tax system, which deprives other countries, and in particular those in the Global South, of revenue.

The Covid-19 crisis shows that the government has huge financial power, flexibility and choice over how to support public spending, with an ability to draw on very cheap debt supported by Quantitative Easing. As the immediate coronavirus crisis fades there will be big political debates about how to [build back better](#). A fair tax system should underpin more investment in high quality public services. As well as making the positive case for reform, it is vital to challenge those who are already arguing for austerity 2.0, restoring business as usual and cutting public services.

What we want to happen

- **No bailouts for tax dodgers:** [Require companies receiving large bailouts](#) to end artificial tax avoidance arrangements and tax haven structures, publicly disclose where profits are made and who benefits, and publish their tax policy.
- **Tax companies properly:** [Close down loopholes](#), end the tax subsidies many companies enjoy, bring in a higher effective tax rate and [require the publication of corporate tax affairs](#).
- **Tax wealth more:** Ensure that income from wealth is taxed at least as much as income from work. Reform areas where wealth is currently under-taxed, such as [property, inheritances, capital gains, dividends](#) and [pensions](#). Actively consider a [wealth tax](#).
- **Stop undermining the tax systems of other countries:** Shut down the [tax loopholes and secrecy provisions](#) that deprive other countries of revenue.
- **Enforce the rules:** Clamp down on tax dodging. Properly fund HMRC and Companies House, and give them the tools so that they can enforce our laws.

Tax Justice UK has set out in more detail the policy changes needed to deliver the above recommendations [here](#).

These changes are popular with the public. Tax Justice UK has been working with Survation and the University of Sheffield on a six months project exploring attitudes to public spending, tax and wealth. Using a mix of polling and focus groups we found that:

- The public is fed up with austerity measures and supports higher government spending.
- Almost half of people polled are willing to pay more tax themselves.
- There is strong support for higher taxes on wealth, if the policy change is framed in the right way. (For example, attacks on wealth and the wealthy generally went down badly).
- There is almost universal anger at tax avoidance by big companies and individuals, even if the behaviour is strictly legal.

The final report of the project is due out in September, but the interim reports are available [here](#).

We would be happy to discuss this response in more detail. Please contact Robert Palmer, Executive Director, at robert [at] taxjustice.uk. We're happy for this submission to be published.