WOMEN'S BUDGET GROUP

SPRING 2021

Spring Budget 2021 Pre-Budget Briefings

Taxation and gender

WOMEN'S BUDGET GROUP

Taxation and gender

Pre Budget briefing from the UK Women's Budget Group

Key points:

- Tax is the **necessary financial contribution** that individuals and companies make to a well-functioning society. Women tend to benefit particularly from the public spending that tax can be used to finance.
- Given rising unemployment and falling demand, the costs of the pandemic should not be paid for by immediate tax rises or any further austerity cuts in public services.
- But it is urgent that the tax system be reformed to make it **fairer** and more progressive **so that it is better able to contribute to the funding of public expenditure,** including by ensuring that all forms of income and capital gains are **taxed in the same progressive way**.
- **Tax reliefs, allowances and exemptions should be treated like any other expenditure** with their gains rigorously assessed against their costs to the Exchequer. These types of reliefs tend to benefit better-off men, and fuel tax avoidance and the tax avoidance industry.
- Inheritance tax should be replaced by the progressive taxation of receipts to **reduce wealth inequalities** and **promote social mobility**.
- Fuel taxes should not continue to be frozen; thought should be given to implementing **new and existing environmental taxes in ways that do not increase inequalities**.
- Alcohol taxes should be increased and put on a more rational basis, primarily **to benefit the nation's health** and as a useful source of revenue.
- A **better system of local taxation based** on local income tax and a land value tax should be considered. In the meantime, central government funding of Local Authorities should be increased and Council Tax reformed so it becomes progressive rather than regressive.
- **The UK should take the lead in developing international agreements to prevent tax secrecy** (e.g. by requiring country by country reporting), set floors to tax levels to prevent a raise to the bottom in personal and business taxation, remove tax loopholes that allow for tax avoidance and restrict the range of tax allowances, reliefs and exemptions more generally.
- **Tax avoidance, both through tax havens and in the UK, should be tackled more effectively**, including through funding HMRC properly to employ more and better qualified staff.

Introduction

Fair taxation is the means by which individuals and companies can make their proportionate financial contribution to a well-functioning society. The coronavirus pandemic has shown how public investment in vital key sectors, such as adult and childcare, health and education, is needed both for normal times and to protect the economy from future crises, including pandemics.

A period of mass unemployment is not a good time to raise the level of taxation on most people, whose spending is necessary to stimulate the economy. However, it is an opportune time to make the tax system fairer by ensuring that those with the highest incomes and greatest wealth pay the greatest share of tax. All else equal, this will also stimulate the economy by shifting disposable income from the rich to the poor, who are more likely to spend it, boosting overall demand.

For tax reform to be possible, the government must resist the temptation to portray paying tax as undesirable (for example, by the promotion of 'tax-free' childcare or savings accounts) or even as a necessary evil, but instead show support for taxation as a socially necessary contribution to society. A significant change in attitude towards tax payment in the rhetoric and actions of UK politicians is needed within and outside parliament.

No more austerity

Rising public debt should not be seen as a reason for further austerity measures.[1] Cuts to public spending since 2010 have left the UK economy unprepared and vulnerable to the pandemic. If fiscal consolidation is ever thought necessary in the future, it should be achieved by progressive tax rises rather than public expenditure cuts.

Such an approach contrasts with the way successive governments implemented 'austerity' after 2010, and continue to do so. By 2021-22, annual tax revenue would be £47bn higher had three main tax give-aways not been pursued by governments over the past decade. These were cuts in fuel and alcohol duties (£10bn), corporation tax rates (£13bn) and raising income tax and NICs thresholds (£24bn) – all of which have benefited men and higher income taxpayers disproportionately.[2] Public debt is now higher as a result of these short-sighted tax cuts.

