

Labour's War on Tax Loopholes Heats Up, But How Will They Win?

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The newly elected Labour government has reaffirmed its commitment to tackling tax avoidance in the UK and restoring social fairness, the policies tabled are expected to raise billions a year in additional tax revenue.

Why now?

As of June 2024 the UK is approximately £2.7 Trillion in debt and getting deeper into it at an average rate of £7.3 Billion a month, these measures are crucial in allowing the government to balance the books and create the funds needed to invest in the infrastructure and services needed for the next generation to get a fair start in life.

During the election campaign Labour has consistently claimed that a further £5 Billion a year could be generated by reducing tax avoidance. Whilst that number is unlikely to make a dent in the deficit the UK currently runs at, achieving it is the holy grail for any socialist party that wants to look tough when it comes to curbing the greedy excesses of capitalism.

Key Policy Measures

There are several proposed measures the government is likely to utilise to achieve its objectives:

- 1. Strengthening the General Anti-Abuse Rule (GAAR):** A key focus will be to strengthen the GAAR to further empower HMRC to deal with tax loopholes and aggressive avoidance activities. This will involve expanding the scope of the current legislation, but also the penalties for non-compliance in order to increase their ability to deter.
- 2. Increased Transparency:** Multinational corporations will need to report their tax strategies in a greater level of detail so that there is more visibility on any attempts to shift profits to jurisdictions will lower tax rates.
- 3. International Cooperation:** There will be active participation by the government in international efforts to limit tax avoidance, and specifically the Organisation for Economic Co-operation and Development (OECD) regarding the Base Erosion and Profit Shifting Project (BEPS).
- 4. Support for SMEs:** A tax simplification program for small and medium sized businesses will be introduced to ensure that they aren't impacted by the tax avoidance practices of larger competitors and there will also be additional resources allocated to HMRC so they can further assist SME's with compliance.
- 5. Closing Specific Loopholes:** There will be legislation introduced to target the use of the non-dom status, offshore trusts, income shifting and capital allowances in tax avoidance schemes. The new measures will be robust enough to prevent them being circumvented just by using minor changes in tax strategy.

Restoring Trust and Fairness

For decades there has been growing resentment within the UK as certain sections of society have been seen to be given a free ride, whilst others pay and struggle. Aside from the economic benefits of dealing with this issue, there is a far more compelling moral imperative that is needed to restore trust in our society.

Whilst Labour's stance on tax avoidance has broadly been welcomed by both accountants and the general public, the policies are ambitious and will need significant effort to ensure implementation is successful. If done poorly, there is a risk that they will reduce the attractiveness of the UK as a place to

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