“Fair tax is the new fair trade... All it takes is for consumers, people who are taxpayers themselves, to back the companies that pay what they owe.”

— Ed Mayo, Secretary General of Co-operatives UK

IMPORTANT NOTE:
Throughout this document ‘Fair Tax Mark’ is used as shorthand for Fair Tax Mark Limited, a company registered in England with the company number 32308R and with its registered office at Unit 21, 41 Old Birley St, Manchester M15 5RF.
1 Introduction and Background

Systemic tax avoidance by companies is undermining the fiscal arrangements of European social democracies. The loss of revenue is already directly impacting welfare provisions for the weakest members of society. A 2013 survey by the Institute of Business Ethics found that corporate tax avoidance has now beaten executive remuneration to become the number one concern of the public about business.

The Fair Tax Mark was established as a society for the benefit of the community on February 18th 2014. Its core purpose is to offer businesses that know they are good taxpayers (or want to work towards becoming one) the opportunity to demonstrate this through accreditation by a trusted third party.

In addition, its objects, as stated in its formal rules, are to carry on for the benefit of the community by providing:

- research into and education on the ways in which tax, accounting and related regulation and legislation can be used to promote development, encourage citizenship and relieve poverty within the context of local, national and international economies and societies;
- advice and consultancy to companies and organisations on how to develop and implement fair tax policies;
- a fair tax community of business and consumers;
- new standards for tax transparency and reporting; and a contribution to the wider policy debates on fair tax.

We are seeking to raise capital through the issue of shares by the Society. This share issue is intended to provide sufficient working capital to the society in its start-up phase. Specifically this will pay for marketing and promotion of the Fair Tax Mark to businesses in the UK until such time as revenue from licensed companies covers the overheads of the organisation. We estimate that this will take between one and three years. It will also enable the society to work with its board of voluntary advisers (see section 7) to further develop fair tax assessment criteria for more business types including:

- multinational businesses
- sole traders
- charities

This is an exciting opportunity to invest in a genuinely ground-breaking project which has no precedent anywhere in the world. We are looking to use the power of accreditation to encourage responsible behaviour in a completely new area, and one which has important consequences for the way our future societies develop. We are asking anyone who shares our vision to become part of it. Our society will be democratically owned and run by you, the members and shareholders, for the benefit of the community.

The rate of interest on your shares is variable. The Board agreed on March 11th 2014 that the current rate of interest should be set at 5%.
2 The Story So Far

In 2012, Ethical Consumer received some funding from Lush Cosmetics to develop its work on tax avoidance, which included looking at public sector procurement, an Amazon boycott, and fair tax accreditation.

At around the same time Richard Murphy also received some funding from the Tax Justice Network to take the idea of a fair tax accreditation scheme forward.

In June 2013, Richard Murphy’s Fair Tax Campaign launched a pilot Fair Tax Mark study and gained media coverage in the Guardian, Reuters, Financial Times, the New Statesman and beyond.

By December 2013, with the ‘methodology’ for identifying good tax performance substantially progressed, the Fair Tax Mark campaign joined with Ethical Consumer to form a new not-for profit community benefit society to take the Fair Tax Mark project forward.

The Fair Tax Mark was launched on February 20th to significant public acclaim. A selection of the very wide press coverage appears on our website: www.fairtaxmark.net.

Three Fair Tax Pioneers signed up to support the Mark in its development phase, and were announced as the first three companies to be accredited. They were:

- The Midcounties Co-operative
- Unity Trust Bank
- The Phone Co-op

In March 2014, positive responses from a number of accountancy firms led to the development of a licensing model for 'Licensed Fair Tax Accreditors'.

In April 2014, the Society’s application to trade mark the Fair Tax Mark logo was approved and given the Trade Mark No. UK00003034620.
3 Financial Information

It is difficult to estimate the sales of a product which has never existed before. However, in order to understand the likely development of a small national social accreditation scheme, we have looked at other similar projects such as The Social Enterprise Mark and The Living Wage Foundation.

We have created a detailed business plan that proposes modest but steady growth to a turnover of £150,000 after three years (and having accredited and licensed roughly 350 companies). We have modelled this partly to look at the need for start up capital and cash flow in year one in particular. We do not, however, rule out the potential for much more significant growth.

The table below shows predicted income and expenditure from that business plan. Year 1 is a part year running from April to December 2014.

