

# Closing loopholes

Closing tax loopholes and creating a  
fairer tax system



Draft white paper

By Torrin Wilkins, October 24th, 2022

**Centre**

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## About Centre

We are an independent non-profit foundation and cross-party think tank. Our mission is to rebuild the centre ground and to create a more centrist and moderate politics. We support better public services and a strong economy inspired by policies from the Nordic countries.

To achieve these goals, we work with people from across the UK and party politics. This includes engaging with politicians and our networks, which include academia, politics, and law.

Our work includes creating new conversations by hosting events and conducting interviews. We also produce new policy ideas to better inform debate, publish papers, and release articles. We aim to build consensus, shape public opinion, and work with policymakers to change policy.

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## Commissioned by the True and Fair Party

The True & Fair Party was founded by Gina Miller in 2022 with the aim of fighting corruption, cleaning up politics, and modernising democracy. The Party plans to stand candidates in up to 30 Conservative-held seats across England and Wales at the next general election.

Before launching the Party, Gina Miller founded the True and Fair Campaign in 2012, exposing dubious behaviours and products in the financial services industry. The campaign drafted text in three EU Directives – MiFID II, PRIPS, and the Shareholders Directive – all of which vastly improved consumer protection and transparency. In 2017 and 2019, she won legal challenges against two Conservative Prime Ministers attempting to put themselves above the law by excluding Parliament from its legislative constitutional role.

The True & Fair Party commissioned this paper from Centre to look at how the UK can clamp down on tax loopholes as part of a broader campaign to fight corruption and create a fairer tax system. Centre agrees with these goals.

It should be noted that this paper is not an endorsement of True & Fair by Centre.

Centre works with smaller parties and representatives of all large parties to promote and create centrist policies. Centre also continues to have full editorial control for papers commissioned by groups or political parties. Centre would like to thank True & Fair for their policy input whilst writing this paper.

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## Foreword by the Leader of True & Fair, Gina Miller

Taxation is a very emotive subject. And whilst complicated tax schemes are arguably immoral and unfair, because only those with wealth or big corporates can effectively exploit the loopholes, it is not always illegal.

The laxness of the UK tax system is what needs to be tackled and it will require political will and government to bring in legislation and rules to make the system more robust and fair.

With UK public services in crisis and the threat of austerity measures - caused by the pandemic, Russia's invasion of Ukraine and the Conservative government's fiscal ineptitude - what is blatantly unfair is that tax avoidance, evasion and loopholes are not being closed in a manner that creates a fairer tax system, more tax revenue and therefore less borrowing.

This paper also proposes a better-resourced tax office to tackle fraud, increase transparency and improve data collection. These resources are needed to expose mechanisms that big corporations use to make huge profits in the UK, without paying their fair tax share.

As a transparency campaigner in the financial services sector since the Global Financial Crisis in 2008, I know that transparency is key to clamping down on dubious behaviour, boosting a more social-minded culture within corporates and ensuring fairness.

It is time to implement these solutions, to create an equitable tax system and to make sure everyone pays their fair share into the public purse that funds our public services. The present system may not always be illegal - but it is immoral.



Leader of the True and Fair Party



## Summary



Through leaked papers, the public has seen the scale of tax avoidance and evasion. Closing tax loopholes is an issue that unites political parties and the public. This paper proposes measures that would, taken together, raise a maximum of £5.59 billion.



Political parties should learn from each other and from the Nordic countries. This will help to develop the political consensus that has been built around the need to tackle loopholes and tax avoidance.



The government should close the carried interest loophole, which would raise £400 million. Clamping down on umbrella agency tax evasion and avoidance would raise £200 million.



The government should ensure HMRC has the information and capacity to tackle tax avoidance. Alongside extra HMRC funding to investigate tax avoidance, this would raise £2.8 billion.



The existing non-domicile system should also be replaced with a domicile pathway. This would reduce the time individuals can stay in the UK without paying tax on their full income, raising £2.19 billion.

