



## UK cities, towns and districts standing up for responsible tax conduct

### **We recognise that:**

Paying tax is often presented as a burden, but it shouldn't be. Not when considered against the huge array of public services it helps fund – from education, health and social care, to flood defence, roads, policing and defence. It also helps to counter financial inequalities and rebalance distorted economies.

The pressure on organisations to pay their fair share of tax has never been stronger. For example, polling from the Institute for Business Ethics finds that “corporate tax avoidance” has, since 2013, been the clear number one concern of the British public when it comes to business conduct. In recent years, HMRC has done much to clamp down on tax avoidance and evasion – but many in the tax justice movement think more needs to be done. It's been conservatively estimated that losses from multinational profit-shifting (just one form of tax avoidance) could be costing the UK some £17bn per annum in lost corporation tax revenues.

As recipients of significant public funding, local councils should take the lead in the promotion of exemplary tax conduct; be that by ensuring contractors are paying their proper share of tax, or by refusing to go along with offshore tax dodging when buying land and property.

Where councils hold substantive stakes in private enterprises, influence should be wielded to ensure that such businesses are exemplars of tax transparency and tax avoidance is shunned. The Fair Tax Mark offers a means for business to demonstrate good tax conduct, and accredited businesses include listed PLCs, co-operatives, social enterprises and large private business. Social enterprises and co-operatives have been early pioneers of the Fair Tax Mark, and fit especially well with the pursuit of social value in public procurement.

In recent polling, two thirds of people (66%) believe the Government and local councils should at least consider a company's ethics and how they pay their tax, as well as value for money and quality of service provided, when awarding contracts to companies. At the same time, research has found that around 17.5% of public contracts in the UK have been won by companies with links to tax havens.

Councils wanting to penalise poor corporate tax conduct and reward good tax conduct when buying goods and services are constrained by UK rules. The rules rightly allow councils to exclude supplier businesses for proven tax offences, but the grounds for exclusion are narrow and rarely triggered in practice. Restrictions prevent councils from specifying 'responsible tax' as a contract award criteria, e.g, a policy shunning the artificial use of tax havens, as 'tax' cannot be linked straightforwardly to the subject matter of a contract.

As Government rewrites the UK's procurement rules it can further strengthen efforts to combat corporate tax avoidance, ensure fair competition for UK businesses small and large, and bolster efforts to drive out corruption, by explicitly permitting 'responsible tax conduct' criteria in the award of public contracts alongside other social value criteria, and requiring robust public disclosure of who owns and controls overseas and UK supplier firms.

UK cities, counties and towns can and should stand up for responsible tax conduct – doing what they can within existing frameworks and pledging to do more, given the opportunity, as active supporters of international tax justice.

## **We pledge to:**

1. Pass a resolution approving the Councils for Fair Tax Declaration.
2. Lead by example and demonstrate good practice in our tax conduct right across our activities. Including:
  - Ensuring IR35 is implemented robustly and a fair share of employment taxes are paid by contractors.
  - Shunning the use of offshore vehicles for the purchase of land and property, especially where this leads to reduced payments of stamp duty.
  - Undertaking due diligence to ensure that not-for-profit structures are not being used inappropriately by suppliers as an artificial device to reduce the payment of tax and business rates.
  - Demanding clarity on the ultimate beneficial ownership of suppliers, be they UK based or overseas, and their group consolidated profit and loss position, given lack of clarity could be strong indicators of poor financial probity and weak financial standing.
3. Promote Fair Tax Mark accreditation, especially to any business in which we have a significant stake and where corporation tax is due.
4. Join in and support Fair Tax Week events in the area, and celebrate the tax contribution made by responsible businesses that are proud to promote responsible tax conduct.
5. Support calls for reform of UK law to enable local councils to revise their procurement policies and better penalise poor tax conduct and reward good tax conduct amongst suppliers.

For further details contact the Fair Tax Foundation.

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The Fair Tax Mark accreditation 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. Accredited businesses include listed PLCs, co-operatives, social enterprises and large private business. The Global Multinational Business Standard was launched in 2021, enabling multinationals headquartered outside of the UK to be accredited for the first time. The Fair Tax Foundation operates as a not-for-profit social enterprise and believes that companies paying tax responsibly should be celebrated, and any race to the bottom resisted.



