



Fair Tax Mark
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Dear Sir or Madam

Freeport Consultation

Thank you for the opportunity to comment on the Government's proposals.

This covering letter forms the basis of our submission. We think the question of Freeport establishment should be consulted on at a much more fundamental level, and not presented as *fait accompli* – as this consultation does. Moreover, it is deeply worrying that there is scant detail on the tax reliefs and legal compliance relaxations that will be granted. For example, in connection with import VAT.

About the Fair Tax Mark

The Fair Tax Mark certification scheme was launched in 2014, and seeks to encourage and recognise organisations that pay the right amount of corporation tax at the right time and in the right place. Tax contributions are a key part of the wider social and economic contribution made by business, helping the communities in which they operate to deliver valuable public services and build the infrastructure that paves the way for growth.

More than fifty businesses have now been certified in the UK, including FTSE-listed PLCs, co-operatives, social enterprises and large private business – which between them have over 7,000 offices and outlets. We operate as a not-for-profit social enterprise and believe that companies paying tax responsibly should be celebrated, and any race to the bottom resisted.

Summary response

We suggest that the proposal to create freeports (and essentially special economic zones) should not proceed given the likelihood that this will:

- exacerbate tax avoidance and evasion in the UK;
- encourage a global race to the bottom on corporation tax;
- create unfair advantages to a select group of businesses; and
- attract illicit actors, such as money launderers.

Granted, there is little detail in the consultation on bespoke tax reliefs and tax compliance relaxations; however, these are implicitly connected with freeports established as special economic zones. In particular, we would be concerned to see low or no corporation tax and modified tax bases, such as increased capital allowances.

If differential corporation tax rates were now to be established in freeports the following consequences could be anticipated:

- Internal tax competition within the UK would be encouraged;
- Tax morale within the UK would be reduced and the incentive to both avoid and evade increased at cost to the overall tax yield of the country;
- There would be increased scope for transfer pricing abuses;
- International tax competition and the universally agreed harmful 'race to the bottom' in international tax rates would have been promoted at cost to international cooperation on this issue (on everything from information exchange to transfer mispricing).

Other concerns include:

- There is no clarity on the disclosure of the beneficial ownership disclosure regime that will operate;
- There is next to no detail on the VAT regime that will operate;
- The consultation document says nothing about excluding lawyers and accountants from freeports although some excluded activities are mentioned – if omitted, would they still be bound by UK financial services and anti-money laundering regulation?

Yours faithfully



Paul Monaghan
Chief Executive, Fair Tax Mark