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G20 Public Trust in Tax
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- The story so far... leaks, tweaks, and BEPS

- Why is this study important?

- What do people really think, who do they trust?
The story so far…

2012
OECD BEPS Commences

2013
G20 urges action, BEPS Action plan issued

2014 - 2015
Consultation on BEPS actions

Oct/Nov 2015
BEPS Final Package/endorsed by G20

2016-2017
Implementation begins
The tax debate – media, politics and policy – is all about people...

“Base erosion and profit shifting has been eroding the trust of citizens in the fairness of tax systems worldwide” – Angel Gurria, OECD Secretary-General

“In a context of severe fiscal consolidation and social hardship, in many countries ensuring that all taxpayers pay their fair share of taxes is more than ever a priority.”
– G20 Leader’s Summit Communique, St Petersburg, 2013
We asked a lot of people what they think...

Figure 1: Respondents by country
- Argentina: 5%
- Australia: 5%
- Brazil: 5%
- Canada: 5%
- China: 5%
- France: 5%
- Germany: 5%
- India: 5%
- Indonesia: 5%
- Italy: 5%
- Japan: 5%
- Republic of Korea: 6%
- Mexico: 6%
- Russian Federation: 5%
- Saudi Arabia: 5%
- South Africa: 5%
- Turkey: 5%
- United Kingdom: 5%
- United States of America: 5%

Figure 2: Respondents by household income
- $100,000 to $124,999: 6%
- $125,000 to $149,999: 3%
- $150,000 or more: 3%
- $250,000 to $34,999: 18%
- $35,000 to $49,999: 15%
- $50,000 to $74,999: 14%
- $75,000 to $99,999: 9%
- Less than $25,000: 32%

7,600 people across the G20 countries
We asked a lot of people what they think…

This study is based on an online survey of more than 8,000 individuals across New Zealand and G20 countries, including approximately 400 individuals residing in New Zealand.

Figure 1: New Zealand study participants’ household incomes

- Less than $25,000: 7.5%
- $25,000 to $34,999: 10.3%
- $35,000 to $49,999: 14.8%
- $50,000 to $74,999: 25%
- $75,000 to $99,999: 23.3%
- $100,000 to $124,999: 10%
- $125,000 to $149,999: 5.5%
- $150,000 or more: 3.8%
We asked a lot of people what they think…

This study is based on an online survey of more than 7,600 individuals across the G20 countries.

Figure 1: Household income of Australian study participants

- Less than $25,000: 11.5%
- $25,000 to $34,999: 8.8%
- $35,000 to $49,999: 16.8%
- $50,000 to $74,999: 19.3%
- $75,000 to $99,999: 18.5%
- $100,000 to $124,999: 12.5%
- $125,000 to $149,999: 6.8%
- $150,000 or more: 6%
International tax is easy when you’re only looking at one country at a time....
Who’s paying enough?

Figure 15: Who’s paying enough tax?

Chart shows net percentage, agree or strongly agree less disagree or strongly disagree.
Overall...

**Figure 14:** Who’s paying enough tax?
New Zealand...
Australia…
What about tax minimization?

“It’s completely obscene. They are so arrogant in spite of public anger, it belies common sense.” - Dame Margaret Hodge, UK

“Tax avoidance is different from tax minimization and from tax evasion.” - Senator Nick Xenaphon, Australia

“That makes me smart.” - Donald J. Trump, US
Overall...

**Figure 16:** How appropriate is it to arrange your affairs in order to minimize taxes?

- **Multinational companies**
- **Local companies**
- **High income individuals**
- **Average or low income individuals**

- Inappropriate
- Highly inappropriate
- Appropriate
- Highly appropriate
How appropriate is arranging your affairs to minimize tax?

Figure 17: How appropriate is it to arrange your affairs in order to minimize taxes?

Chart shows net percentage, appropriate or highly appropriate less inappropriate or highly inappropriate.
New Zealand...
Figure 7: How appropriate is it to arrange your affairs in order to minimize taxes?
Is it about laws and regulation? Or morals and fairness?