Additional public spending is urgently required to not only pay for the costs of the pandemic, but also to put right the effects of the 'austerity' cuts in public services and social security payments that left us so unprepared for it. Despite this urgent need, however, the 2020 Spending Review instead forecast £12bn of annual spending cuts.[3] Women, being more likely to take up caring roles, are particularly helped by state spending on public services and more likely to receive social security payments, while men, having higher incomes, claim a larger share of most tax cuts.

Personal taxation

The Personal Allowance (PA) and the Higher Rate Threshold (HRT) for income tax have been raised by successive governments since 2010, and now stand at £12,500 and £50,000, respectively. Although the government promised to raise these thresholds further for 2021/22 (uprating by September 2020 CPI), we call on the Chancellor to abandon these plans.[4]

Such tax cuts are highly undesirable, reducing revenue greatly but failing each time to benefit the more than 40% of adults whose earnings fall below the PA.[5] Of those that gained nothing from the most recent changes, 66% were women and 41% had dependent children.[6] 63% of the benefit of the increases in the PA and HRT went to men, who made up 73 % of higher rate taxpayers in 2018.[7]

Total tax revenue as a share of national income is low in the UK compared with similar European

[1] In October 2020, the OBR projected that UK Government debt would rise to around 97.5% of GDP in 2025-26 due to falling tax revenues and increased spending as a result of the pandemic (https://bit.ly/3kmg5yH).
[2] WBG calculations using OBR policy measures database (November 2017) (http://bit.ly/2l70HWH)
[3] OBR (2020) Economic and fiscal outlook – November 2020 (https://bit.ly/3kmg5yH)
[4] HM Treasury (2020) Spending review (https://bit.ly/3aOXCYr)
[5] Institute for Fiscal Studies (2015) Taxes and benefits: the parties' plans (http://bit.ly/2lgxWYH)
[6] Hansard (23 March 2015) Lord Deighton: Answer to written parliamentary question asked by Baroness Lister. (http://bit.ly/2lzjX2R)
[9] HMRC (2018) Overview of Tax Legislation and Rates https://bit.ly/2D0DUIH
[7] WBG (2018) 2018 Autumn Budget: WBG full analysis, https://bit.ly/2oGssNU

countries because of lower revenues from income taxes and social security contributions (15% of national income, compared with an average of 20% across G7 countries and 25% in Scandinavia).[8] In particular with an exceptionally large tax-free allowance, 42% of UK adults no longer pay income tax.[9]

Raising the PA has eroded the tax base on which the government can hope to raise revenue in the future. For the income tax system to be fairer in itself and, at the same time, provide better funding for the public sector to promote fairness, it needs to be both more progressive and more inclusive, with a steeper rise in rates from a lower basic rate and a lower personal allowance. Abolishing the PA and using the extra revenue to fund a flat payment to all adults (similar to a partial Basic Income), would make the system as a whole more progressive.[10] To fund such a payment by raising income tax rates, especially those on higher incomes, would be even more progressive.

Independent Taxation

Independent taxation of income was undermined by the Coalition Government's introduction of:

- the Marriage Tax Allowance, which allows the lower earner in a couple who are married or in a civil partnership to transfer up to 10% of their annual personal allowance to the higher earner, as long as neither pays income tax at more than the basic rate.
- the Higher Income Child Benefit Charge, that withdraws 'child benefit' through the tax system from a higher rate taxpayer's income if they or their partner has claimed Child Benefit.

Both these measures make one partner's tax liability depend on the other's income, thereby undermining the right to independent taxation, an important contribution to women's equality, introduced in 1990 with all-party support. The Marriage Tax Allowance also increases the incentive for low- to middle-income couples to have just one earner, although the tax reduction does not go to the partner at home but to the greater earner – 85% of whom are men.[11] Both the Marriage Tax Allowance and the Higher Income Child Benefit Charge should be abolished.

National Insurance and tax on earnings and other ways of earning

The taxation of different forms of work is in urgent need of reform:

- Earnings taken in the form of company profits tend to be taxed at lower tax rates; this option is not generally available to most employees, but taken by some of the highest paid, most of whom are men.
- National Insurance Contributions (NICs) are payable only on earnings, and at a reduced rate for the self-employed (including those in the gig economy, classified as "self-employed", but more like employees in many respects.

