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Councillor Dewi Owen
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Your reference: ER

Dear Councillor Owen,

Thank you for your letter dated 22 December about tax avoidance, which the Prime Minister has passed onto the Treasury. As it is not practical for Ministers to respond to all the letters they receive, I have been asked to reply on their behalf.

I would like to apologise for the delay you have experienced in receiving a response to your letter.

Let me assure you that the Government takes tax avoidance extremely seriously. We want a competitive tax regime with simple and fair rules to ensure that all taxpayers pay their share.

The UK system is based on internationally agreed principles, which determine how much profit each country should tax. The current international tax rules were first developed in the 1920s and now need updating.

The UK is at the forefront of multilateral action through the G20 and Organisation for Economic Co-Operation and Development (OECD) to reform the international tax standards to prevent profit shifting by multinationals. It is essential that these issues are looked at in a comprehensive and coordinated manner to come up with effective solutions. The OECD Base Erosion and Profit Shifting (BEPS) Action Plan, which was fully endorsed by G20 Leaders at their 2013 summit in St Petersburg, sets out a detailed work programme covering 15 specific items spread over a 2 year period.

As expected, the first outputs of the project have been agreed by September 2014, including work on a standardised reporting template and hybrid mismatch arrangements.

The UK is working collaboratively with the G20, OECD and other countries to take this forward with officials from HM Treasury and HMRC involved in all OECD working parties and the newly established Digital Economy Taskforce. A copy of the BEPS Action Plan is available online at: www.oecd.org/ctp/BEPSActionPlan.pdf.

To demonstrate our commitment to this project, the UK, together with Germany and France, has contributed €550,000 each to the OECD to ensure continued progress. The UK has used its Presidency of the G8 to successfully build international support for this work, and to ensure that the needs of developing countries are taken into consideration. At the G8 summit in Lough Erne in June, political leaders strongly endorsed the work by the OECD on BEPS and stated their commitment to take the necessary individual and collective action to address these issues.

This Government has been relentless in its crackdown on tax avoidance and has taken a range of action to prevent avoidance at the outset, and to detect and counter it effectively where it persists. Supported by the Government's investment of £1 billion in HMRC to tackle tax avoidance, evasion and non-compliance, HMRC has secured over £85 billion in compliance yield since the start of this Parliament. As part of this, since April 2010 HMRC has secured around £31billion from large businesses.

As emphasised during our Presidency of the G8 we want developing countries to benefit from greater transparency and to enhance their capacity to mobilize domestic resources. The G20 has reiterated this commitment, and asked the Development Working Group (DWG) to develop a Report identifying the major sources of Base Erosion and Profit Shifting in developing countries, as well as how the G20 can help developing countries address them. The UK is a co-facilitator of the DWG's Domestic Resource Mobilisation work-stream and is closely involved in this work.

The most effective way to help developing countries collect the tax they are due is to provide technical support to their tax administrations to help them to maintain sustainable domestic taxation systems. HMRC's Capacity Building Unit is working in partnership with developing countries to provide support and assistance over the long term, including by placing experienced HMRC tax experts on the ground. This is in addition to around £20 million a year the Department for International Development spends on tax capacity building through its country programmes.

The UK also funds tax capacity projects through and works with international organisations such as the African Tax Administration Forum, the World Bank and the OECD. In November 2013, the Secretary of State for International Development announced £6 million to support projects delivered by International Organisations. This includes £3 million for expert advice, provided by the OECD and the International Finance Corporation, to enable more effective assessments of transfer pricing by multinational companies and £200 000 to establish the OECD's Tax Inspectors without Borders programme, which puts tax auditors in the field to work alongside their colleagues in developing countries to audit complex cases.

Thank you for taking the trouble to make us aware of these concerns.

Yours sincerely,

E Fatkoja
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HM Treasury