



Mr Richard Murphy

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'Jesus would cut the tax gap'

The Morality of Austerity

I must begin by thanking the organisers of these lectures for asking me to speak tonight.

I must in all probability thank you even more for attending. I am unaccustomed to having so many people want to hear my thoughts on anything; I am a little humbled by you wishing to do so. I hope I do not disappoint.

Having said that might I begin by making a few potentially controversial comments? The first is that I may have brought you here under false pretences. The title of this lecture tonight was created by me pretty spontaneously. When I was asked 'what would Jesus cut?' I answered that it would have to be the tax gap, but if I'm honest I have no clue what Jesus would have done, and don't consider myself to have any right to presume I might. In that case if you thought that was a definitive answer I apologise in advance.

Second, and having accepted our host's invitation to speak this evening, let me take issue with them. The introduction to this series on the Ebor lectures web site says a number of rather contentious things. In particular it is said there that 'the global financial crisis has left governments with levels of debt and budget deficits which are unsustainable in the long term.' If you expected to come along and hear me agree with that statement you will, again, be disappointed, because I do not. And it is with that issue that I would really like to begin what I have to say tonight.

There is no doubt that, as this series of lectures supposes, we live in an era of austerity, but it is my suggestion that this is a choice, and not a necessity. Part of the reason for that is to do with choices we have made on tax, but as I realised a long time ago, the decisions we make on tax are just a part of our overall approach to economic management and unless we understand that fact then much of what I have to say on tax a little later makes no sense, so please bear with me whilst I explore this broader issue before getting to the tax gap.

Many commentators now argue that the 2008 financial crash was caused by the failure of global banks that had over-extended their mortgage lending. That, though, has not always been the case. For example, Gordon Brown in 2009, blamed it on tax havens.

There are others who would still have us believe it was all New Labour's fault for profligately over-spending when debt should have been repaid.

And I have to say that to some extent all these stories are right, although with massively decreasing scales of significance from first to last. But because all are right I want to consider each in turn.

Firstly, dealing with the global financial crash as it is often called, let me note that the description is wrong: it was not global. It most affected those countries that decided to massively over-expand the size and influence of their financial services sectors to the point where it was impossible for that financial services sector to make a return to investors without engaging in Ponzi style activities.

Ponzi schemes are named after Charles Ponzi who created a massive and fraudulent investment scheme in the 1920s although earlier English literature would in fact have provided him with plenty of education on how to do it. Charles Dickens' novels *Martin Chuzzlewit* and *Little Dorrit* both describe schemes of the sort Ponzi used where the returns paid to an investor are either their own money or that of later participators in the scheme. I'll put it as bluntly as this: in the USA and UK in the first decade of this century the booming housing market was not dissimilar: what was created was the most outrageous Ponzi scheme based on the supposed value of land.

This modern Ponzi scheme was knowingly backed by bank lending. In it all the profits to be gained from land and house price speculation by the financial services industry were taken upfront. All the risks were left to those who joined the scheme later. Many of them outside London still live with the negative equity that proves that point.

Some of that upfront profit the financial services sector took from this scheme was commission on the sale of the land earned by bank owned estate agents. Yet more was the commission on the sale of the financial services product that backed the mortgage loan repayment. But by far the most insidious product the banks created was the mortgage-backed security.

These securities let the banks quite literally re-sell the mortgage loans they had issued at a profit whilst passing much of the risk inherent in them to third parties. It was through the sale of mortgage backed securities - for which many banks in continental Europe gained a seemingly insatiable appetite - which is how this contagion spread to those countries - that the profit on the issue of a mortgage over a period of up to 25 years could very largely be taken up front by the bank that issued the mortgage.

No wonder the banks encouraged lending. And no wonder they wanted land prices to increase, because that just encouraged bigger and bigger loans. The fact that the loan could not then be repaid ceased to be a matter of much concern to them: they passed that risk on to those other people who purchased their debts subject to the proviso 'caveat emptor' - let the buyer beware.