## **Introduction**

In recent years, tax evasion, tax avoidance, and tax havens have become increasingly concerning issues for the public. They are frequently dealt with in party manifestos and during general election campaigns, but in effect, they largely still exist.

Numerous leaks and reports have exposed the complex web of offshoring and tax havens, which allow wealthy individuals and corporations to shelter their wealth and reduce their tax bills.

These include:

- The Offshore Leaks papers in 2013.
- The LuxLeaks in 2014.
- The Swiss Leaks in 2015.
- The Panama Papers in 2016.
- The Paradise Papers in 2017.
- The Mauritius Leaks in 2019.
- The FinCEN Files.
- The Cyprus Papers in 2020.
- The Pandora Papers in 2021.
- The Suisse secrets leak.
- Dubai Uncovered in 2022.

As a result, some progress has been made in tackling tax avoidance and evasion.

This paper makes the case that the UK needs to go further to create a fairer tax system. To achieve this, the paper sets out a range of measures, including reforming non-dom status, transparency measures for companies, and clamping down on loopholes, such as the carried interest loophole.

It also proposes a Fair Tax Office and increased funding for HMRC to bolster their investigative capacity to tackle fraud and loopholes.



Chapter one

# The case for closing tax loopholes



The aim of this paper is to promote policies that create a fairer, more transparent, efficient tax system.

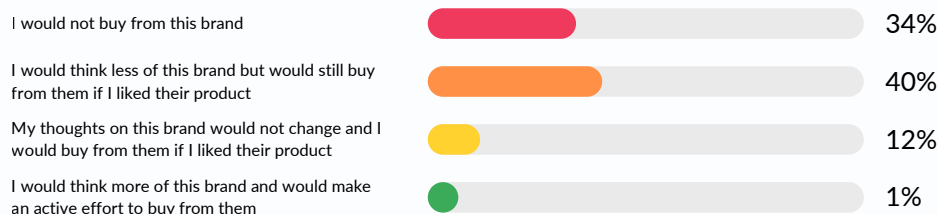
1. **Transparency.** The public should be able to see that all individuals and companies are paying a fair amount of tax and contributing to the financial stability of public services and the country's greater good.
2. **Fairness.** Tax rules and regulations should be in place to mitigate against wealthy people and companies having the resources and access to experts to avoid paying their fair tax share. Increasing public funds by closing loopholes and removing unfairness from the tax system should be a governmental priority.
3. **Trust.** Everyone, no matter their income, should be able to trust that if they pay their fair share of tax, others will do so as well. The rules are so weak that they unfairly favour those with wealth and money.

These should be non-negotiable principles of our modern society. It is not just a perception but a reality that the present weak system benefits the wealthiest, who can access a professional network of expensive advisers.

For corporations, there is also a knock-on effect in terms of brand equity.

### Figure 1: Will Brits purchase from a brand even if they do not pay their taxes

A recent YouGov poll showed that 34% of the public would not buy from a brand which does not pay its taxes. An additional 40% would think less of that brand as a result.



Source: YouGov polling, 11th July 2022<sup>1</sup>.

Businesses need to consider their social capital, brand reputation, and the trust of consumers and employees when it comes to paying their fair share in taxes. There are also wider business benefits as their taxes fund, for example, the NHS and education system, which in turn benefits businesses through a healthier, more skilled workforce. It has repeatedly been shown that political stability and access to workers, along with access to other markets, are more important than the tax rate<sup>2</sup>. Taxes also help to create a stable environment for businesses. This ranges from reducing the levels of crime and theft to spending on defence and environmental protection.

A coherent plan for closing tax loopholes is a win/win and benefits businesses, government, society, and individuals.

Chapter two

# The scale of the issue



According to HMRC, the tax gap is the difference between the amount of money that should be paid to them and the amount that is paid<sup>3</sup>. At the moment, the tax gap is 5.1%, which HMRC estimates is equivalent to a loss of £32 billion<sup>4</sup> - almost equivalent to the UK's entire housing and environment public sector budget in 2021<sup>5</sup>.

