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Dear Lord Bishop

Many thanks for your letter dated the 25<sup>th</sup> January regarding last month's debate on recent Church Action for Tax Justice reports. It was a pleasure take part in such an engaging session on these important issues. As I said in my closing remarks, it is clear that much of this House is agrees that resilient, fair and responsive taxation is essential to the public good.

I have addressed the questions you raised in your letter in turn:

1. *Whether HMG intends to follow the example of the Danish, Polish, and French Governments in refusing corporate bailouts for corporations registered in tax havens?*

The Government support package is targeted at the businesses and individuals who most need support, while ensuring measures are accessible, certain and introduced in a timely manner to protect livelihoods.

The support schemes are designed to support both British businesses and workers in Britain who pay their taxes and would otherwise lose their jobs.

To claim under the CJRS, the employer must have a UK PAYE scheme, have submitted employee information under the Real Time Information reporting system and have a UK, Isle of Man or Channel Island bank account. To be eligible for the CSSPRS, the employer must be enrolled in a PAYE payroll scheme. Finally, SEISS claimants must have filed a tax return for 2018-19.

HMRC also administers deferral of VAT and Income Tax Self Assessment payments. These are general measures which apply to all taxpayers liable to pay the taxes in question.

The Government expects everyone to act responsibly by only claiming and using support as intended and is keeping measures under constant review.

The Rt Rev the Lord Bishop of St Albans  
House of Lords

## 2. *Whether HMG will*

*a. commit to prioritising low-income countries in the base erosion and profit shifting (BEPS) initiative of the OECD to reform global tax rules, and*

*b. be prepared to offer technical assistance to those low-income countries in the analysis of their income and tax data to explore approaches that might best help them?*

The UK robustly supports the BEPS initiative being taken forward in the OECD's Inclusive Framework group, which includes over 100 jurisdictions and ensures less economically developed countries have an equal say in developing international solutions.

Securing a global agreement through the OECD digital tax negotiations is a priority for the UK. The digital tax proposals, by their nature, will benefit developing countries – by expanding their taxing rights and reducing the incentive to shift profits away from such jurisdictions.

Assistance in the analysis of tax data already forms a critical part of the UK's support to developing countries. The tax capacity building programmes delivered by FCDO and HMRC's Capacity Building Unit (CBU) offer peer to peer support (including data analytics) to revenue authorities in a number of developing countries.

The UK made the largest Voluntary Contribution to the OECD's work on tax in 2019. UK funding supports the work of the OECD's Global Forum (GF) which oversees the exchange of information standards (i.e. tax data) and brings together 161 member jurisdictions, including 88 developing countries. The GF is delivering around 34 Induction Programmes to ensure new members are supported to implement these tax transparency standards. Standards developed by the GF enabled members from developing countries to identify approximately €27 billion in additional revenues.

The UK is also proud to be a founding member of the Addis Tax Initiative which brings together partner countries, development partners and supporting organisations to discuss tax and development issues. We fully support its aspiration to strengthen domestic resource mobilisation in partner countries and its focus on doing so equitably, sustainably and collaboratively.

## 3. *Further to the promise made by the Financial Secretary to Treasury in July 2020, to advise on when HMG will hold the consultation on tax evasions measures this year?*

The government consulted on a package of measures (tackling promoters of tax avoidance) to strengthen anti-avoidance regimes in July. These proposals included:

- Ensuring penalties are levelled on enablers of tax avoidance sooner;
- Enabling HMRC to take swifter action against promoters who fail to disclose their avoidance schemes to HMRC;
- Allowing HMRC to more quickly issue stop notices to promoters, preventing them from marketing and selling avoidance schemes;
- Making technical amendments to the promoters of tax avoidance schemes (POTAS) regime, so that it can continue to operate effectively;

- Making changes to the general anti-abuse rule (GAAR) so that it can be used as intended to tackle avoidance by partnerships.

The consultation on these measures closed in September. The summary of responses will be published, and the measures legislated for, as soon as possible.

The government will continue to take action in this area and in November, announced further ambitious and tough measures to drive promoters out of the market. These include:

- Making it harder for offshore promoters to access the UK by making their onshore partners equally responsible for the anti-avoidance regime penalties the offshore promoter incurs;
- Directly tackling the secrecy on which promoters rely by giving taxpayers more information on the reality of what is being sold to them;
- Ensuring promoters face quick and significant financial consequences for promoting tax avoidance so promoters cannot continue to profit while HMRC investigates them;
- Give HMRC additional powers to shut down promoters that continue to promote schemes and sidestep the rules designed to restrict their activities and stop them from setting up similar businesses.

These measures will be consulted on in the Spring.

*4. To outline why accounting firms fined or prosecuted for their role in tax evasions schemes, for example the case of HMRC v Pendragon plc, which considered a KPMG mass-marketed avoidance scheme as "an abuse of law", continue to be awarded taxpayer funded contracts?*

HMRC cannot comment on individual cases, but will investigate any allegations of wrongdoing brought to their attention.