The result was inevitable. All those upfront recordings of profit that did not really exist made it look as if the financial services sector had opened up a pot of wealth creation from money itself, which defied all economic logic dating back to Aristotle - who rather wisely warned his compatriots that money could never be made from money itself. The consequence was that economic growth in the UK and USA was built, if I might say so, on sand. And because our mortgage based securities had been resold throughout Europe their banks were impacted by the contagion, whilst those banks desire to emulate the speculation of the London and New York stock markets also dragged them into the dangerous fields of derivatives, hedging and their many exotically named variants to which this speculative process gave rise.

But let's be clear: this did not happen everywhere. Canada and Australia got through this crisis with little harm. So too has much of the developing world. This was a crisis built on

the basis of Anglo Saxon capitalism even if it spread beyond it.

What that also means though is that, whatever the claims of the current government might be, this crisis did not happen because Labour overspent. Far from it, in fact. Labour was, admittedly, in office for 13 years but, ran an almost unknown budget surplus for four of them and - it sounds trite to say it but it has to be noted nonetheless - was only in office in the UK.

This is important: this was a crisis for the whole system of Anglo Saxon capitalism, and not just for the UK. Now, of course the UK was an important player in that system, but by no means the only one. However much Tony Blair and Gordon Brown fancied themselves there were decided limitations on their influence. Not only did they not create the system of capitalism that failed, they tried hard to deflect demands for much greater market liberalisation – especially on mortgage lending by banks – which came from George Osborne and others from 2005 onwards.

The truth is that whatever is said now, Labour were more cautious than their Tory opponents at that time on financial regulation, but that made little difference to the outcome when the crisis arrived. That was because what actually happened was that around much of the Anglo Saxon world a consistent belief system - called it a pattern of hegemonic thought if you will – had been created. That belief, held in common in the USA and UK, and which spread far and wide from there, was that all market activity of all sorts created a surplus for society whatever the market activity did. You can, if you wish, call this a salvation belief: it was a belief that markets would save us from all perils.

And as is common with such beliefs there had, of course, to be an opposing belief; that is a belief that damnation was possible if the route to salvation was not followed. In this case that opposing belief was the widely propagated view that any form of regulation by government, and anything other than that minimal taxation required to enforce the laws of private property would so impede the markets that the salvation they might offer could not be delivered here on earth.

It is these two beliefs that still dominate Westminster politics, from all parties. It is only the degree of allegiance that differs: the fundamentals are pervasive: that's what hegemonic thinking delivers. And that is why politicians are so loathe to tax, even now.

So common were these two ideas that they were given a name: they were the Washington Consensus. That was because not only were they the mantra that underpinned the policies of the governments of the UK and USA from 1980 onwards, and almost all teaching on economics at almost all universities throughout the world during that same period, they also became the foundation for all policy prescribed by the IMF and the World Bank – the mechanisms created for internationalising the world's economic systems after the Second World War, both of which have Washington DC bases. From there these views were spread throughout the world, and if you wanted IMF or World Bank help – as so many developing countries have – then you signed up to the Washington Consensus or

the cash was not forthcoming. To suggest any similarity between this behaviour on their part and that of some 19th century missionaries to some of those same places may be unkind to the missionaries, but is something to reflect upon.

And the comparison is fair. That's because the Washington Consensus is, of course, nothing more or less than a faith system. That's a point I make deliberately, and without in any way seeking to cause offence to anyone present. I know, of course, that some have an unshakable faith in their religious belief. It is, I admit, something I have never known. My faith is chosen, not revealed, and maintained as much by doubt as anything else. And perhaps, even more commonly, there is no opposite to my faith: I fear there would be nothing in its place if I lost it. The choice to believe is based in my case on evidence: that it seems to me to work and that the outcomes of believing is more favourable than the alternative.

The analogy with economics is remarkably strong. There are those who do have complete faith in markets as if they are revealed truth. They do believe that the government plays the role of the devil. And I happen to think that this belief system is blasphemous, firstly because there is no evidence to support it and secondly because to worship the market and all that goes with it is to worship a false god.