## Dinasoedd, trefi ac ardaloedd y DU yn sefyll dros ymddygiad cyfrifol mewn perthynas â threthi

### Rydym yn cydnabod bod:

Talu treth yn aml yn cael ei gyflwyno fel baich, ond nid felly y dylai fod. Yn enwedig pan gaiff ei hystyried yn erbyn y llu o wasanaethau cyhoeddus sy'n cael eu hariannu ganddi – o addysg, iechyd a gofal cymdeithasol, i amddiffyn rhag llifogydd, ffyrdd, plismona ac amddiffyn. Mae hefyd yn helpu i unioni anghydraddoldebau ariannol ac ail-gydbwysu economïau gwyrngam.

Ni fu'r pwysau ar sefydliadau i dalu eu cyfran deg o dreth erioed mor gryf. Er enghraifft, yn ôl polau gan y Sefydliad Moesau Busnes, ers 2013 mae "osgoi treth gorfforaeth" wedi bod yn brif bryder y cyhoedd ym Mhrydain o ran ymddygiad busnesau.

Yn y blynyddoedd diwethaf, mae CThEM wedi gwneud cryn dipyn i fynd i'r afael ag osgoi trethi – ond creda nifer o bobl yn y mudiad cyfiawnder trethi bod llawer mwy i'w wneud eto. Amcangyfrifwyd yn geidwadol y gallai colledion o symud elw rhyngwladol (dim ond un math o osgoi treth) fod yn costio tua £17bn y flwyddyn i'r DU mewn referniw treth gorfforaeth a gollwyd.

A hwythau'n cael symiau sylweddol o gyllid cyhoeddus, dylai awdurdodau lleol gymryd yr awenau wrth hyrwyddo ymddygiad treth rhagorol; boed hynny drwy sicrhau bod contractwyr yn talu eu cyfran briodol o dreth, neu drwy wrthod cydsynio i hafanau treth tramor wrth brynu tir ac eiddo.

Pan mae gan gynghorau gyfran sylweddol mewn mentrau preifat, yna dylid defnyddio dylanwad i sicrhau bod busnesau o'r fath yn esiamplau da o dryloywder mewn perthynas â thalu trethi a bod osgoi talu trethi yn cael ei osgoi. Mae'r Nod Treth Deg yn cynnig modd i fusnesau ddangos ymddygiad treth da, ac mae busnesau a achredwyd yn cynnwys cwmnïau cyfyngedig cyhoeddus, cwmnïau cydweithredol, mentrau cymdeithasol a busnesau preifat mawr. Mentrau cymdeithasol a chwmnïau cydweithredol oedd arloeswyr cyntaf y Nod Treth Deg, ac maent yn cydfynd yn dda â mynd ar drywydd gwerth cymdeithasol o ran caffael gyhoeddus.

Mae bron i ddau draean (66%) o'r cyhoedd yn cytuno y dylai'r Llywodraeth a chynghorau lleol o leiaf ystyried moesau cwmni a sut maent yn talu eu treth, yn ogystal â gwerth am arian ac ansawdd y gwasanaeth a ddarperir, wrth ddyfarnu contractau i gwmnïau. Ar yr un pryd, canfu ymchwil bod cwmnïau sydd â chysylltiadau â llochesi treth wedi ennill 17.5% o gytundebau cyhoeddus yn y DU.

Mae cynghorau sy'n dymuno cosbi ymddygiad gwael o ran treth gorfforaeth a gwobrwyo ymddygiad da wrth brynu nwyddau a gwasanaethau, yn cael eu cyfyngu gan reolau'r DU. Mae'r rhain yn caniatáu cynghorau i wahardd busnesau sy'n cyflenwi rhag cael eu cynnwys, os nad ydynt yn talu treth, a da yw hynny, ond mewn gwirionedd gwan iawn yw'r modd y gweithredir y rhesymau dros y gwaharddiadau hyn. Mae cyfyngiadau ar fynnu ymddygiad corfforaethol cyffredinol eang yn atal cynghorau rhag cynnwys 'treth gyfrifol' fel maen prawf wrth gontractio e.e. polisi sy'n gwrthwynebu'r defnydd o hafanau treth, gan nad oes modd cysylltu 'treth' mewn modd syml â thestun contract.

