

Council meeting, 1 November 2022

Administration Motion in the name of Cllr Paul Lemon

Standing up for responsible tax conduct

Council notes that:

1. The pressure on organisations to pay their fair share of tax has never been stronger.
2. Polling from the Institute for Business Ethics finds that “corporate tax avoidance” has, since 2013, been the clear number one concern of the British public when it comes to business conduct.
3. Two thirds of people (66%) believe the Government and local councils should at least consider a company’s ethics and how they pay their tax, as well as value for money and quality of service provided, when awarding contracts to companies.
4. Around 17.5% of public contracts in the UK have been won by companies with links to tax havens.
5. It has been conservatively estimated that losses from multinational profit-shifting (just one form of tax avoidance) could be costing the UK some £17bn per annum in lost corporation tax revenues.
6. The Fair Tax Mark offers a means for business to demonstrate good tax conduct and has been secured by a wide range of businesses across the UK, including FTSE-listed PLCs, co-operatives, social enterprises and large private businesses.

Council believes that:

1. Paying tax is often presented as a burden, but it shouldn’t be.
2. Tax enables us to provide services from education, health and social care, to flood defence, roads, policing and defence. It also helps to counter financial inequalities and rebalance distorted economies.
3. As recipients of significant public funding, local authorities should take the lead in the promotion of exemplary tax conduct; be that by ensuring contractors are paying their proper share of tax, or by refusing to go along with offshore tax dodging when buying land and property.
4. Where councils hold substantive stakes in private enterprises, influence should be wielded to ensure that such businesses are exemplars of tax transparency and tax avoidance is shunned.
5. More action is needed, however, as current and proposed new UK procurement law significantly restricts councils’ ability to either penalise poor tax conduct (as exclusion

grounds are rarely triggered) or reward good tax conduct, when buying goods or services.

6. UK cities, counties and towns can and should stand up for responsible tax conduct - doing what they can within existing frameworks and pledging to do more given the opportunity, as active supporters of international tax justice.

Council also notes that:

- 1.LB Barnet's compliance in ensuring contract workers pay a fair share of employment taxes (IR35) is robust, following a positive audit by HMRC.
- 2.LB Barnet is developing a new procurement strategy to see how the Council can work proactively with its supply chain, contractors and partners to set out wider ethical procurement practices, including on environmental sustainability and fair tax.

Council resolves subject to complying legislative and regulatory requirements to:

1. Request that Policy & Resources Committee consider the 'Councils for Fair Tax Declaration' in the context of LB Barnet's developing procurement strategy with a view to ensure the Council:
2. Leads by example and demonstrates good practice in our tax conduct, right across our activities.
3. Continues to robustly implement IR35.
4. Does not use offshore vehicles for the purchase of land and property, especially where this leads to reduced payments of stamp duty.
5. Undertakes due diligence to ensure that not-for-profit structures are not being used inappropriately by suppliers as an artificial device to reduce the payment of tax and business rates.
6. Demands clarity on the ultimate beneficial ownership of suppliers UK and overseas and their consolidated profit & loss position, given lack of clarity could be strong indicators of poor financial probity and weak financial standing.
7. Promotes Fair Tax Mark certification especially for any business in which we have a significant stake and where corporation tax is due.
8. Supports Fair Tax Week events in the area and celebrate the tax contribution made by responsible businesses are proud to promote responsible tax conduct and pay their fair share of corporation tax.
9. Supports calls for urgent reform of UK procurement law to enable local authorities to better penalise poor tax conduct and reward good tax conduct through their procurement policies.