These differences create unfortunate opportunities for tax avoidance and can also lead to workers losing employment rights.[12] The introduction of the IR35 reform, originally due to take effect in April 2020 but postponed for 12 months due to Covid-19, begins to address this for contractors operating through Personal Service Companies (PSC) to provide services to medium- to-large companies.[13] Similar reform should be extended to all contractors.

As a principle, all income from work should be taxed in the same way and NICs rates and benefits for the self-employed harmonised with those of employees. Reforms should also be made to employment legislation, so that

---

[8] M. Conte, H. Miller and T. Pope, (2019) How Do Other Countries Raise More in Tax than the UK? IFS Report R160, (https://bit.ly/35K0F1u)
[9] ibid
[10]New Economics Foundation (2019) Nothing Personal: replacing the Personal Tax Allowance with a Weekly National Allowance (https://bit.ly/3fdOAoC)
[11] See more detail discussed in WBG briefing on TTA (2013) Recognising marriage in the tax system will not benefit women (http://bit.ly/2zKGC1r)
[12] Stuart Adam (2016) Tax and benefit reforms, IFS post-Autumn Statement briefing 2016 (http://bit.ly/2lMF6aj)
[13] HMRC (2020) Understanding off-payroll working (IR35) (https://bit.ly/2NSO0mB)

employers cannot treat workers that are effectively employees as self-employed, so that they lose employment benefits and protection.

We urge the Chancellor to continue seeking ways to make the taxation of different ways of working fairer, while sustaining the tax base as the economy undergoes rapid change. We would also propose removing the Upper Earnings Limit for NICs, which makes them regressive tax over higher incomes.[14] Consideration should also be given to whether those over 65, who are still employed should also be required to pay NICs.

Income tax reliefs

The system of tax allowances leads to large reductions in income tax collected, particularly from the wealthy who can pay for more advice as to how to reduce their taxable income through tax reliefs. Such tax breaks also give official endorsement to the view that an individual's payment of tax and national insurance is an undesirable bill that can legitimately be avoided by clever schemes, rather than being a necessary and desirable contribution to a well-run society.

The current system of poorly designed tax reliefs, allowances and exemptions undermines the integrity of the tax system as a whole, by creating opportunities for tax avoidance that go far beyond the original intentions of their design. A 'tax-planning industry' based on the exploitation of such tax reliefs has grown up, wasting talent and redirecting resources into unproductive uses, and fuelling an attitude to taxation as an unnecessary evil to be avoided.

Further, there is little logic to the allowances and reliefs provided. In practice, they tend to go to the better-off, largely men, and are not subject to the same levels of scrutiny as other forms of Government expenditure.

Tax reliefs, allowances and exemptions should be replaced wherever possible with non-means-tested benefits or services available to all (e.g. move from so-called 'tax-free' childcare to direct funding of childcare services; from tax relief on pension savings to an increase in the state pension, etc).

WBG also urges the Chancellor to reduce the use of income tax reliefs to try to induce people to fund good causes. The additional revenue collected could be used to fund good causes directly, enabling a democratic choice of how taxpayers' money is spent rather than one made just by those individuals rich enough to give large sums to charity.

Any tax reliefs, allowances and exemptions that remain should be treated like any other Government expenditure with their expected gains to society rigorously assessed against their costs to the Exchequer and their equality impacts considered. A wholesale reassessment of the existing system of tax reliefs on such a basis is required, as well as some specific measures outlined below.

Pension tax relief

Contributions to private pensions receive tax relief at the taxpayer's marginal rate, making it worth twice as much to higher rate as basic rate taxpayers and nothing at all to those who earn below the PA, ensuring that income inequalities between those of working age are magnified for pensioners. The extent of such reliefs has been cut in recent budgets, but still cost the Treasury £35.4bn in the year 2017/18,[15] which largely goes to the better-off. Men are more likely to have private pensions and contribute more to them than women, and thus gain more from such tax relief.[16] The WBG recommends that any such pension relief should be restricted to the basic tax rate and the revenue gained spent on raising the State Pension.