This tax gap is created by several factors. For some individuals or businesses, it may be accidental. Errors may be made by individuals when declaring how much tax they owe, or by an overstretched HMRC, resulting in long delays and miscalculations. These problems often require additional bureaucracy to resolve.

Sometimes it may be intentional: such as businesses paying workers cash in hand directly or companies being able to avoid their taxes by taking alternative legal interpretations of their obligations to HMRC, using expensive experts. The varied reasons for this gap suggest the need for multiple policy solutions to tackle and clean it up. However, a simple and dynamic decision to close the tax gap is to better fund HMRC.

Tax gap calculations from HMRC allow us to calculate the estimated governmental loss, but they do not necessarily include the amount that is lost in tax avoidance and evasion. This means that the figure that tax policy reform can raise for the Treasury - and subsequently the amount that is lost through tax avoidance or evasion - is much higher. This is because the tax gap can only calculate money that is lost under current legislation, and not the amount that is lost via weak tax laws riddled with loopholes and escape routes.

## Figure 2: Is it acceptable to legally avoid tax?

A recent YouGov poll showed that 34% of the public would not buy from a brand which does not pay its taxes. An additional 40% would think less of that brand as a result.



YouGov polling, 5th September 2022<sup>10</sup>.

Internationally, the real scale of the issue requires looking at how much money ends up in tax havens and trying to work out how much this impacts UK tax revenue. However, the Pandora Papers, along with the numerous leaks in the years before and after, have begun to lift the lid on the amounts sheltered in tax havens.

The Tax Justice Network estimates that between \$21 and \$32 trillion in financial assets<sup>6</sup> are held in tax havens. A further \$427 billion<sup>7</sup> is lost in tax revenue across the world as a result of money in tax havens. It is unclear how much money the UK loses due to tax havens<sup>8</sup>. Estimates, however, range from £33 billion to £122 billion in 2014 to 15<sup>9</sup>.

There is significant public support for dealing with both corporations and individuals who avoid paying taxes. The challenge is to mobilise this public support to influence government policy, without deterring those who pay taxes from coming to the UK.

Chapter three

# Lessons from other countries



This section reviews measures in place by the Nordic countries and the EU. These measures are designed to clamp down on tax evasion and avoidance, helping to inform the UK's approach.

### **Denmark**

The Danish Tax Authority has focused on this issue and created the Centre for International Corporate Tax to focus further on the calculation and settlement of corporation tax bills<sup>11</sup>. They have also focused on transfer pricing, which is used to move profits out of tax havens.

Denmark made use of their data and information on tax avoidance by preventing them from accessing financial aid during the pandemic<sup>12</sup>. These are clear consequences for companies that try to avoid paying tax in the country, although this is only limited to the tax haven blacklist created by the EU.

Denmark also has stricter rules around how long residents need to be in the country before they need to pay tax on their worldwide income. A resident pays taxes after six months, and they are liable to pay tax for all of their worldwide income<sup>13</sup>.

### **Norway**

Norway has rules on residents who work in Norway and at what point they begin paying tax. "A person becomes tax resident in Norway if their stay in Norway exceeds 183 days during a 12-month period, or 270 days during a 36-month period. The general rule is that a person who is a tax resident in Norway is liable to tax on their worldwide income and wealth"<sup>14</sup>.

To deal with avoidance in Norway "...the tax office may disregard transactions or structures if the dominant motive is to save taxes and the tax effects of entering into the transaction or structure are regarded as disloyal to the tax system"<sup>15</sup>, giving the tax office flexibility to deal with new or novel ways to avoid paying tax.

### **Sweden**

The Swedish approach to tackling corporate tax avoidance and evasion has focused heavily on international solutions. There have also been attempts to focus on tackling the sources of tax avoidance and evasion. In part, "The Swedish Government will appoint an inquiry to look into a potential introduction of an obligation by tax advisers to inform the Swedish Tax Agency about tax planning schemes"<sup>16</sup>.