Although the Mark has interesting and exciting international potential, the plan currently works on the assumption that the Mark is primarily concerned with building a financially viable UK-focussed project in the first three years. Sales revenue is therefore based on an assessment of the UK market only.

The minimum start up capital required to cover all initial uncertainties (including sales being slower than predicted) is estimated to be £70,000. With the expectation of profitable trading from Year 3 onwards we plan to be able to supply an ongoing demand for shareholder withdrawal within our normal notice terms.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licence income</td>
<td>20,000</td>
<td>60,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Consultancy</td>
<td>10,000</td>
<td>20,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Grants</td>
<td>10,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40,000</td>
<td>100,000</td>
<td>140,000</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>25,000</td>
<td>35,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Research costs</td>
<td>7,500</td>
<td>15,000</td>
<td>22,500</td>
</tr>
<tr>
<td>Marketing</td>
<td>10,000</td>
<td>15,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Management</td>
<td>8,000</td>
<td>12,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Event</td>
<td>3,000</td>
<td>4,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Consultancy Cost</td>
<td>5,000</td>
<td>10,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Contingency (5%)</td>
<td>2,675</td>
<td>4,050</td>
<td>5,625</td>
</tr>
<tr>
<td>Share Interest</td>
<td>2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61,175</td>
<td>97,550</td>
<td>135,750</td>
</tr>
<tr>
<td><strong>Surplus/Loss</strong></td>
<td>-21,175</td>
<td>2,450</td>
<td>4,250</td>
</tr>
</tbody>
</table>
**Trading to date**

Prior to April 1st 2014 Fair Tax Mark was run as two financially separate projects, although the management of both merged in October 2012.

The Fair Tax Campaign, of which Richard Murphy was the sole Director, attracted £14,042 of licence/consultancy income from Fair Tax pioneers and spent approximately £14,899 (mainly on salaries) between June 3rd and March 31st. Richard made loans of £2,500 to the project in December 2012 and, combined with other licence income received in advance, this led to £7,908 being transferred into the account of the new company in the beginning of April, having left a small contingency to cover remaining company costs.

Ethical Consumer Research Association (ECRA) spent £5,798 developing the Fair Tax Mark business (mainly salaries) between January and March 2014. It has also made loans to the project of £5,000 and, having attracted a grant of £6,174 from Network for Social Change in March, transferred £5,376 into the account of the new company in the beginning of April.

On April 1st 2014 the organisation formally merged finances with £13,284 in the bank and loan liabilities of £7,500 accruing interest at 5%.

It is important to note that past trading cannot provide a certain indication of future trading prospects.
4 Governance, Management and Staffing

The three founding Directors of Fair Tax Mark were Richard Murphy (Tax Research), Rob Harrison (ECRA) and Leonie Nimmo (ECRA).

On March 11th, Paul Monaghan (Up the Ethics), Meesha Nehru (Fair Tax Campaign), Tim Hunt (ECRA) and Joanna Long (Project Manager) were also appointed to the Board.

The Board is currently overseeing the project via bi-monthly committee meetings, and a Management Committee of active staff and volunteers convenes every two weeks.

In the early stages of the project, Ethical Consumer is providing it with staffing and office systems at cost price. It is billing the Fair Tax Mark at a low hourly rate (£20ph) to cover all staffing, management and office costs. ECRA members absent themselves from Board and Management Committee discussions on all matters regarding their bills and contract.

Joanna Long is acting as part-time Project Manager and will be the first direct employee of the new company. She will be replaced by a full-time Project Manager who will be recruited to the company in May 2014.

Richard Murphy and Paul Monaghan are currently offering their services to the project pro-bono, although this is not sustainable in the long term.

Profiles of the Directors, Staff and Technical Advisers appear at section 7, below.
5 Terms of the Share Issue

In March 2014 the Directors agreed to create two classes of shares:

- **staff and volunteer shares** – for which the minimum holding to qualify for membership is £10
- **ordinary shares** – for which the minimum holding to qualify for membership is £200

The current Management Committee were then all issued with a £10 staff shareholding and so are members of the society.

As a not-for-profit Community Benefit Society, the Fair Tax Mark may issue community shares. An explanation of community shares is available here and we strongly recommend that you read it:


Community shares do not go up and down in value, but may pay ‘reasonable and proper’ interest. Normally they can be withdrawn at any time by being sold back to the society – but in this instance we would ask investors to think of this investment as being for a period of at least three years – the time it will take for the Fair Tax Mark to grow to a sustainable size.