The reality is, I suggest, that we should approach economics as many do their faith. By that I mean that economics should not be seen as a matter for dogmatic belief but instead as a faith subject to continual doubt, testing and re-appraisal, albeit that it's subject to clear determinants set in advance as to what we would wish the practical outcome of that faith to be.

Now let me be bold at this point and suggest that desired outcome for this faith was given to us in a remarkably simple and very straightforward to use form by Jesus himself. In Luke 10 Jesus is reported to have said, when challenged as to the conditions that must be met for eternal life, that, and I paraphrase, we should love The Lord our God with all our heart and all our soul and with all our strength and, secondly, that we should love our neighbour as ourselves.

Candidly, I think you could search high and low for a long time and find no better description of a life well lived. To love The Lord your God puts you in touch with your own place in this world, which will always, and inevitably, be small in the scheme of things. Acknowledging that is the first step to happiness. The second is to love yourself despite that fact. And the third is to then realise that neither of these loves has any meaning at all unless shared, at least equally, with those others with whom we are in community - on which point we should recall that the parable of the Good Samaritan follows straight on from these instructions on the life well lived.

So, to bring us back to economics, why did markets collapse? Because, I will put it to you, that we forget these instructions Jesus gave which do also, rather happily I think, hold true in almost all faith and wisdom traditions just about the world over. The market put greed without limit at the centre of the world's economic faith system. It made bankers the high priests. And it decreed, in its contempt for the role of government, including its role in

providing for the redistribution of wealth to those in need, that each was to fend for themselves and that no one need show concern for another.

If Jesus' instruction rather neatly captures the essence of what Christianity should be about in practice, then what I have just said rather succinctly, but as accurately, captures the hegemony of market thinking that rose to pre-eminence in the University of Chicago from the 1950s and 60s on and which swept the world with the rise to power of Margaret Thatcher and Ronald Reagan from 1979 onwards.

The mantra that they proposed did, I suggest, also create another problem that has still not been properly acknowledged. I refer to the fact that much of the feud between those believing in the alternative power of markets and government focuses upon process and not outcome.

There is, yet again, a direct comparison to be made in the world of faith. We are all too familiar with far too many inter-denominational disputes over far too many years to not recognise something of this dispute in economics. Just as economists discuss market structures and fiscal reforms – the so called 'supply side' and 'demand side' arguments - so has faith had its internecine wars between catholic and protestant, high and low, and so much more. Those religious disputes appear to suggest the whole purpose of religious faith is to promote the structure of the church when in fact, very clearly, the desired outcome of faith is the love of God, ourselves, and each other.

Now that is not, of course, to say there is nothing wrong with the notion of a church: there isn't. However, I'd defy anyone to say that that inter-denominational dispute has not harmed Christianity. In fact, I would go further: it has blighted many communities over centuries, up to the present day. And whilst it is as true to say that churches have done amazing and powerful works for the good of society it is also very clear that the power afforded to some by the churches of which they are members has been used to abuse others and blight the lives of many more. What is all too clear is that process can be captured in the pursuit of power and cause harm as a result.

It is my suggestion that this has been true of economics as well. We all know, for example, that supposedly socialist states caused harm to vast numbers who lived under their rule. But let me be candid: the same is happening now in our market-dominated economies.

Right now there are 2.5 million people unemployed in the UK: 1 million of them under 25. There are estimated to be 5.5 million people on zero hours contracts that provide them with no guaranteed work and in many cases no holiday pay and no sick leave.

There are also maybe a million people in new self employments created over the last few years by people who cannot find work or claim benefits and so try their hand at self employment out of desperation – whether it pays or not.

And all this ignores the fact that real wages have fallen in the UK for most people for several years in a row now with no sign of change in prospect.



My point is simple: a dogmatic approach based on process that has led to a commitment to austerity as if it had a virtue in its own right because it saves tax has had consequences for vast numbers and will do so for generations to come.