[14] A 1% rise in NI rates raises £1.1bn from those earning above the UEL (ibid.). Abolishing the UEL is equivalent to a 10%-points rise in NI paid by this group.

[15] National Statistics (2019) Registered pension schemes: cost of tax relief (https://bit.ly/3jQ9vQO)

[16] See WBG briefing on Pensions (http://bit.ly/2jvxiKQ)

Wealth taxation
Wealth inequality has increased even more than income inequality over recent years. However, wealth is not taxed per se, and some dividend and savings income, and the capital gains that arise from holding wealth are substantially under-taxed compared with income that arises from working. The WBG calls for serious investigation of the possibility of introducing either a permanent or at least a one-off wealth tax. The Wealth Tax Commission found that a single 5% tax on net wealth over £2m could raise £81bn.[17]

Since wealth is highly correlated with income, the under-taxation of wealth and income from wealth increases both income and wealth inequality, reinforcing external tendencies in this direction and the long-term pressures on the tax system that inequality produces. It also reinforces gender gaps in income and wealth. Women are less likely than men to have income from savings and dividends and have lower levels on average of such income.[18] They are also less likely to make capital gains.

Income from capital and capital gains
Rates for taxing unearned income should be the same as, or possibly higher than, those applying to earned income. On the same grounds, a surcharge equal to the NICs paid on earned income should be paid on all unearned income and capital gains. Capital Gains Tax (CGT) should be charged at income tax rates and the annual exempt amount and other reliefs should be abolished or significantly reduced. The Office of Tax Simplification estimates that such a move could raise up to £14bn a year.[19]

In any reform of CGT, consideration should be given to abolishing any special treatment for transfers between spouses to prevent or minimise its use for tax minimisation purposes and to extend independent taxation to capital gains. CGT forgiveness at death should be abolished but charged at whatever point inherited assets are sold.

Home ownership
The favourable tax treatment of home ownership for CGT encourages an additional demand for housing, as does the additional allowance within inheritance tax for houses passed on to family members. Both of these measures advantage those who can afford to 'get on the housing ladder', inflating house prices and rents, while at the same time making suitable housing unaffordable to many, and channelling investment into raising house prices rather than more productive investment.

Such tax relief is biased towards those who can afford expensive property and consequently increases inequality too. Men are more likely to be able to afford to buy a property on their own than women.[20]

Instead, the taxation of housing should be reformed, by abolishing any permanent relief from CGT (while possibly allowing some of its payment to be delayed across successive house purchases and transfers between residents). Consideration might also be given to imputing and taxing the in-kind rents that owner occupiers enjoy. Any revenue raised by these measures could be redirected to tackling the housing shortage. This would benefit women in particular, who are 67% of statutory homeless people.[21]

Inheritance tax
Inheritance of wealth hinders social mobility, all the more so now that housing wealth is such a divider between those who can hope to inherit from their parents and those who cannot. The current structure of inheritance tax, with its many allowances and reliefs is inadequate to

[17] Wealth Tax Commission (2020) A wealth tax for the UK: Final report (https://bit.ly/3kmtkQ1)
[18] Scottish Widows (2020) Women and Retirement 2020 (https://bit.ly/3db6eKK)
[19] Office of Tax Simplification (2020) Capital Gains Tax Review – first report: Simplifying by design (https://bit.ly/3aPLoyQ)
[20] WBG (2019) A Home of Her Own: Women and Housing (https://bit.ly/3pKSLwR)
[21] Ibid.

tackling these issues. Tax reliefs within it only serve to concentrate inherited wealth, as does CGT forgiveness at death.

The whole system of Inheritance and Capital Transfer Taxes should be reformed so that lifetime receipts, rather than bequests, are progressively taxed at income tax rates (possibly allowed to be spread over many years[22]) giving an incentive to distribute wealth to more recipients.