In Sweden, an individual also needs to pay tax on their income after six months, even if they are staying for just two days a week<sup>17</sup>.



## **Finland**

In Finland, there is a strong focus on investigating tax avoidance. For example, 'Companies [which] are founded with the business model of evading withholding tax'. The founders have included both Finnish and foreign persons. We have launched several inspections and, based on them, will likely issue orders for additional tax payments"<sup>18</sup> which involve share transfers.

Becoming a resident in Finland means paying tax on their worldwide income. This happens after staying in Finland for more than six months or if they have a permanent home or a habitual abode there<sup>19</sup>.

## **International**

There are several schemes to tackle tax avoidance and evasion of which the UK is already part. The EU, for example, created the Anti-Tax Avoidance Directive, which attempts to clamp down on companies avoiding tax or trying to move profits to lower-tax countries. The UK has already adopted these rules, even though we are no longer an EU member<sup>20</sup>.

## **Key lessons**

The key lessons the UK can learn from the Nordic countries and internationally include:

- Norway, Sweden, Finland, and Denmark rules mean individuals pay tax after a certain amount of time within the country, mostly after six months; this is much shorter than the UK currently offers. It would be relatively easy for the UK to change our rules around non-dom status to rules like those in Nordic countries.
- Within these countries, tax avoidance and evasion are the remit of their respective Tax Authorities. Of course, this relies on them having the powers and resources needed but in the case of Norway, it is very clear.
- Countries like Denmark collect information about companies that avoid tax and penalise them. This included not giving some companies access to support schemes during the COVID-19 pandemic.

A significant focus by all of these countries is to increase international cooperation in tackling tax havens.

Chapter four

# Taxing corporates



Corporations should pay their fair share of taxes in the countries where they are making profits. However, far too many find ways to reduce, even avoid, their tax bills. One of the most notorious examples is Amazon, which, despite making €44bn in sales income in Europe in 2020, paid no corporation tax.

Tax avoidance and evasion can take many forms, and methods vary between companies. One common method is a firm selling intangible assets to a subsidiary to lower their tax in a high-tax area whilst increasing their profits in a low-tax area, as well as hiding money in tax havens.

## **Increasing transparency**

To discourage and close the loopholes in corporate tax evasion and avoidance, the UK should adopt a series of measures, including:

- Ensure that HMRC is aware of the sale or purchase of non-tangible assets. An abridged version of these reports should also be publicly available from Companies House. These public reports should, however, ensure that no trade secrets are released in the process.
- A new blacklist should be drawn up by the government, expanding on the EU tax haven blacklist, including all tax havens. This should also be accompanied by a new list of companies and wealthy individuals that use tax havens.
- Strengthen the Overseas Entities Register to ensure that all ultimate beneficial owners are registered. With the current list “In many of the worst cases the overseas entity is holding the land as a mere nominee. Where this occurs, then the ultimate beneficial owner will not be declared on the list”<sup>23</sup>.
- Trusts: A public register of large UK Trusts or Trusts that are either active or operating within the UK. This should include beneficiaries and all assets controlled by the Trust in a similar way to public company accounts.
- Name and shame: A government-run website listing all companies found to be evading and avoiding paying tax. This would include the amount of money they avoided or evaded, the amount of tax they should have fairly paid, and any fines applicable. It would also include a more general analysis of how much tax avoidance, evasion and loopholes cost the UK each year. An example is the research carried out by Tax Watch on companies in the UK that avoid tax but on a wider scale<sup>24</sup>. The list would also build on the existing list of named tax avoidance schemes, promoters, enablers, and suppliers<sup>25</sup>. The aim would be to increase consumer awareness which would lead to consumer pressure on these companies to improve their corporate culture and behaviour or risk losing consumers. This, alongside fines, would act as a deterrent for companies seeking to avoid tax.
- Introduce tougher legislation to ensure large corporations release full and public tax returns. The law should also increase the amount of information that needs to be included in tax returns for larger corporations. The format and methodology would be expanded in conjunction with HMRC.