“This is a moral issue that carries responsibility for every taxpayer, which requires everyone to pay a fair share of tax.” - Stephen Timms, former Financial Secretary to the Treasury, UK
People tend to see paying tax as more about laws and regulation, than morals and fairness…

**Figure 10:** Is tax more about morals and fairness or laws and regulation?

<table>
<thead>
<tr>
<th>More a matter of morals and fairness</th>
<th>More a matter of laws and regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,334</td>
<td>2,693</td>
</tr>
</tbody>
</table>
…Across G20 countries…

Figure 11: Is paying taxes mainly about morals and fairness, or laws and regulations?

Chart shows net percentage, agree or strongly agree less disagree or strongly disagree.
...New Zealand...
Figure 4: Is paying tax more about morals and fairness or laws and regulation?

Number of respondents

- More a matter of morals and fairness: 26%
- More a matter of laws and regulations: 74%
Should governments cooperate? Or Compete?

“Australia is losing control of our destiny from a taxation perspective” - Joe Hockey, Former Federal Treasurer, Australia

“Consolidation of the tax base, however, effectively represents wide-scale tax harmonization through the back door” - Brian Hayes, MEP, Ireland

"Growing political headwinds is clearly one factor contributing to the steady slowdown in the pace of reforms,“ – Catherine Mann, OECD Chief Economist
People want their governments to cooperate on tax policy

Figure 8: What’s more important – competition or cooperation on tax policy?

- International tax policy cooperation more important than competition to increase national tax revenue: 3,250
- Competition to increase national tax revenue more important than international tax cooperation: 925

Number of respondents
It’s consistent across almost all G20 countries…
…in New Zealand…
…and Australia

**Figure 3**: What’s more important – competition or cooperation on tax policy?

- Competition to increase national tax revenue more important than international tax cooperation: 33%
- International tax policy cooperation more important than competition to increase national tax revenue: 67%
Although they also agree tax incentives make sense…
…in New Zealand…
...and Australia

Figure 5: What are government tax incentives appropriate for?
People agree: professional accountants are doing their bit…

Figure 6: Do you agree the work of professional accountants contributes to a better tax system?
Across the G20 world...

**Figure 7:** Do you agree the work of professional accountants contributes to a better tax system?

- A more effective tax system
- A more efficient tax system
- A fairer tax system

Chart shows net percentage, agree or strongly agree less disagree or strongly disagree.
Figure 9: Do you agree the work of professional accountants contributes to a better tax system?
Figure 9: Do you agree the work of professional accountants contributes to a better tax system?
Who do you trust?

“You can be certain that the Panama Papers, and the ongoing focus on tax avoidance by the wealthy, will help further erode trust.” - Dale Eisler, Senior Policy Fellow, Johnson Shoyama, Canada

“There is a big issue now about, people don’t have trust in the establishment – they don’t think they’re listening to them, don’t think they’re paying their way or being fair.” - Shadow Chancellor John McDonnell, UK
Who do people trust when it comes to taxation?
Who do people trust when it comes to taxation?

Figure 4: When it comes to tax, how much do people trust or distrust: professional accountants, media, politicians

Chart shows net percentage, trust or highly trust less distrust or highly distrust.
Who do people trust when it comes to taxation? NZ

Figure 2: Who do people trust when it comes to the tax system?
Who do people trust when it comes to taxation? Australia
What it all means…

- People want big picture policy making

- People agree fundamentals, differ on detail

- To really fix tax, trust is essential
UK Tax De-Harmonisation

The UK fiscal year is 6\textsuperscript{th} April – 5\textsuperscript{th} April

Until 6\textsuperscript{th} April 2018 all aspects of UK taxation in the 4 constituent countries (England, NI, Scotland and Wales) were identical

From 6\textsuperscript{th} 2018 that has changed at least in Scotland
# UK Tax De-Harmonisation – UK minus Scotland