The detailed rules over how the society may govern its shares appear in its Rules which are downloadable as a PDF file from our website. They are summarised below:

1. The value of ordinary shares is £1.00.

2. Shares always remain at par value, unless the directors decide to write down the value of the shares in order to protect the financial stability of the society.

3. By buying shares you become a member of Fair Tax Mark and as such you will have members voting rights at general meetings of the society. This will enable you help determine who the officers of the society should be. All members have one vote, regardless of the number of shares held. The members collectively own and control the society and have the right to elect the board, to stand for election as directors and to receive the annual accounts.

4. Shares are not transferable but may be withdrawn (see 8 below).

5. The minimum number of shares is 200 and the maximum is 20,000.

6. The initial rate of interest has been set at 5%. The Board may vary this rate at any time, but it is our intention to offer a stable rate with a return that recognises the risk undertaken. Under normal circumstances, each year, the directors will recommend what interest rate should be paid on share capital. This recommendation will be voted on at the annual general meeting.

7. Interest is paid gross and is taxable. It is your responsibility to declare these earnings to HMRC. This interest will be credited to your share account as new shares unless you have reached the maximum possible shareholding in which case you will be paid the excess balance.
8. Shares may be withdrawn by members upon giving three months notice to the society. The Board may waive this notice period at its discretion. It may also suspend the right to withdraw shares if this is deemed necessary.

9. On the solvent dissolution of the society, holders of shares will have no financial entitlement beyond payment of outstanding interest and repayment of share capital.

10. On the insolvent dissolution of the society, shareholders rank behind unsecured creditors.

11. Our constitution contains a statutory asset lock which cannot be removed by members resolution and which restricts the ability of the society to use its assets other than for the benefit of the community.

12. We are currently investigating the practicality of arranging tax relief for investments in our shares under new rules announced by the government but we cannot at present confirm that these rules will apply to the shares that we intend to issue.

The Society reserves the right to decline share applications.
6  Risks of your investment

The society and the Board accept responsibility for the information contained in this document. To the best of their knowledge the information contained in this document is in accordance with the facts and contains no omission likely to affect its substance. Prospective investors should read the whole of this document and should be aware that the intended outcomes are speculative and involve significant risk.

The Fair Tax Mark, unlike banks and building societies, is not subject to prudential supervision by the Financial Conduct Authority. Fair Tax Mark abides by a code of practice which requires it to provide a statement to its shareholders on the nature of their investment and any change affecting it.

The position you occupy as a shareholder of the Fair Tax Mark is no different from that of a shareholder in any other corporate body in the sense that, if the Fair Tax Mark fails, you may not have all, or any, of your investment returned to you.

Your liability, however, does not extend beyond your own investment.

Your investment may be withdrawn without penalty subject to the points noted in the previous section.

The maximum return you can earn on your investment is the annual interest due on it, as noted above.

If you have any questions regarding the code, please address them to: The Secretary, Fair Tax Mark Ltd, Unit 21, 41 Old Birley St, Manchester M15 5RF.
The People Behind the Fair Tax Mark

Board of Directors

Richard Murphy (Technical Director)

Richard Murphy is a chartered accountant and economist. He is a founder of the Tax Justice Network and is director of Tax Research LLP, which undertakes work on taxation policy, advocacy and research for aid agencies, unions, NGOs and others in the UK and abroad. Richard Murphy has been responsible for introducing many new issues into debates on tax policy. In particular he created the entirely new accounting concept of Country-by-Country reporting that is now being considered for adoption by the European Union, Organisation for Economic Cooperation and Development, International Accounting Standards Board and others. In September 2013 Richard was given a special recognition award by the Sheila McKechnie Foundation for this work campaigning for tax justice.

Richard is a blogger on tax justic and economic issues. See more at: http://www.taxresearch.org.uk/Blog/richard-murphy/#sthash.zGcwyxAa.dpuf

Leonie Nimmo (Research Director)

Leonie Nimmo is a lead researcher and director of Ethical consumer Research Association. She is ECRA’s research manager, with responsibility for updating research processes and the ECRA corporate rating system. Her specialist areas of research are the food and drink sectors and the extractive industries. Leonie has worked on a major research product for a commercial client analysing the ethical risks of operating in China, and in 2012 was seconded to the Co-operative Group to prepare the International Development section of its Corporate Social Responsibility report. Leonie has represented ECRA at events and to the media, including an appearance on Channel 4’s Dispatches. Leonie joined ECRA in 2008. Along with Leonie’s ECRA directorship, she is a Director of Olive Co-operative, where she has organised educational group tours to Palestine and Israel.

