

# CHESHIRE EAST COUNCIL

## Cabinet

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**Date of Meeting:** 31<sup>st</sup> March 2015  
**Report of:** Chief Operating Officer  
**Subject/Title:** Notice of Motion – Corporate Tax Management  
**Portfolio Holder:** Councillor Peter Raynes, Finance

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### 1.0 Report Summary

- 1.1 The purpose of this report is to consider and respond to the following motion which had been moved by Councillor S Hogben and seconded by Councillor K Edwards at the Council meeting on 11<sup>th</sup> December 2014 and referred to Cabinet for consideration:

*“Nationally, nearly half of local authority funding comes from central government – financed from general taxation which includes corporation tax. This makes corporate tax avoidance an issue directly relevant to the provision of local government services, as well as to the provision of public services around the world.*

*This Council calls upon the UK government to listen to the strength of public feeling and act to end the injustice of tax avoidance by large multinational companies, in developing countries and the UK.*

*While many ordinary people face falling household income and rising costs of living, some multinational companies are avoiding billions of pounds of tax from a tax system that fails to make them pay their fair share. Local governments in developing countries and the UK alike would benefit from a fairer tax system where multinational companies pay their fair share, enabling authorities around the world to provide quality public services.”*

### 2.0 Recommendations

- 2.1 That Cabinet consider and respond to the motion referred to in paragraph 1.1.

### 3.0 Reasons for Recommendations

- 3.1 HMRC through the annual finance bill continually improve the tax system to remove loop holes.
- 3.2 While the spirit of the motion is not contentious it gives a misleading picture as collection of the entire estimated tax loss is only 5% of the budget deficit.

3.3 Cabinet can fully support the approach being taken by HMRC, and can refer anyone wishing to find further details to the HMRC website. This shows how government is tackling this important issue. The HMRC website address is:  
<https://www.gov.uk/government/policies/reducing-tax-evasion-and-avoidance>.

#### **4.0 Wards Affected**

4.1 All

#### **5.0 Local Ward Members**

5.1 N/A

#### **6.0 Policy Implications**

6.1 None

#### **7.0 Implications for Rural Communities**

7.1 None

#### **8.0 Financial Implications**

8.1 None

#### **9.0 Legal Implications**

9.1 None

#### **10.0 Risk Management**

10.1 Not applicable

#### **11.0 Background and Options**

11.1 This report addresses the issues raised by the motion referred to in paragraph 1.1.

11.2 Cabinet should note a few facts and figures about tax avoidance:

- The Government are well aware of this issue. HMRC have already acted by introducing the General Anti Abuse Rule into the 2013 Finance Act. The Act establishes the principle that any "abuse" of loop-holes in

previous legislation can be overruled if it goes against the principle of the legislation.

- Most companies either have no wish to use aggressive tax planning or cannot because of the nature of their business.
- No-one knows how much tax is lost but HMRC estimates it may be about £4 billion.
- The UK budget deficit is £110 billion. Should HMRC be 100% successful and raise the extra £4 billion it will help reduce the deficit, it will not necessarily have any effect on public spending.
- Social issues, such as household income, need to be dealt with through other aspects of the tax system, for example raising tax thresholds to £10,000 has a direct positive impact on household income.
- Public services will be affordable if we encourage higher quality jobs and create future tax revenues. This is one reason Cheshire East is so passionate about support for Life Sciences and highly skilled Manufacturing in our towns.

## **12.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

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