<table>
<thead>
<tr>
<th>Band</th>
<th>Taxable income</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Allowance</td>
<td>Up to £11,850</td>
<td>0%</td>
</tr>
<tr>
<td>Basic rate</td>
<td>£11,851 to £46,350</td>
<td>20%</td>
</tr>
<tr>
<td>Higher rate</td>
<td>£46,351 to £150,000</td>
<td>40%</td>
</tr>
<tr>
<td>Additional rate</td>
<td>over £150,000</td>
<td>45%</td>
</tr>
</tbody>
</table>
## UK Tax De-Harmonisation - Scottish rates

<table>
<thead>
<tr>
<th>Band</th>
<th>Taxable income</th>
<th>Scottish tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Allowance</td>
<td>Up to £11,850</td>
<td>0%</td>
</tr>
<tr>
<td>Starter rate</td>
<td>£11,850 to £13,850</td>
<td>19%</td>
</tr>
<tr>
<td>Basic rate</td>
<td>£13,851 to £24,000</td>
<td>20%</td>
</tr>
<tr>
<td>Intermediate rate</td>
<td>£24,001 to £43,430</td>
<td>21%</td>
</tr>
<tr>
<td>Higher rate</td>
<td>£43,431 to £150,000</td>
<td>41%</td>
</tr>
<tr>
<td>Top rate</td>
<td>over £150,000</td>
<td>46%</td>
</tr>
</tbody>
</table>
# UK Tax De-Harmonisation

<table>
<thead>
<tr>
<th>Band</th>
<th>Rate</th>
<th>Income after allowances 2018 to 2019</th>
<th>Income after allowances 2017 to 2018</th>
<th>Income after allowances 2016 to 2017</th>
<th>Income after allowances 2015 to 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting rate for savings</strong></td>
<td>10% (0% from 2015 to 2016)</td>
<td>Up to £5,000</td>
<td>Up to £5,000</td>
<td>Up to £5,000</td>
<td>Up to £5,000</td>
</tr>
<tr>
<td><strong>Starter rate in Scotland</strong></td>
<td>19%</td>
<td>£11,850 to £13,850</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Basic rate in Scotland</strong></td>
<td>20%</td>
<td>£13,850 to £24,000</td>
<td>Up to £31,500</td>
<td>Up to £32,000</td>
<td>Up to £31,785</td>
</tr>
<tr>
<td><strong>Basic rate in rest of UK</strong></td>
<td>20%</td>
<td>Up to £34,500</td>
<td>Up to £33,500</td>
<td>Up to £32,000</td>
<td>Up to £31,785</td>
</tr>
<tr>
<td><strong>Intermediate rate in Scotland</strong></td>
<td>21%</td>
<td>£24,000 to £44,273</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Higher rate in Scotland</strong></td>
<td>41%</td>
<td>£44,273 to £150,000</td>
<td>£31,501 to £150,000</td>
<td>£32,001 to £150,000</td>
<td>£31,786 to £150,000</td>
</tr>
<tr>
<td><strong>Higher rate in rest of UK</strong></td>
<td>40%</td>
<td>£34,501 to £150,000</td>
<td>£33,501 to £150,000</td>
<td>£32,001 to £150,000</td>
<td>£31,786 to £150,000</td>
</tr>
<tr>
<td><strong>Top rate in Scotland</strong></td>
<td>46%</td>
<td>Above £150,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Rest of UK Additional rate</strong></td>
<td>45%</td>
<td>Over £150,001</td>
<td>Over £150,001</td>
<td>Over £150,001</td>
<td>Over £150,001</td>
</tr>
</tbody>
</table>
UK Tax De-Harmonisation

There are also changes to what are known as aggregates taxes
Landfill
Digging up the ground
Pollution
But only the beginning in devolution other taxes may follow.
UK Tax De-Harmonisation

GAAR
General Anti-Abuse Rule in the UK – hence deals with egregious tax avoidance only

In Scotland it has become a General Anti-Avoidance Rule – therefore much lower bar
Questions?