What though has all this to do with the tax gap you might ask since that was what I was meant to be talking about? I'll put it as simply as this. It's my suggestion that an understanding of the tax gap and related issues shows that this commitment to austerity is a choice and not an inevitability. That is why the tax gap is important because it shows that we can, if we wish both love our neighbour and solve our economic crisis, and that's something that austerity cannot do, and even choses not to do.

So, let me first of all tell you what I think the tax gap is. Pleasingly, HM Revenue & Customs and I agree that it is the difference between the tax that a country actually collects as a result of the laws it has in operation and that tax that should have been collected if those tax laws had operated as parliament would have wished. Incidentally, the European Union now also shares that view.

There though the similarities between the EU and our tax authority ends. That's because whilst the European Union's estimate of the EU wide tax gap is based on my research work (and comes to €1 trillion) I hate to think how much HM Revenue & Customs and the Treasury have spent whilst disagreeing with me on this issue over the last few years. I make the point for good reason though: because I think it important that you be aware that there is more than one version of the story on the tax gap, and in the case of HM Revenue & Customs at least, the story is dogma driven.

So having mentioned some basics and that this issue is surrounded by controversy, lets explore the details of what this issue is about. Let me start by defining a few terms as it is still the case that many people are confused by them.

First there is tax evasion. This is the easy one. When someone evades tax they break the law. It's putting cash in your pocket, untaxed. It's hiding money offshore without declaring it. It's making false claims for expenses to HM Revenue & Customs. It's not telling them the truth. My guess and hope is that we're all against that. I can also say with some confidence that some people here are tax evaders: statistically that has to be true.

My estimate of tax evasion each year in the UK – and the EU's estimate too, by no coincidence - is £70 billion a year. Let me put that in context.

The first context to put it in is that HM Revenue & Customs think that tax evasion is maybe £19 billion a year¹ of which they say just £5 billion is the result of the 'cash in hand economy' and the rest is due to criminal activity, a lack of care, errors and so on.

I should mention – just to set the scene - that UK national income – or GDP – is estimated to be £1,581 billion this year².

I should also add that government spending will be £720 billion – or 45.5% of national income – this year. Government income on the other hand will be £612 billion, which is 38.7% of GDP. The difference is, of course, borrowing of an estimated £100 plus billion³.

Now, that figure for total government income is important. It's not just tax by the way: some is fees and charges and once those are allowed for what we find is that over the last decade UK households have, on average, paid about 32% of their income in tax⁴. That includes things like income tax, VAT, many licences, capital gains tax and the like. But it does exclude employer's national insurance, which is at least notionally paid by people's employers, and, of course, it excludes corporation tax on company profits. But the important thing about that number of 32% or so is not just its consistency over time – it's not exceeded 35% since 1979 and never been lower than now – but how evenly it is spread over the population of taxpayers.

Research based on Office for National Statistics data shows that, unsurprisingly, of the ten deciles of tax papers in the UK – that's the ten groups that result from splitting people into bands of equal number based on the income of the households of which they're a member – five pay more than the average tax rate and five less. The problem is that the band paying the most as a proportion of income in tax are the very poorest households – that is, the bottom 10% of households representing 2.6 millions homes in this country. They pay 35% of their income in tax.

Now let me be clear – of the tax that they pay only 5% is income tax and national insurance which is what most of us think of when it comes to tax. They pay more than double that in council tax and more still in VAT, but for them the real killer is other indirect taxes like television licences, alcohol duty, tobacco duty and the like which weigh heavily on this group; so heavily in fact that I repeat the important point that the poorest 10% of households in this country pay the most tax as a proportion of their income.

The next five deciles – that is the 13 million households with incomes including benefits from about £15,000 to £35,000 pay less than 30% of their total incomes in tax, overall rates increasing from 25% to about 29%. The result is that in this band we have something approximating to progressive taxation.

However, when we look at the top four deciles – with average incomes from about £38,000 to an average of just over £100,000 (although with the top open-ended so that some earn much more) average household tax rates increase from overall rates of just over 31% to about 34% - smaller than those on the lowest levels of income.

