

Taking action against companies involved in tax dodging

Support the Tax Avoidance amendment to the Procurement Reform (Scotland) Bill



Taking action against companies involved in aggressive tax avoidance could bring in billions of pounds for the public purse – money that could be spent on much needed public services. Estimates suggest that there is a £120 billion unpaid tax in the UK due to aggressive tax avoidance. Many companies investing in PPP/PFI projects are registered in tax havens.

Securing tax justice is a worldwide problem. The cost of tax dodging to developing countries is estimated at €123 billion a year – money that could help feed hungry families, provide healthcare and education.

Despite strong public support for action, the [TUC report](#) on the Government's General Anti Abuse Rule (GAAR) shows that the UK Coalition Government has done very little to tackle this issue.

The Scottish public do not want to see companies that avoid paying taxes being awarded public contracts. In a May 2013, 86% of Scots said it is extremely important to reduce tax avoidance by companies. 69% of Scots said job creation is not an excuse for tax avoidance by companies.

We urge all MSPs to support an amendment to the Procurement Reform (Scotland) Bill to enable Ministers to set minimum standards for public authorities assessing those bidding for contracts, on their use of aggressive tax avoidance arrangements.

There is a £120 billion tax gap in the UK, including an estimated £25 billion due to tax avoidance. Securing tax justice is also a worldwide problem costing developing countries an estimated \$160billion per year.

Many sub-national authorities across Europe are taking similar action. Scotland should be joining this movement for tax justice.

We are pleased that The Scottish Government has said it will take a strong stance on tax dodging and that their Procurement Reform (Scotland) Bill aims to deliver economic, social and environmental benefits. However, the bill as drafted is limited to tax obligations and that could be interpreted as only covering tax evasion.

But to do this we should ensure that tax dodgers are barred from public contracts. Many sub-national authorities across Europe are taking similar action. Scotland should be joining this movement for tax justice.

Proposed amendment

56 Before section 22, insert—

<Exclusion of economic operators: tax avoidance

(1) A contracting authority must exclude an economic operator from the process relating to a regulated procurement if the economic operator has entered into an artificial tax avoidance arrangement or series of arrangements.

(2) For the purposes of this section, an “artificial tax avoidance arrangement” is to be interpreted in accordance with sections 58 to 60 of the Revenue Scotland and Tax Powers Act 2014.

(3) The Scottish Ministers must by regulations make provision specifying—

(a) the process to be followed, and

(b) the evidence that is to be conclusive,

in determining whether or not an economic operator has at any time entered into an artificial tax avoidance arrangement or series of arrangements.>

The amendment is based on recent advice [by the European Commission](#) on aggressive tax planning which provides clear definitions. It proposes that Ministers publish detailed regulations which:

- could include further provisions on assessing the suitability of companies that use tax havens and other recommendations from the European Commission.
- prohibit access to public procurement of goods and services to companies based in blacklisted jurisdictions. In May 2013 [recommendations from the European Parliament](#) urges relevant authorities and the Commission to create a public European blacklist of tax havens.
- could also cover pre-qualification disclosure of company taxation policies, penalty clauses for tax evasion and aggressive tax avoidance post contract.

Scottish companies are also losing out because of tax dodging. Unlike multi-national firms they are less able to use aggressive tax avoidance mechanisms involving overseas subsidiaries. Creating a wealthier and fairer Scotland, where business can compete fairly, is supposed to be central to the Scottish Government's Purpose

There is a clear economic, social and community benefit for Scotland in making it a matter of public policy that companies who wish to benefit from the public pound must pay their fair share of tax.

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