The current system is also manifestly unfair to those who need to pay for social care; effectively a health lottery determines who has any estate left to leave. A reform of inheritance tax so that its replacement raises more revenue would be able to contribute to funding a fairer system of social care, as well as to creating a fairer society with more social mobility. We await the government's proposed legislation on the funding of social care as a matter of extreme urgency, and hope that it reforms inheritance tax as a contribution to such funding.

Indirect taxes

Fuel Duty

In the 2020 Budget planned automatic increases in fuel duty were cancelled for the tenth successive year, leaving fuel duty unchanged until the end of the 2020/21 financial year, the longest freeze for more than 40 years.[23] As well as having severe revenue and environmental costs, cuts in fuel duty primarily benefit men, who are more likely to drive and drive longer distances than women.[24] It also benefits better-off households, as unlike for many other consumers goods, the proportion of income spent on fuel is roughly proportional across the income distribution.[25] The cost to the taxpayer of the freeze in fuel duty was estimated to be £11 billion in 2020/21, with some research suggesting that carbon emissions in the UK may be 5% higher due to the decade-long freeze.[26]

Rises in fuel duty should be reinstated, as well as possibly introducing or increasing other environmental taxes, with financial support given to those for whom reducing their use of fossil fuels is exceptionally costly. Taking meaningful action on climate change is vital for its own sake, but also to demonstrate leadership as the UK prepares to host COP26 in Glasgow in late 2021.

Alcohol Duties

There are significant economic and social costs related to alcohol consumption, with estimates placing the economic burden between 1.3% and 2.7% of GDP.[27] While in the UK duties on alcohol are high relative to many other countries, they do not cover the costs of alcohol-related harm. They are also not rationally applied, with duties on beer (40.7 pence per pint or 13.6% of price), which is more likely to be consumed by men, considerably lower than on wine (208.4 pence per 75cl bottle or 48.6% of price).[28]

Repeated studies have shown that increasing the price of alcohol reduces consumption and harm, with a 10% price expect to result in a 5% reduction in consumption.[29] The freezes in the alcohol duty escalator, which were implemented at various points by George Osborne as Chancellor (along with cuts in beer duty) and again by Rishi Sunak in March 2020[30], not only represent a cost to the Exchequer but are also therefore damaging to health outcomes. Note

[22] Special provision would be needed for the less well-off widowed and for a joint residence.
[23] Next Green Care (2020) Fuel duty rates (https://bit.ly/38UC38h)
[24] Department of Transport (2016) Road Use Statistics Great Britain 2016 (http://bit.ly/1ScwLEM)
[25] IFS (2018) IFS Green budget 2018 (https://bit.ly/2Oy58O8)
[26] Carbon Brief (2020) Budget 2020: Key climate and energy announcements (https://bit.ly/2Zjj55l)
[27] Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies (https://bit.ly/3pSGPIc)
[28] House of Commons Library (2021) Alcohol taxation and the pub trade (https://bit.ly/37It9cU)
[29] Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies (https://bit.ly/3pSGPIc)
[30] House of Commons Library (2021) Alcohol taxation and the pub trade (https://bit.ly/37It9cU)

the 12-month freeze announced in the March 2020 budget was estimated to cost the Exchequer £190-£210 million a year from 2020/21.

Value Added Tax (VAT)
Expenditure taxes tend to be regressive in that poorer households need to spend more of their income than richer households. However, since children are more likely to live in poorer households and poorer households spend more of their income on food, the regressivity of VAT in the UK is reduced by most foods and children's clothing being zero-rated. Indirectly this reduces the incidence of VAT on households with women members, since they are somewhat more likely than men to live with children and to be in poorer households.[31]

In the absence of wholesale reform of the tax system in a more progressive direction, the zero-rating of food and children's clothing for VAT should continue.