At the top end income tax makes up more than half of all tax payments and VAT and indirect taxes are much lower as an overall part of the tax bill – with council tax also falling dramatically in significance despite these people, inevitably, living in by far the most expensive houses – but the point is the bill stays remarkably constant according to this data.

And that's also true when other taxes paid – such as employer's national insurance and corporation tax - are taken into account. Then overall the tax take from the UK economy comes to 38% - to a large degree, pretty much wherever you are in the income bracket. The rich might think they pay more, but that's only because they see it marked on their payslip as income tax paid and very few notice the VAT in their shopping bill but the fact is that tax is tax – and the UK's tax system is very, very much flatter than most people think.



Now let me bring this rather startling fact back to the discussion on tax evasion, from which I started and let me use the overall tax rate of 38% or so as my benchmark for total overall tax paid on income – as that’s consistent with our national accounts and when it comes to tax evasion I am interested in national numbers.

If HM Revenue & Customs are right about there being just £19 billion lost to tax evasion in total that implies £50 billion of our total economy is untaxed. Now, remember that our total national income is £1,581 billion so HM Revenue & Customs are saying just 3.2% of our national income is illicitly recorded.

I would love that this were true. I have, however, to disappoint you. The most reliable worldwide data set of the size of the world’s shadow economies – this is the part of the economy that is not recorded to avoid it being regulated, whether for tax or other purposes - that I can find has been prepared by an Austrian economist called Friedrich Schneider. His work has been peer reviewed and published by the World Bank⁵. It’s his work that led to the widely publicised estimates that Greece has a shadow economy of more than 25% of its total GDP, Italy has a shadow economy of 27% of GDP and Spain 22.5%. He also estimated the UK shadow economy to be 12.5% of GDP.

The UK government challenge that figure, but the claim on their part is absurd because their own data from the 2002/03 to 2010/11 tax years shows that the average size amount of UK VAT not collected is 13.0%⁶. And the fact is that this tax gap – which is based on sales made in the UK economy - remains the most likely estimate of the size of our shadow economy. And the simple fact is that if you evade VAT you’re not going to declare the income you’ve hidden from view for any other tax either. I promise you – there isn’t a person who puts the cash they hide from the taxman for VAT on their income tax return. If it’s lost for one tax its lost for the other.

And in that case the government’s claim that just 3.2% of the tax take is lost to tax evasion is absurd. At least 12.5% and maybe more is. Which means that the tax gap from tax evasion is not the £19 billion the government claims but, candidly, at least the £70 billion I have suggested – which is the figure included in the EU’s official estimate of tax evasion for the EU as a whole - and maybe rather more.

Now I could take some time now explaining why HM Revenue & Customs have got their figure wrong, but it may be easier to understand if I move on to another part of the tax gap first. This part is tax avoidance. This is a tricky issue, and much harder than tax evasion, because tax avoidance was until July this year by definition legal. So let’s start by saying what tax avoidance is not. It’s not paying money into your pension. Nor is using an ISA tax avoidance. Nor is it claiming business expenses that the law clearly allows. And it’s not even not paying tax if that’s what the law permits. Those things are all what I call tax compliant – which is doing just what the law says you might. No, tax avoidance for my purposes is defined here as seeking to minimise a tax bill without deliberate deception (which would be tax evasion or fraud) but contrary to the spirit of the law.

Let me give a few examples. It might be a company that claims all its internet sales in the UK are actually made from its file sever in Ireland.

It may be claiming that legally you make your sales from Luxembourg even though they're made through a .co.uk web site and are shipped from a warehouse here in the UK, where you run an organisation employing 15,000 people.

Or it might be claiming that your trademark is owned by a British Virgin Island's company to which royalties must be paid every time someone uses your service – even if that's a UK train service.

And it might be registering the ownership of your hospital in an offshore company so that stamp duty will not be paid on it when the time comes to sell.

I'd suggest to you that in all those cases the actions may be legal but the economic substance of what has gone on really does not look like the way things are recorded for tax. That's a key identifier of tax avoidance. And in all cases whilst the outcome is legal that's because the law never anticipated people structuring their affairs like this.