The 2015 Public Contract Regulations introduced a new obligation for public bodies to exclude suppliers from a procurement where the supplier has been found guilty of breaching its obligations in relation to payment of taxes and this has been established by a judicial or administrative decision.

Any business bidding for a Central Government Department, Executive Agency or Non-Departmental Public Body contract of £5 million or more must self-certify whether there have been any occasions of non-compliance with regard to their tax obligations. The aim of the procurement policy is to promote tax compliance. Suppliers that engage in non-compliant activity risk losing access to larger Government contracts.

Exclusions relating to tax cease to apply when the economic operator has fulfilled its obligations by paying, or entering into a binding arrangement with a view to paying, the taxes or social security contributions due, including, where applicable, any interest accrued or fines.

The Cabinet Office Green Paper Transforming Public Procurement published in December 2020 is an opportunity to consult on how public procurement might be reformed, including looking at using the exclusion rules to tackle unacceptable behaviour in public procurement such as tax fraud and tax evasion. Any changes will be subject to the consultation due to close on 10 March 2021.

5. *To ask HMG what assessment has been made on whether transparency through a statutory requirement for large corporations to file their tax returns and related documents to Companies House would discourage tax avoidance?*

The Government continues to be at the forefront of global action to tackle tax avoidance, with a series of robust measures in place to tackle profit shifting arrangements.

The Government is committed to making sure everyone pays their fair share of tax. Where businesses are deliberately avoiding tax, HMRC has robust tools to challenge these businesses.

Since 2010, the Government has introduced over 100 new ways to tackle tax avoidance, protecting over £200 billion that would have otherwise gone unpaid. The Government has also led on implementing international standards in tax transparency, including the Common Reporting Standard and Country-by-Country Reporting ('CbCR'), which ensure tax authorities have the information they need to identify and challenge avoidance. The Government also supports the principle behind the publication of aggregated and anonymized Country-by-Country Reporting (CbCR) statistics as per the OECD's Base Erosion and Profit Shifting (BEPS) Action 11 report.

As part of the Finance Act 2016, large corporations and multinational enterprises are already required to publish a tax strategy document, which (amongst other things) outlines the company's attitude towards tax planning and its approach towards its dealings with HMRC.

6. *To ask HMG what plans do they have to promote global action on environmental taxes, in order to tackle climate change, at the G7 COP meetings later this year?*

The Government is committed to using its role hosting the UN Climate Change Conference and presidency of the G7 next year to catalyse ambitious global action to tackle climate change and achieve the transformational international change required by the Paris Agreement.

The UK has a proud record of global leadership in tackling climate change and supporting clean growth:

- In 2006, the UK published the first global review into the economics of climate change. This led to the Climate Change Act 2008, which established a comprehensive legal framework for delivering emission reductions in the UK, including a 2050 carbon reduction target and interim carbon budgets.
- Between 1990 and 2017, we reduced our emissions by 42% while growing the economy by more than two thirds.
- The UK legislated in June 2019 to reach net zero greenhouse gas emissions by 2050, becoming the first major economy to do so.

The government also accepted the Climate Change Committee's recommendation that HM Treasury should undertake a review of how the transition to net zero would be funded and where the costs would fall. This review will take this forward, examining the key choices to transform to a green economy and achieve net zero by 2050.

The UK has a strong record in applying tax to deliver environmental outcomes and is committed to carbon pricing as a tool to drive decarbonisation and support our transition to a net zero economy. It is therefore right that the government should engage with

international partners (for example, via the OECD), as it develops fiscal policies that support our environmental agenda.

7. *To ask HMG what plans do they have to review the Digital Services Tax, and commit to closing any potential loopholes?*

The DST is a proportionate, temporary measure, designed to ensure that digital businesses pay UK tax that reflects the value derived from UK users. It is the Government's strong preference to secure a comprehensive global solution on digital tax and remove the DST once this is in place.

The Government keeps all taxes under review as a matter of course. The Digital Services Tax will also be reviewed before the end of 2025, as set out in the legislation.

8. *To ask HMG to outline their programme for promoting international tax cooperation?*

The UK will continue to support and advance international cooperation to develop international standards on tax and will do so through international organisations such as the OECD, G7 and G20. The UK has been at the forefront of the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting (BEPS) Project, which seeks to address the gaps and mismatches in the global tax system used to artificially shift profits to low or no tax locations where there is little or no economic activity.

With regard to developing countries, the UK continues to lead globally on international tax cooperation issues. In 2019 the UK announced a £46m package of tax for development funding, £10.3m of which was committed to the OECD's work to support developing countries to implement the international tax standards that tackle international tax evasion and avoidance.

Thanks again for your work in securing the debate and for your follow up questions. I hope that this is helpful.

A copy of this letter will be deposited in the Library.



**BARONESS PENN**