Local taxation

Local government in England has very limited revenue-raising powers compared to other wealthy countries, with every other G7 nation collecting more taxes at either a local or regional level.[32] Local authority budgets therefore rely heavily on central government funding, which also compensates for differences between LAs in the needs they have to meet and their ability to raise revenue locally. But central government funding was nearly £29 billion lower (in real terms) in 2019–20 than it was a decade earlier, a 77% fall in revenues per person (£560).[33]

There was a particularly large decrease after 2012 when LAs were given the power to retain 50% of their locally collected business rates. The poorest LAs who receive the least from council tax charges and business rates are thus being supported by a dwindling central government grant, resulting in the communities with greatest needs having the smallest budgets and therefore having had to make the greatest reductions in services.[34]

This has particularly affected women, who tend to be more dependent on the services that local authorities provide, both for themselves and because they are often the ones who make up for the lack of such services for their family by their own unpaid work.[35] This is true particularly in poorer areas. It has also affected women's opportunities for employment, since women are more likely than men to be employed by local authorities, whose gender pay gap tends to be smaller and who are more likely to be family-friendly employers than the private sector. The governments Fair Funding Review, currently paused due to Covid-19, was initiated as part of a move to further increase reliance of local authorities on business rate receipts and has the potential to exacerbate these inequalities further.[36]

Council tax
Although the nearest that we have to a property tax, council tax is highly regressive, with those in lower bands paying proportionately far more than those in the highest bands. Moreover, it is not really a wealth tax because it is charged on occupants rather than owners.

WBG believes that a new settlement for local government funding is urgently needed. Larger and more redistributive central funding is required to support all, and especially the poorest, local authorities. Consideration should

[31] De Henau, J., Himmelweit, S. & Santos C. (2010) "Gender Equality and Taxation: A UK Case Study" in C. Grown and I. Valodia (eds) Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries (https://bit.ly/3favYpz pp 261–298).
[32] Institute for Government (2019) *Local government funding in England* (https://bit.ly/2IPdQFN)
[33]Harris, T. H Hodge & D Phillips (2019) English local government funding: trends and challenges in 2019 and beyond (https://bit.ly/32UyX0i)
[34] Innes D TG. (2015) Central Cuts, Local Decision-Making: Changes in Local Government Spending and Revenue in England, 2009-10 to 2014-15 (http://bit.ly/2l6Pi9v)
[35] WBG (2019*) Triple whammy: the impact of local government cuts on women* (http://bit.ly/2G6YC9M)
[36] WBG (2021) Local government, gender and Covid-19 (https://bit.ly/3bLTLuM)

be given to replacing council tax with a local income tax combined with a land value tax, or in the absence of such a reform, council tax should be reformed to reflect current property values more accurately and progressively. Replacing Council Tax, Stamp Duty and the Bedroom Tax with a single proportional property tax could save 19 million households money, increase fairness and simplify the tax system.[37]

Corporation tax

Since 2010 the main rate of corporation tax has been reduced from 28% to 19%. The WBG calls on the Chancellor to set it at average international levels (for OECD countries) and lead efforts to institute the international coordination of rates.[38] Returning the rate to 26%, the level it was at in 2011/12, would raise around £19bn.[25]

Tax reliefs and allowances to corporation tax provide scope for tax avoidance, as well as leading to significant losses of revenue. A similar wholesale review of existing tax reliefs and allowances to that advocated above for personal taxation should be instituted for business reliefs. Any tax reliefs, allowances and exemptions that remain should be treated like any other Government expenditure with their gains rigorously assessed against their costs and their equality impacts considered.

Tax avoidance and evasion

Corporate tax avoidance, especially through tax havens, worsens gender equality not only in the UK, but worldwide. It makes other necessary legislation, such as on employment and safety regulation and on minimum wages, harder to implement. All these factors especially impact on women in poorer countries, who are often employed at low wages in industries that are free to move to countries with less regulation, lower taxes and less social protection, weakening those workers' bargaining power.

