

## **POLCY AND RESOURCES COMMITTEE**

<b>REPORT TITLE:</b>	<b>FAIR TAX UPDATE AND ACCREDITATION</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>

### **REPORT SUMMARY**

This report provides an update on the Fair Tax Foundation objectives, funding and operating arrangements. It also provides details of Wirral Council's tax arrangements specifically in relation to the fair tax foundation principles, and in so doing seeking that Wirral becomes accredited by this organisation as a - UK Fair Tax Council.

The report supports the Council Plan 2023 – 27, specifically the Efficient, Effective and Accessible Council theme.

This matter affects all Wards within the Borough. It is not a key decision.

### **RECOMMENDATION**

The Policy and Resources Committee is recommended to:

1. Note the report;
2. Agree to adopt and submit the statement as detailed in paragraph's 3.11 to 3.17 of the report for submission to the Fair Tax Foundation for Wirral to be designated a Fair Tax Council; and
3. Agree that a statement is published on the Council website declaring Wirral's commitment to Fair Tax and the stated principles as detailed in paragraph 3.18 of the report.

## SUPPORTING INFORMATION

### 1.0 REASON FOR RECOMMENDATIONS

- 1.1 To demonstrate that Wirral is committed to high ethical stewardship of its own resources and arrangements specifically in reference to its own tax affairs. In addition, encouraging its suppliers and other stakeholders to ensure that their tax affairs are operating in a manner that meets the letter and the spirit of tax legislation.

### 2.0 OTHER OPTIONS CONSIDERED

- 2.1 The option to be not fair tax accredited was considered however as Wirral Council complies with Fair Tax principles and there is no associated fee levied by the Fair Tax Foundation to be an accredited body, this option was discounted.

### 3.0 BACKGROUND INFORMATION

- 3.1 The Fair Tax Foundation was formed in 2014 and was formed by a small team of tax experts and specialists in corporate ethics, it is set up as a limited not for profit social enterprise. It was formed in response to aggressive tax avoidance and wanted to challenge this position and set good ethical standards in tax affairs in both the corporate and third sector parts of the economy.

- 3.2 The Foundation is a politically neutral organisation and has a website at which its financial affairs are published, and the details of its officers are provided <https://fairtaxmark.net/>. Its income is largely driven from fees that commercial businesses are charged to become accredited and from donations from charitable organisations on a rough proportion of 65% fees 35% donations. Some examples of the donor bodies include:

- Joseph Rowntree Charitable Trust.
- Joffe Charitable Trust.
- Friends Provident Foundation.
- Barrow Cadbury Trust.

- 3.3 There are several commercial organisations that have been Fair Tax Accredited, and the full list can be viewed on their website however some of the notable examples of accredited bodies are:

- LUSH – high street cosmetics
- SSE – a major producer of renewable energy and the first Fair Tax accredited FTSE 100 company.
- Richer Sounds – high street retailer of home entertainment systems.
- Timpson – shoe repairer and related services.
- Leeds Building Society.
- Gleeson – house building.

In total there are around 100 commercial organisations listed on their website detailing their accredited status.

3.4 There are a number of Council's that have either become accredited or expressed support for the Fair Tax principles and the website details more than 50 Council's that include:

- Newcastle City
- Oldham
- Preston City
- Hammersmith & Fulham
- Dumfries & Galloway

### **WIRRAL COUNCIL - TAX POSITION OVERVIEW**

3.5 The Council has limited engagements that could be considered as having complex tax implications. Some of the arrangements that are in place that have tax implications for Wirral include, IR35 off payroll working, CIS – construction industry scheme, SDLT – Stamp Duty Land Tax, VAT – value added tax, income tax.

3.6 IR35 relates to what is often termed as 'off payroll' working and was in relation to sole traders or an individual with its own company and was originally introduced in 2000, that legislation deemed that the individual was responsible for determining their employment status. However, from April 2017 it became the responsibility of the employing public sector body to determine the employment status and whether the IR35 rules apply. The HMRC website has detailed guidance that helps inform individuals and organisations in determining this position. The purpose of the legislation is to ensure that the correct amount of tax and national insurance is being paid by the contractual arrangements in place. If the rules deem that the engagement is in effect resulting in one that is of an employee status, then it is the responsibility of the public body to pay the correct amount of income tax and national insurance to HMRC. The payroll section has robust procedures in place in applying this legislation and guidance has also been issued to schools to ensure compliance with this legislation.

3.7 When the Council is engaging with building firms, they must register with the construction industry scheme (CIS) The result is that when the Council is paying invoices submitted by these firms then the Council must calculate an estimated amount of income tax that is then deducted from this payment, which is then subsequently paid to HMRC. This is to make sure that tax avoidance is minimised and to ensure organisations are paying their fair tax charges and the Council facilitates this by applying the appropriate procedures diligently.