Now all those examples are real. And all of them – plus the national insurance avoided by hundreds of thousands of small businesses in the UK who do not pay their directors salaries but do instead pay them dividends – are included in my estimate of tax avoidance in the UK – which comes to £25 billion a year.

By now you will not be surprised to hear that HM Revenue & Customs have a lower figure. They think avoidance is at most £5 billion a year, or maybe £9 billion if disputes on legal interpretation are included.

And it's easy to see why they think that. For a start they quite specifically exclude the tax avoidance of companies like Google, Amazon, Starbucks, Npower and many others – and I was involved in all those stories – from their estimate of tax avoidance. They say what they did was legal so there can't be any avoidance. Well, on that basis there is technically no avoidance at all. It's just they draw the line very, very tight as a matter of judgement on their part. And I stress, that is judgement. The trouble is, it's a judgement that contradicts that of the Prime Minister when he decided to take on just this type of tax avoidance at the G8 this year. Such confusion does not help things.

And incidentally the same judgement problems are to be found when it comes to calculating tax evasion. HM Revenue & Customs has decided that, VAT apart, it will calculate the tax it loses to tax evasion on the basis of a sample of the tax returns it receives. But there's a problem with this judgement they have made, and that is that most tax evaders don't submit tax returns. Is it any surprise in that case that HM Revenue & Customs underestimate the tax gap?

Let me give you two examples to elaborate this basis problem with doing sums at HMRC. The first is that in the 2011/12 tax year about 10.45 million people were asked to file a tax return by HM Revenue & Customs⁷. That's only one in 3 of all taxpayers. So you can immediately see that a lot of tax evaders might find it quite easy to not declare their income. But even then 850,000 people did not file their tax returns on time and hundreds of thousands of those will never pay, and HM Revenue & Customs simply don't have the resources to

check up on them.

The second example is even more stark. In the year 2009/10 I did some work looking at companies that were dissolved in the UK. In that year 326,000 companies were dissolved because they did not send accounts or other documents to either HM Revenue & Customs or Companies House who have the job of regulating them. And again in the vast majority of cases HM Revenue & Customs did nothing to challenge the fact that these companies – many of which must have been trading – did not submit the returns due from them. And officially HMRC say that they assume that this is because no tax was due from these companies and none is lost as a result. My estimate is a little different. I think that maybe £16 billion of tax is lost as a consequence of the fraudulent use of limited companies in this country⁸.

I've taken you on a long statistical tour – and because of lack of time I have not even discussed tax paid late. I want instead to draw some conclusions from all this and suggest why as a result I think that the tax gap matters so much – and why Jesus would, I hope, have chosen to cut it.

As I have explained, I believe that the loss from tax avoidance and tax evasion is at least £95 billion a year. HM Revenue & Customs admit the total tax gap is £32 billion a year from all causes.

We will as a country run a deficit of a bit over £100 billion this year, as we have for the last few years.

Now I'll, ask you some simple questions.

Suppose we didn't run a deficit? Would this country feel better?

Would you feel better about yourself and your relationship with your neighbours if we did not have to cut benefits?

Would you be happier if the NHS was not under threat?

Would you prefer it if public servants on whom you depend had inflation matching pay rises?

Do you wish that the pension age did not have to increase?

Would you like decent school buildings for all primary school children?

Do you want students to leave university without being burdened with debt?

If we close the tax gap we could in theory do all those things.

And actually we don't even need to do that: if we ran a deficit equivalent to inflation's ability to write off the national debt we could afford to borrow £35 billion a year or more



without imposing any strain on any future generation at all, which is the point of concern on the deficit that everyone seems to have.

My point in that case is that we do not have to do the impossible and eliminate the tax gap to stabilise a large part of the government's funding and give the UK a stable economic outlook in which all can play a fuller, more confident, less fearful, part than now. We just have to take serious steps to address it.