Rob Harrison (Finance Director and Company Secretary)

Rob Harrison is the consultancy manager and director of Ethical Consumer Research Association. Rob was one of three founder directors of ECRA in 1987. Since that date he has worked as a consultant to NGOs (including Oxfam, Friends of the Earth and Greenpeace) on engaging consumers in their campaigns, as an advisor to government departments (including those in the Belgium, Austria and Brazil) on encouraging the use of ethical consumption and procurement for social and environmental goals, as a consultant to consumer organisations (including groups in Spain and Hungary) on researching the CSR performance of companies, and to companies (including the Co-operative Bank, and Lush Cosmetics) on developing world-leading ethical policies and implementing them in practice. Rob has been Finance Director at Ethical Consumer for over 20 years.

Paul Monaghan (Business Advisor)

Paul Monaghan is the founding Director of Up the Ethics. Formerly head of Social Goals at The Co-operative Group, he was the architect of much of The Group’s ethical and environmental excellence for nearly two decades. He worked across sectors as diverse as Food, Finance, Pharmacy, Funerals
and Travel. Contributions included the creation of world-class programmes of environmental management, ethical finance, sustainability reporting and a commitment to campaigning and progressive public policy intervention.

He has previously been a member of WWF-UK’s Programme Committee, BRE’s Sustainability Board and Accountability's Council, where he co-chaired their Technical Committee for a number of years. In April 2013, he left to establish Up the Ethics to help pioneers of corporate responsibility and sustainability help precipitate much needed systematic change.

Dr. Meesha Nehru (Research Director)

Meesha is a researcher and project manager with a background in campaigning and understanding of corporate accounts, structures and taxation. Working for the Tax Justice Network, she led the research for the Fair Tax Mark’s pilot project and was responsible for guiding its development from initial study into an independent campaigning business.

Previously she has done work for campaigns on economic and social justice issues for a variety of organisations including Oxfam, Amnesty and Toynbee Hall. She holds a PhD in Latin American Studies from the University of Nottingham, has lived in Mexico and Cuba and has written about progressive movements in the region. She has also lectured on communication and cultural politics in the UK and China.

Tim Hunt (Marketing Director)

Tim Hunt is a researcher, communications chief and director of Ethical Consumer Research Association. Tim joined ECRA in June 2008. Since then he has worked on a number of consultancy projects including customers who care and CORE scores. His main focus within ECRA is research and writing for the website and magazine. His area of expertise is the technology sector specifically the mobile phone market. Tim is also responsible for marketing and campaigning.

Outside of ECRA Tim is a board member of Red Pepper magazine and has written for a number of publications. Prior to working at ECRA Tim had worked as a freelance researcher carrying out research on focused on the local economy and democracy. He had also co-founded the local independent news site Manchester Mule. In addition Tim has spoken at a number of conferences on the subject of co-operatives and mutualism in a variety of contexts.

Dr. Joanna Long (Project Manager)

Joanna is a professional researcher and technical writer. She has over ten years’ experience managing projects of various sizes and timescales, combining communication, organisational and leadership skills. She is trained in using social media to promote campaigns and also brings meticulous proof-reading and design skills to the production of company materials.

Joanna joined Ethical Consumer Research Association in 2013 and quickly became an invaluable member of the team, researching and writing on a wide range of topics for diverse audiences, often to short deadlines.
**Technical Advisers**

The Fair Tax Mark has a voluntary panel of experienced technical advisers and tax experts who are helping the project develop its criteria for different types of company. **They act in an advisory capacity only on Fair Tax Mark assessment criteria and are not responsible for any information in this document or for any decisions taken by the Society.** They are:

**Kate Clements**

Kate Clements qualified as a chartered accountant with KPMG. She has worked in accountancy, audit and tax roles in a variety of businesses, and taken time out to be a volunteer project manager on youth development projects with Raleigh International in Chile and Ghana. Kate has worked as a lecturer at Napier University in Edinburgh and carried out training for professional accountancy bodies including CIPFA and ACCA. Since 2006 she has been a part-time teaching fellow at Heriot-Watt University, Edinburgh, where her main interests are tax and audit.