Wrth i'r Llywodraeth ail ysgrifennu rheolau caffael y DU, dylai hynny helpu i hyrwyddo cystadleuaeth deg rhwng busnesau bach a mawr, ac atgyfnerthu'r ymdrechion i gael gwared ar lygru drwy ganiatau 'ymddygiad treth cyfrifol' fel nodwedd amlwg wrth ddyfarnu contractau cyhoeddus, law yn llaw â meini prawf cymdeithasol eraill, a'i gwneud hi'n ofynnol hefyd i gael datgeliad cyhoeddus trylwyr o ran pwy sydd berchen ac yn rheoli cwmnïau cyflenwi yn y DU a thramor.

Gall dinasoedd, siroedd a threfi'r DU sefyll i fyny dros ymddygiad cyfrifol mewn perthynas â threthi, a dylent wneud hynny – gwneud yr hyn a allant o fewn fframweithiau presennol a gwneud addewid i wneud mwy petaent yn cael y cyfle, fel cefnogwyr gweithredol cyfiawnder trethi yn rhyngwladol.

## Rydym yn gwneud addewid i:

1. Gytuno ar ddatrysiad yn cymeradwyo'r Cyngorau am Ddatganiad Treth Deg.
2. Arwain drwy esiampl ac arddangos arfer dda yn ein hymddygiad mewn perthynas â threthi, ar draws ein holl weithgareddau. Gan gynnwys:
  - Sicrhau bod contractwyr yn gweithredu IR35 yn gadarn a bod cyfran deg o drethi cyflogaeth yn cael eu talu.
  - Osgoi'r defnydd o lochesi tramor i brynu tir ac eiddo, yn enwedig pan mae hyn yn arwain at daliadau gostyngedig o'r dreth stamp.
  - Ymgymryd â diwydrwydd dyledus i sicrhau nad yw strwythurau nid-er-elw yn cael eu defnyddio'n amhriodol fel dyfais artiffisial i leihau taliadau treth ac ardrethi busnes.
  - Sicrhau bod eglurder ynghylch perchnogaeth lesiannol derfynol cyflenwyr y DU a thramor a'u sefyllfa elw a cholled gyfnerthedig fel grŵp, gan ystyried y gallai diffyg eglurder fod yn ddangosyddion cryf o gywirdeb ariannol gwael a sefyllfa ariannol wan.
3. Hyrwyddo'r Nod Treth Deg, yn enwedig i unrhyw fusnes y mae gennym gyfran sylweddol ynddo a lle mae treth gorfforaeth yn ddyledus.
4. Ymuno ag a chefnogi'r Wythnos Treth Deg yn yr ardal, a dathlu'r cyfraniad trethol a wneir gan fusnesau cyfrifol sy'n ymfalchio yn eu hymddygiad o ran treth ac wrth dalu eu cyfran deg o dreth gorfforaeth.
5. Cefnogi galwadau am ddiwygio cyfraith y DU i alluogi cyngorau lleol i adolygu eu polisiau caffael a dyfarnu pwyntiau i gyflenwyr sy'n dangos ymddygiad cyfrifol a thryloyw da mewn perthynas â threthi.

Am ragor o wybodaeth, cysylltwch â'r Fair Tax Foundation.

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Lansiwyd cynllun achredu'r Nod Treth Deg ym mis Chwefror 2014 ac mae'n ceisio annog ac adnabod sefydliadau sy'n talu'r swm cywir o dreth gorfforaeth yn brydlon ac yn y lle cywir. Mae cyfraniadau treth yn rhan allweddol o'r cyfraniad cymdeithasol ac economaidd ehangach a wneir gan fusnesau, gan helpu'r gymuned y gweithredant ynddi i gyflawni gwasanaethau cyhoeddus gwerthfawr a datblygu'r seilwaith sy'n sefydlu'r llwybr at dwf. Mae'r busnesau a achredwyd yn cynnwys cwmnïau cyfyngedig cyhoeddus, cwmnïau cydweithredol, mentrau cymdeithasol a busnesau preifat mawr. Lansiwyd y Safon Fusnes Ryngwladol Fyd-eang yn 2021, gan alluogi busnesau rhyngwladol sydd â'u pencadlys y tu allan i'r DU, i gael eu hachredu am y tro cyntaf. Mae'r Sefydliad Treth Deg yn gweithredu fel menter gymdeithasol nid yw er elw a chredwn y dylid dathlu unrhyw gwmni sy'n talu trethi'n gyfrifol, ac osgoi unrhyw ras i'r gwaelod.