This will increase transparency and will help the government to clamp down on money laundering by individuals or companies.

## **Clamping down on tax evasion**

The penalties for tax evasion or for not following the new transparency rules should include:

- Removing future access to income support schemes or investment relief schemes, like those put in place during COVID-19. However, the government should step in to ensure individual workers are supported.
- Banning companies that evade or avoid tax from applying for public contracts.
- Introducing a harsh fine for non-compliance with new transparency tax rules. The fine should consider the size of the company, including turnover and number of employees, in a similar way to GDPR or as proposed in the new UK Online Safety Bill.

## **Expanding the capacity of HMRC**

Attempts to reduce tax avoidance and evasion will be limited in their effectiveness without increased funding and resourcing for HMRC.

During the pandemic, HMRC struggled to cope with both increased demand and having to respond to COVID-19<sup>26</sup>. Even without a pandemic, the government “...allocates significantly more resources (relative to the tax and benefits gaps) to compliance in the benefits system than in the tax system”<sup>27</sup>.

Government policy should focus on rebalancing funding for HMRC as the multi-payback is evident. HMRC had a running cost of £4.9 billion between 2021 and 2022<sup>28</sup>. This should be increased by at least £200 million a year, which equates to only a “0.5p cost of collecting taxes for every £1 in tax revenue”<sup>29</sup>. This increased budget should also be used to increase the number of staff employed by HMRC, and the number of investigations into tax fraud carried out by high-net-worth individuals and large corporates.

Investigations by HMRC into the UK’s biggest firms generate £69 in extra tax revenue for every £1 invested<sup>30</sup>. Whilst a portion of the £200 million investment would be used for staff retainment and recruitment, investing in a more robust investigations team should see a large return. There is also a need to update the costly and outdated technology being used by HMRC. Digital transformation is essential to increase efficiency and effectiveness. Better data collection and analysis would also help to transform tax collection and stamp out fraud. As a result of this investment and the wide-ranging transparency measures tax revenues would increase.

If just 25% of this extra funding goes towards tackling bigger firms’ tax evasion, this could result in £50 million of funding to unlock £3.45 billion of additional tax revenue. However, larger increases in funding may be needed to deal with the wider funding deficits within HMRC.

An estimate of revenue raised from both large and smaller investigations could potentially raise £3 billion. When reduced to account for extra HMRC spending, the revenue raised would be £2.8 billion.

## **Closing tax loopholes**

### **Carried interest loophole**

This loophole involves charging capital gains tax on “carried interest” rather than income tax. Carried interest is currently used by private equity companies and their executives to reduce the amount of tax they pay as capital gains tax is lower than income tax rates.

The UK government did take some action on this issue and increased tax rates on ‘carried interest’ income for investments held for less than 40 months<sup>31</sup>. However, it has still left the loophole in place for those holding them for more than 40 months.

To estimate the revenue brought in by this policy, any calculation must first consider the changes to taxation for income for a carried interest held below 40 months. These changes were predicted to bring in an additional £210 million<sup>32</sup>.

Research by 38 Degrees before the 40-month tax rule estimated that the carried interest loophole cost the government between £280 million and £700 million a year<sup>33</sup>. With the 40-month rule included, the 38 Degrees estimate can be updated to between £70 million and £490 million. More recently, the Labour Party estimated in 2021 that this would still be predicted to raise £500 million<sup>34</sup>.

With some caution built into the estimate, closing the carried interest loophole would raise an additional £400 million in revenue.

### **Tackling umbrella agency tax evasion**

Umbrella companies hire temporary workers on behalf of employment agencies<sup>35</sup> and then hire them out to their clients<sup>36</sup>.