**Alex Cobham**

Alex is a research fellow at the Center for Global Development. His research focuses on illicit financial flows, effective taxation for development and inequality. He joined CGD in Europe in March 2013 from Save the Children UK, where he was head of research. He was previously at Christian Aid and before that he was a researcher at Queen Elizabeth House (the Department of International Development at Oxford University), and a junior economics fellow at St Anne’s College, Oxford University.

**Paul Gibson**

Paul Gibson is a chartered accountant and charity and social enterprise sector specialist at Mazars LLP. Paul works with voluntary sector clients specialising in governance, board development, strategy, business planning, risk management, accounting and financial reporting. He has a national role, working across the firm’s offices in England, Scotland and Wales. Paul is co-author of Tolley’s Charities Manual, which is regarded as the leading charity accounting and tax publication. He is a non-executive director of the Social Stock Exchange, which admits companies that operate for a blend of social and financial return. He is working currently on the concept of community banks as an alternative to the five High Street banks.

**Euan Grant**

Euan is a former VAT inspector with HM Customs & Excise, specialising in audits of banks, charities and financial institutions generally. Subsequently he was a strategic intelligence analyst in Customs’ National Intelligence Division, dealing with VAT carousel fraud and fraudulent liquidations. This work generated an ongoing interest in the use of offshore companies for the purposes of planning, avoidance and sometimes evasion, as well as the role of such structures in other crimes, including money laundering. Euan was the Intelligence Division’s Analyst supporting Customs’ Trade Sector Consultants Group, coordinating intelligence and risk evaluation inputs into the Group’s trade specific and cross trade studies on improving compliance while limiting regulatory burdens. Euan was also the Intelligence Analyst involved in closer working operations with the Inland Revenue in the run up to the merger. These involved trade sector and geographically focused specific operations against avoidance and evasion.
Since leaving Customs, Euan has worked in Bosnia, the Middle East and West and East Africa, but mainly in the former Soviet states, which suffer heavily from capital flight and related tax evasion. He has advised the BBC and various journals on these issues and their links with the UK.

Jonathan Gray

Jonathan is Director of Policy at the Open Knowledge Foundation. In this role he coordinates the Foundation’s advocacy and policy work, including around financial transparency, disclosure of company ownership and other information to support campaigning and reportage around tax justice. He is also engaged in research in philosophy and the history of ideas at Royal Holloway, University of London. You can follow him at @jwyg on Twitter, and find out more about him at jonathangray.org.

Richard Lupson-Darnell

Richard has been a Chartered Tax Advisor for 23 years. During his career in tax he has worked in firms of accountants across the spectrum from the largest down to running his own practice.

For most of his career Richard has given tax planning advice to SME businesses and their owners. Latterly he has also developed a specialism in the Charity and Not-for-Profit sector. He has presented on SME and Charity Tax issues for many years and is also been a keen observer and occasional contributor to the Tax Justice debate.

David Quentin

David is a UK barrister who has worked at Allen & Overy, Farrer & Co and at the independent bar. He advises on UK and international tax law, specialising in the taxation of complex corporate, financial and property transactions, disputes with the UK’s revenue authorities and the taxation of not-for-profit entities. He has extensive practical experience at the aggressive end of the tax risk business, having advised on high-value cross-border tax-structured finance, transfer pricing disputes and various kinds of tax avoidance schemes.
8 Investment Form

Fair Tax Mark Limited

APPLICATION FOR INDIVIDUAL MEMBERSHIP

Please complete and return to Fair Tax Mark Ltd, Unit 21 41 Old Birley Street, Manchester M15 5RF.

<table>
<thead>
<tr>
<th>Full name of applicant:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post code:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Telephone number:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Email address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How did you hear about us?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Can you tell us your current occupation? (optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

I wish to apply for membership of Fair Tax Mark Ltd.

I wish to invest £____________ in the community shares of the company.

I confirm that I support the objects of the society and agree to be bound by the rules of the society.

Signature:

Date:

I enclose a cheque, payable to Fair Tax Mark for the initial investment of £____________

Please contact us at: info@fairtaxmark.net if you would prefer to pay by bank transfer.
Published by

Fair Tax Mark Limited

a company registered in England with company number 32308R

and with its registered office at

Unit 21, 41 Old Birley St, Manchester M15 5RF

www.fairtaxmark.net

info@fairtaxmark.net

0161 226 2929