Boris Johnson wrecking G7 proposals on corporate tax abuse is the last thing we need

The prime minister has a clear choice. Will he align the UK with the tax havens, and be left behind – or will he help bring home an important measure?

Gordon Brown | @GordonBrown | 17 minutes ago | 2 comments

Boris Johnson has a chance to help craft policy that will bring billions in revenue
(POOL/AFP via Getty Images)

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’ photo call, their very informality often an excuse for inaction. But on 11 June at the Cornwall get-together of the world's seven richest democracies, the UK has an unprecedented opportunity to shepherd in an agreement to end corporate tax abuse.

The arguments are strong and pressing. Curbing tax abuse would isolate tax havens that have been hiding billions offshore for too long, deliver a major revenue boost to fund pandemic recovery worldwide, and establish “Global Britain” as a positive leader in a strong alliance with the administration of Joe Biden.

Action is timely because international negotiations, which began at the Organisation of Economic Cooperation and Development (OECD) in January 2019, and then went nowhere for almost two-and-a-half years, have been reenergised by a new willingness on the part of President Biden’s America to entertain, for the first time, a global minimum corporate tax rate that would be paid by multinationals everywhere.

Biden’s proposal to set it at 21 per cent – far higher than the previous suggestions of 12.5 per cent – offers hard-pressed countries with large, Covid-induced debt burdens new means of revenues to pay for their public services.

The first element of the new plan involves a targeted tax on the 100 largest and most highly profitable multinationals, including some of the major digital companies. Once agreed, it would replace the UK’s digital services tax (DST).

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(£8.5bn) worldwide in additional revenues each year, the second element of the proposals – a global minimum corporate tax rate – would raise very substantial new revenues, depending on the final rate chosen.

At the proposed 21 per cent Biden rate, researchers associated with the Tax Justice Network estimate that the additional revenues available would exceed $500bn a year, with the proceeds accruing to the UK totalling around $21bn.

More could be raised by an even more ambitious proposal that starts from the UK's own proposed corporate tax rate of 25 per cent. Combined with a more rigorous requirement to declare tax liabilities on the basis of where economic activity takes place, a 25 per cent rate – also recommended by the respected Independent Commission for the Reform of International Corporate Taxation (ICRICT) – could bring the world nearer to $1 trillion in additional revenues. Much of this would flow to hard-pressed developing countries at a time they need income the most. The UK itself would collect as much as $25bn and perhaps ev $30bn.

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to $15bn, and a fair approach to the distribution of the benefits could see the UK and other rich countries bring in revenues equivalent to nearly 10 per cent of their public health budgets. Lower-income countries – which lose out most from profit shifting – stand to raise revenues that could fund 20 per cent of their health budgets.

Yet surprisingly, the UK is emerging as the biggest obstacle to a successful negotiation. Even when the British plan would raise less in revenue than the watered-down American proposal and would also fail to capture some of the most high-profile digital multinationals such as Amazon, ministers have been holding out. They have to change their minds. The global minimum corporate tax rate they are currently resisting would ensure, for the first time, that all major multinationals – including Amazon – pay a fair effective tax rate, regardless of whether they were able to shift their profits into name-plate companies in tax havens. Indeed, an effective rate of 21 per cent would have doubled Amazon's ta payments over recent years, raising billions of dollars in additional revenue.

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The end-game starts with a virtual meeting of finance ministers this Friday, and then an in-person meeting in London on 4 and 5 June, to be followed on 11

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It is time for the UK to take on the role the chair of the G7 should play and ensure an ambitious outcome. It must abandon its current public stance, which looks more like a wrecking tactic, designed to protect the tax avoidance practices of British overseas territories, than a genuine attempt by the G7 president to break the impasse.

Only an ambitious minimum tax will ensure multinationals pay what they should in the countries – like the UK – where they actually make their money. Rooting out this corporate tax abuse is in line with the British people's priorities, as consistently identified in nationwide polling.

If the UK continues to block, countries committed to acting as corporate tax havens will simply be left behind as a grand coalition of the willing take forward the Biden proposals.

So, Boris Johnson has a simple choice to make. Will he align the UK with the tax havens and be left behind – or will he use the G7 chair to bring home what would be an unprecedented victory against tax dodging, with all the much-needed revenues that would raise?

Gordon Brown is a former prime minister of Britain and is now UN special envoy for global education

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Johnster

14 min ago

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Come off it Gordon, the only reason for existing among BoZo and his fellow Posh Boys is to protect their offshore holdings in the various tax havens! It was the main reason for Brexit, because the EU tax commissioners were starting to circle around these thieves - read the Panama Papers again? - so they really really had to get out super quick, hence the total ignoring of the economic damage to the UK from a no-deal Brexit. Luckily, I see the UN and IMF are also getting into the act so these charlatans might actually be facing their comeuppance, although I won't hold my breath too long...

Reply 0 0

HU

hughrobinsonhughrobinson

22 min ago

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Gordon, your days of raiding any pocket you could are over.

you sold the gold, you raided the pensions...now be a good boy and leave people to live their lives and spend the money they earn the way they wish, rather than the way you wish.

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TR

transcendia

35 min ago

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Hmm, let's take a quick look at the brooding Gordon Brown's brilliant track record, the man who never saw a tax he couldn't increase:

1. IR35 to penalise people willing to take on more risk to provide services.

possible.

5. Pension raids on everyone. You think it was just the "rich"? Think again.

6. Giving Osborne the excuse to bring in Austerity.

Brown also did nothing whatsoever to curb tax havens; he far preferred tightening the thumbscrews on those who couldn't fight back, e.g. you. Brown was an inveterate fiddler with no vision, no forward planning and, as it turned out, no backbone.

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