These companies need further regulation from the government to ensure they aren’t avoiding tax. This can happen by avoiding tax as a company or failing to pay employees properly, reducing income tax and national insurance contributions for the government. This issue is widespread as “umbrella and related schemes are estimated to cost workers/HMRC £1 billion per annum through several tax avoidance schemes”<sup>37</sup>. Umbrella companies have been involved in several other tax avoidance and evasion schemes. One such scheme used investment payments to reduce the tax bill for employees whilst the company also takes a share of the money in fees<sup>38</sup>. Another scheme, which resulted in a £1 million fine, involved paying employees partly through loans from an offshore trust in Jersey<sup>39</sup>.

One instance is “A conservative estimate of the value of unpaid holiday pay in 2016 was at least £1.8bn. The additional income tax collected on this basis would equate to £300 million”<sup>40</sup>. Another estimate was that £100 million is being lost a year from schemes to reduce National Insurance bills<sup>41</sup>. A further scheme cost “...hundreds of millions of pounds” in lost taxes<sup>42</sup> and involved setting up multiple companies to exploit the Employment Allowance

These instances of tax avoidance and evasion by umbrella companies show the large amounts of money being lost by the government in tax revenues. At least £500 million in revenue has been lost due to these companies.

A report by Rebecca Seeley Harris sets out a wide range of measures the government could take on issues including holiday pay, improving payslips, and key Information Documents alongside proper enforcement systems for umbrella companies. The government should look to implement all the measures in this report, bar those already actioned. For example, the position of Director of Labour Market Enforcement has now been filled by Margaret Beels.

The total estimated additional revenue from clamping down on umbrella corporations is at least £200 million.

## **International policy proposals**

Whilst there are areas the UK can work alone, working with other countries is vital to tackle international tax avoidance and evasion. The government should pursue the following policies abroad:

- The UK is to push internationally for the OECD Global Minimum Corporation Tax to increase from 15% to 21%.
- Support wider adoption of the Pillar 2 aspect of the Global Minimum Corporation Tax. This ensures the tax revenue from companies is shared more equally with the areas they actually make the money.
- Encourage countries that have not yet joined the Global Corporation Tax agreement to sign up. This includes numerous African countries that have not yet signed up.
- Support the creation of a UN Tax body, as proposed by Ecuador, which would establish international standards for tax collection.

Whilst these measures are harder to achieve and require international support, they would be the most impactful.

## **Government reviews**

Alongside the more concrete measures, the government should also hold reviews to understand the issues further. These include:

- Review merging capital gains and dividends tax rates with income tax rates. Loopholes such as the carried interest loophole exist due to the difference between the rates of capital gains tax and income tax. Merging these rates would remove these discrepancies more widely in the tax system.
- A review into tax avoidance and how the government can clamp down on other forms of tax evasion or avoidance.

Chapter five

# Ending non-dom status



Having non-dom status means that whilst an individual is a resident of the UK, their permanent home is outside of the UK. With non-dom status, an individual only pays tax on income or capital gains made within the UK rather than on their full worldwide income.

Whilst in principle non-dom status appears to be a gateway for individuals looking to move to the UK, it is essentially a scheme to avoid tax whilst retaining the benefits of living in the UK. The individuals who currently use non-domicile status are often richer individuals. One in five bankers have claimed the status at some point, and overall, it is disproportionately used by richer individuals.

The existing system remains far too generous to those with large amounts of wealth, even with changes brought in from 2008. For instance, from 2008 onwards, individuals with non-dom status could be charged either £30,000 or £60,000 depending on how long they have been a resident within the UK. This charge is a derisory amount, does not substitute for these individuals paying tax on their worldwide income, and raises very little revenue each year.

It is also easy to use the system for extremely long periods without paying any tax. Whilst an individual's non-dom status only lasts 15 years, they can simply move away for five years, move back to the UK after that time period and they can then stay in the UK for another 15 years.