Men are not only more likely to gain from tax avoidance, but they are also more likely to be employed, and to be better paid, within the financial services sector, much of which specialises in advising firms on 'tax efficiency', and where some of the most spectacular discrimination has been demonstrated by court cases in recent years. Well under 20% of the principals at the five largest accountancy firms in the UK are women.[39]

Recent research has also suggested that there is a gendered element to companies' propensity to avoid tax. A study of the largest US multinational enterprises over ten years concluded that "the proportion of women on the board operates as a brake on corporate tax avoidance".[40] In general, women-run and owned businesses tend to be smaller, meaning that they are less able to afford specialist accountancy advance that would enable them to take advantage of specific tax incentives.

The UK should take the lead in developing international agreements to prevent tax secrecy (e.g. by requiring country by country reporting), set floors to tax levels to prevent a raise to the bottom in personal and business taxation, remove tax loopholes that allow for tax avoidance and restrict the range of tax allowances, reliefs and exemptions more generally.

WBG welcomes all measures to reduce tax avoidance but notes that those introduced so far have done little to reduce the estimated tax gap. HMRC put the tax gap, which is defined as the difference between tax that is theoretically owed and tax paid, at £34.1bn for 2018/19, although this is likely to be a significant underestimate of the actual gap, which

[37] Fairer Share (n.d.) Proportional Property Tax (https://bit.ly/2ZQVjxG)
[38] The OECD warns about these pressures: OCED(2015) Corporate tax revenues falling, putting higher burdens on individuals (http://bit.ly/1OzK2qN)

[39] Financial Reporting Council (2015) Key Facts and Trends in the Accounting Profession (http://bit.ly/2zHJxtN)
[40] Cooper, M. and Nguyen, Q. (2017) A study of different approaches to corporate tax planning in large US multinational enterprises, a quantitative analysis (mimeo)

independent research put at closer to £119bn in 2014.[41] HMRC needs to be provided with the resources to increase tax compliance and revenues. Cuts in spending on tax compliance are widely recognised to have been a false economy, since £97 is estimated to be recovered for every £1 spent by HMRC's Large Business Service.[42] The Tax Justice Network found that staff in the compliance business stream of HMRC bring in on average over £900,000 a year on a £30,000 salary.[43]

Recommendations

The tax system is in need of substantial reform to make it more progressive, more inclusive and to challenge the view of tax as a burden. Such reform should be underpinned by gender and distributional analysis of the tax system. This should examine not only the incidence of taxation on men and women (and other groups), but also the total revenue raised towards public spending, given the importance of such spending to women and those on lower incomes.

While substantial reform is necessary, in the short-term we call on the Chancellor to do the following:

- Increase corporation tax to average OECD levels to stop a race to the bottom decreasing public revenue in the UK and elsewhere.
- Increasing fuel duty, and possibly other green taxes, while giving financial support to those who have exceptionally high costs in reducing their environmental footprint.
- Reducing tax allowances to reduce the scope for tax avoidance and funding HMRC properly to clamp down on tax evasion.
- Taking the lead internationally in developing international agreements to prevent tax secrecy, avoidance and evasion.

Written by:
Susan Himmelweit, Emeritus Professor of Economics, The Open University.
susan.himmelweit@open.ac.uk

Edited by:
Jerome De Henau, Senior Lecturer in Economics, Faculty of Arts & Social Sciences, The Open University.

UK Women's Budget Group, 1 March 2021

Contact: sara.reis@wbg.org.uk

wbg WOMEN'S BUDGET GROUP

41 Parliament UK (October 2020) HM Revenue & Customs' tax gap estimates (https://bit.ly/3pnqtHE) ; Tax Justice Network (2014) Tax evasion in 2014 and what can be done about it (http://bit.ly/1poQEHn)

42 Tax Justice.UK (2017) Tax Should Be Effective (https://bit.ly/32XHTSz)

43 Cross, C. (2017) Resourcing and refocusing the HMRC (https://bit.ly/3ss8T7k)