And there are ways to do this that could be enacted, very easily. It would just come down to judgement as to whether tax can be a force for good or not as to whether we do them, or not.

First of all, and very obviously, the government could stop sacking staff at HM Revenue & Customs. In 2005 there were almost 100,000 staff at HMRC. In 2015 there will be 55,000. HMRC will shrink in size by 25% during the life of this parliament and whilst some of that is the result of automation there is a simple maxim worth noting that when you've got a debt recovery problem you don't sack your debt collectors, and yet that is exactly what this government has done. So solution number one to solving the tax gap is to employ enough people – and to train them properly – to collect the money owing to this country. And the cost by the way is nothing – because right now we're supporting 2.5 million capable people who aren't working when we could instead be using some of them for this invaluable task. The true cost of this exercise is, therefore, precisely nothing at all.

There are then a whole range of technical solutions that could be used to tackle the tax gap, many of which, I admit, I have been involved in pioneering.

The first of these solutions is called country-by-country reporting, which I created in 2003. This would require every multinational corporation to publish a profit and loss account for every place in which it traded. At a stroke the sort of tax haven secrecy that has allowed many of those companies to hide their profits in Jersey, Cayman, Bermuda and beyond would disappear. All such activity would be on the record. Think how those company's behaviour would change if they had to meet St Peter each year. That's what country-by-country reporting would require, but our government is still trying to block it.

And then we could have a proper General Anti-Tax Avoidance Principle and not the lame version that this government has put in place and which HM Revenue & Customs can only use if a panel of experts drawn, unbelievably, from the upper echolons of the tax avoidance industry say they may. I wrote a Bill to deliver what we really need last year. Michael Meacher MP put it to parliament⁹. The government blocked it precisely because it would work.

And we could require that every bank tell HM Revenue & Customs who really owns and runs the companies for whom they operate bank accounts so that the scandal of missing companies that cost us billions a year could be ended. Banks have this data but HMRC do not. Supplying it would, at a stroke, let this money be chased. I wrote another private member's bill to achieve that goal¹⁰. And guess what? The government talked this out in the Commons this September.

I offer these three examples to make clear that this is about choice. No one is saying these mechanisms I, and some others, have created will not work. It is clear from parliamentary discussion that it is widely recognised that they will. In other words, I and others have got the form of these reforms right. The issue is instead that the government does not want to collect the tax that these measures would deliver because of its anti-tax belief which is part of the same belief system that got us into this mess in the first place.

This government would rather austerity than collect the tax that is due by law. That offends me because my neighbour is suffering as a result.

And it offends me for another reason. It offends me that as a result big business gets a tax advantage from secrecy that means it pays less tax than small business. And it offends me that tax cheating companies can so easily get away with their crime and so undermine honest businesses on our High Street.

I believe that business works best in an atmosphere of trust, of openness and transparency. Tax havens are, of course, designed to provide the opacity that is the exact opposite of that. And a failure to collect tax does of course undermine trust: no one then knows who is playing straight, or not.

So the government is not only cheating those who deserve and need public services in this country by their failure to collect tax from tax cheats, whether they avoid or evade, it's also undermining the honest businesses of this country who provide the lifeblood of our economy when it fails to treat everyone fairly and does not pursue those who do not play by the rules.

This is putting dogma first.

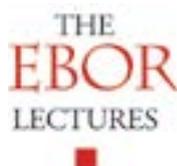
And this is failing to recall just what outcomes we want from our economy.

I want an economy where people can prosper. Don't get me wrong. If you cut me open you'd find the words 'chartered accountant' running through this stick of rock. So I want business to succeed and to deliver wealth and prosperity to the UK. That's what can happen when we love ourselves.

But I'd remind you. We also have to love one another and let's not pretend for a moment that we can do that through charity alone. St Paul said in Romans 12 that we should be a living sacrifice and that we must put love into action. And in the very next chapter he quite explicitly said we should pay our taxes.

And so we should. Because that is one, and I think very important, way that we evidence that we love our neighbours as ourselves.

And that's why I think Jesus would close the tax gap.



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