Reforming non-dom status would impact 68,300 people who had non-dom status at the end of 2021. It would also end the remittance basis charge, offering a clear path to becoming a taxpayer within the UK, for people who are in effect residents of the UK.

To achieve this, the current system should be replaced by a new 'domicile pathway.'

Removing non-dom status completely would tax individuals on both their income and capital gains. However, this also leaves those moving to the UK with no time before they are taxed at full rates. Therefore, a proposed system should include special tax regimes (STRs) for individuals coming to the UK, so we continue to attract talent from abroad.

One example is Italy, which created a tax incentive scheme to attract skilled expat Italians back to specific parts of Italy. As of January 2021, the Italian government introduced a series of incentives, in the form of special tax regimes (STRs), attracting new tax residents to the territory of the country. These STRs were introduced through law. Most regions in the country offer a 70% tax cut to newly registered tax residents.

Similar to the model used by Norway, the UK should introduce a new system governing how long an individual can stay in the UK until they need to pay tax on their worldwide income. For example, a non-dom living in the UK for more than 365 days would pay tax on all of their worldwide income.



The UK should also adopt the same rules as Finland, which ensure individuals pay tax on their worldwide income if they own a home for more than 365 days, as this impacts public services.

Whilst this may seem like a short period, one year is twice as long as the period allowed in most Nordic countries. It also ensures that tax breaks are reserved for those genuinely moving to the UK, rather than individuals seeking favourable tax status.

The overall revenue that would be raised by reforming non-dom status would be £2.4 billion<sup>50</sup>. However, some individuals under the new domicile pathway may end up staying in the UK for up to a year before they end up paying tax on their worldwide income, reducing the overall figure by £210 million<sup>51</sup>.

A total of £2.19 billion could therefore be raised by replacing non-dom status.

Chapter six

# Tackling future loopholes



Whilst closing loopholes around corporation tax and reforming non-dom status will help to end loopholes, these are only the first steps. Ensuring governments in the future continue to close tax loopholes and avoid creating them in the first place, we need a new tax office.

### **A Fair Tax Office**

As previously mentioned, the solutions put forward by political parties have often involved creating offices to address tax loopholes.

A new Fair Tax Office should be modelled on the existing Office for Tax Simplification and tasked with the following functions:

- Identifying tax loopholes, inequalities, and inconsistencies in current legislation. It should also work on proposals and solutions to minimise tax avoidance and evasion loopholes.
- Reviewing new proposed laws for any potential tax loopholes that could be created and how these loopholes could be closed, as well as assessing the value for money of new rules and regulations.
- As online fraud has not been included in the Online Safety Bill and is not adequately covered by the FCA or overstretched police forces, the new FTO's remit should include online financial fraud, digital taxes, and measures to ensure companies operating online pay their fair share.

It would then be down to the government of the day to implement or reject proposals made by the office. If proposals are rejected, then the government would need to respond with their reasons for not implementing the proposals or what measures they will implement instead.

Chapter seven

# Policy proposals



This paper recommends the following measures:

- **Learn from other countries on tax loopholes.** The UK should look to the Nordic countries for guidance on policies addressing tax avoidance and evasion.
- **Ensuring companies pay their fair share.** This includes closing the carried interest loophole, tackling umbrella agency tax loopholes, and clear repercussions for companies and individuals that evade and avoid tax. The amounts raised through these measures are: Closing the carried interest loophole would raise £400 million, clamping down on umbrella corporations would raise £200 million, and increasing transparency and HMRC funding to investigate tax avoidance would raise £2.8 billion.
- **Expand the capacity and resourcing of HMRC.** Extra funding, increased staffing, and upgraded technology would ensure HMRC can properly address both tax avoidance and evasion. It would also arm HMRC and The Treasury with invaluable data.
- **A new domicile pathway.** This would end non-dom status and replace it with a tighter New Domicile Pathway system. The proposals outlined in this report would raise an estimated £2.19 billion.

The total amount of money that these tax policies would raise is: £5.59 billion.

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