

ELECTION 2015:

WHAT'S AT STAKE FOR FAIRER TAXES?



**Policy priorities for the next
government**

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IN BRIEF:

Tax policy is, of course, about raising revenue, but it is also about redistributing income and wealth; reorganising the economy; and importantly recognising the key democratic and economic relationship between voters and their government.

If the next government is to challenge vested interests and create a fairer system, everyone needs to pay their fair share of tax. When some big businesses or wealthy individuals manipulate their profits to avoid paying tax this has a direct impact on everyone else because it takes away vital funding for public services. Progressive taxation plays a pivotal role in addressing inequality and should be restored if we are to ensure a fairer tax system that works for everyone.

THE PROBLEM:

Under this Government millions of ordinary people have seen their taxes rise, either because of indirect tax increases or because rates and allowances have, for many, not risen in line with inflation. In contrast, millionaires have been given a tax cut through the Government's reduction of the top rate of tax from 50% to 45%, whilst the largest companies have seen their tax rate fall from 28% to 21% in 5 years.

Fair taxes are crucial for raising revenue to fund spending on cash transfers and also public services such as health and education that tend to favour lower-income households. Coalition changes to social security and taxation since 2010 have hit the poorest harder than any other group. Their reforms have shrunk the amount of tax collected for the public purse, leading to even further austerity cuts to public services. From corporation tax alone the



expected tax collection in 2014/15 will be £9.4bn less than that forecast in the 2010 budget.

Every year the public loses at least £19bn to tax avoidance and £80bn to tax evasion and Coalition cuts to HMRC staff have made tax evasion and tax avoidance easier to undertake. Between 2014 and 2015, the unit for personal tax became 250-300 people smaller and plans to close 14 HMRC offices by December 2015 will make collecting tax even harder.

WHAT'S AT STAKE AT THE ELECTION?

Rather than challenge vested interests and introduce effective tax avoidance measures, the Coalition has removed resources from HMRC making the job of collecting money owed by tax avoiders and evaders even more difficult. And rather than ensuring the impact of the recession fell on those with the broadest shoulders, their policy decisions have meant that the poorest have been hit harder by tax and benefit changes than any other group.

In order to judge a government's progressive qualities, look no further than its tax policies. If we want a progressive, more equitable society, it is up to all of us to vote for a party with tax policies that tackle scandalous avoidance, redistribute wealth and ensure that the broadest shoulders carry the heaviest burden. That is what's at stake at the General Election in May.

ACTIONS THAT CAN PROMOTE FAIR TAXATION:

- 1. Restore the principles of progressive taxation** so that the amount of tax a person pays as a proportion of their income goes up as their income increases. Progressive taxation plays an important role in addressing inequality and should be restored if we are to ensure a fairer tax system that works for everyone.
- 2. Reform tax reliefs and allowances** so that the wealthiest don't enjoy greater subsidies than the rest. For those on the lowest incomes, raising the tax-free personal allowance could make a real difference if it was combined with an increase in the upper limit of national insurance contributions. To ensure that this would be progressive across all income groups it should be combined with higher taxation on the very rich.
- 3. Reform council tax** in the short-term by re-evaluating properties and creating new bands with higher rates for higher-value properties. Reducing the current tax charges on lower value properties and for those who receive social security would make the system more progressive.
- 4. Tackle tax avoidance by improving transparency and sharing information** to end incentives for corruption. Country-by-country reporting will ensure that tax can be allocated and information on company profits can be accessed by governments.
- 5. Enforce penalties for abusive tax arrangements** so that corporations that exploit loopholes to pay little or no tax are made to pay a fair contribution. Penalties must be applied if it is shown that an abuse has taken place.
- 6. Align income tax and capital gains tax rates** so that there is no longer an incentive for individuals to misrepresent their income as capital gains in order to pay less tax.
- 7. Abolish the domicile rule** so that after 5 years anyone living in the UK would be taxed in exactly the same way as any other UK resident. This would abolish the domicile rule and all of the abuses that go with it for good.
- 8. Better regulate UK companies** so that they properly comply with the law. Company directors becoming personally liable for penalties when companies have failed to comply and penalties should be increased so that collection becomes worthwhile.
- 9. Enhance democracy and accountability** so that corporations and individuals that breach tax law are held to account. Any organisation or individual that has been found to engage in tax avoidance should be prevented from securing public contracts, loans or subsidies; and should not advise policy or be appointed to HMRC or any government department.
- 10. Reform HMRC** by introducing a much greater degree of accountability in the form of specific ministerial oversight and the establishment of a Board of HMRC to represent a broad range of tax payers. Investment is also required in order to challenge the suspect activity of corporations with access to extensive legal resources.
- 11. Use the tax system to create a sustainable society** so that long-term economic goals can be planned alongside meeting environmental challenges.
- 12. Tax wealth** through progressive rates to provide a much more effective mechanism for tackling wealth inequality than the current system of inheritance tax.
- 13. Introduce a Robin Hood Tax** to hold global financial systems to account so that they contribute to the common good. A Financial Transactions Tax (Robin Hood Tax) is a tiny tax of about 0.05% on financial transactions which could raise £250 billion a year globally. The Robin Hood Tax is well-tested, cheap to implement and hard to avoid. This sort of tax could also help to slow down markets at times of instability and force those who are investing to take a longer-term approach.