3.8 The Council may on occasion buy property/land that has stamp duty land tax levied (SDLT). In some instances, public sector bodies have arranged such transactions via offshore financial arrangements to avoid SDLT, for which this Council has not undertaken. With regards VAT the Council complies with VAT legislation and is in a repayment position from HMRC, due to the special legal arrangements that are in place for Local Government. Income tax of the Council's employees are accounted for via the payroll system and paid over to HMRC at the due time.

- 3.9 The Council's financial arrangements with schools are covered within a 'Scheme for Financing Schools' document that has been agreed via the school's forum. This document is to be updated and agreed by the end of the financial year. Presently, it largely covers the fair tax principles, and the revision will ensure that issues such as IR35 will be included in the new financing school's record. This compliance is presently covered by a separate procedure with schools, hence the revision ensures all issues are addressed comprehensively in one paper.

### **FAIR TAX COMPLIANCE**

- 3.10 The following section has been compiled following the principles as set by the Fair Tax Foundation to demonstrate that Wirral Council is a UK Fair Tax Council and will be submitted as such to the foundation to support its accreditation. Members
- 3.11 The Council is committed to good governance in all its matters including abiding by tax legislation and applying tax law soundly in all its business arrangements. It is also mindful that in its decision making it takes account of Environmental, Social and Governance (ESG) matters, of which proper tax arrangements form a part within.
- 3.12 Paying tax is often portrayed as a burden but it should not be as taxes help support the delivery of vital services such as education and health services and to rebalance inequalities that may exist within the economic environment.
- 3.13 As recipients of significant public funds Wirral Council takes seriously being a good exemplar of proper tax governance. It ensures that contractors are paying the correct amount of tax and will not participate in land transactions via an offshore trust to avoid SDLT.
- 3.14 The Council has in place robust procedures that it applies in relation to IR35 legislation to ensure that contract workers pay their fair share of tax.
- 3.15 Where the Council has a substantial stake in private enterprises it will ensure that the tax arrangements are fair and follow good practice.
- 3.16 When engaging with not-for-profit organisations due diligence will be applied to check that such organisations have not been set up to pay a reduced amount of tax or business rates.
- 3.17 The Council also supports calls for reform of public procurement so that it can take account of good tax conduct in its procurement policies.
- 3.18 Upon accreditation by the Fair Tax Foundation the Council will publish on its website that it has become compliant with a supporting statement that will include the following principles:
- Leading by example and demonstrating good practice in our tax conduct, right across our activities
  - Ensuring contractors implement IR35 robustly and pay a fair share of employment taxes.

- Not using 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 as an artificial device to reduce the payment of tax and business rates.
- Promoting the Fair Tax Mark certification for any business in which we have a significant stake and where corporation tax is due.
- Supporting calls for urgent reform of EU and UK law to enable local authorities to better penalise poor tax conduct and reward good tax conduct through their procurement policies.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications of this report. By obtaining a UK Council Fair Tax Accreditation there is no membership fee levied by the awarding organisation.
- 4.2 Proper financial arrangements are in place to ensure that Wirral Council is tax compliant. The principles within the report help to promote that the proper arrangements or tax are not seen as a burden but as a principle of good governance and proper stewardship of resources.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications of this report.
- 5.2 The Council does comply with all tax legislation and is seeking to promote proper tax arrangements via its standing as a place leader.

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 There are limited resource implications from setting up a statement of tax compliance on the Council's website.

#### **7.0 RELEVANT RISKS**

- 7.1 There are no direct relevant risks to the organisation as the processes and procedures for accounting for tax have been well established within the council's operations.

#### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 There has been engagement with the payroll and communication sections and the accounts payable team to ensure that the principles referred within the report are being adhered to.

#### **9.0 EQUALITY IMPLICATIONS**

- 9.1 There are no direct equality issues arising from this report.

#### **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 The content and recommendations contained within this report are expected to have no direct impact on climate issues.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 The content and recommendations contained within this report are expected to have no impact on community wealth. However, the efficient use of council money ensures value for money and the fair application of tax will result in an improved environment for the community and the wealth implications.

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### **BACKGROUND PAPERS:**

UK Council's for Fair Tax  
Sunderland City Council – Fair Tax Report January 2021  
Cheshire West and Chester – Fair Tax Statement of Commitment – November 2021

### **TERMS OF REFERENCE**

This report is being considered by the Policy & Resources Committee in accordance with Section (a) of its Terms of Reference, to formulate, co-ordinate and implement corporate policies and strategies.

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Full Council	March 2023