



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon George Howarth MP
House of Commons
London
SW1A 0AA

02 OCT 2018

Dear George,

Thank you for your email of 18 September to the Chancellor of the Exchequer on behalf of your constituents about tax avoidance. I am replying as Minister with strategic oversight of the UK tax system.

As I am sure you will understand, it would not be appropriate for me to comment on the tax affairs of individual companies, but I will respond in general terms to the points your constituents raise. The Government is committed to making sure multinational enterprises pay their fair share of tax in the UK. The UK levies corporation tax on the basis of profits generated through economic activities undertaken in its jurisdiction, as do most of the world's major economies. The objective is for the profits of a multinational to be taxed in the countries in which it generates value through its productive activities, rather than the countries in which its customers are located.

The Government has taken significant steps, domestically and internationally, to ensure that this objective is realised and that multinationals pay the right amount of tax in the UK. The UK has been at the forefront of multilateral action through the G20 and Organisation for Economic Co-operation and Development (OECD) to reform international tax standards. We used our Presidency of the G8 in 2013 to successfully initiate the G20-OECD Base Erosion and Profit Shifting project, to combat tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

The UK has also led on delivering many of the project's recommendations into domestic legislation. This includes:

- New 'hybrid mismatch' rules to prevent multinationals exploiting differences in how countries tax financial instruments and entities.
- New rules which prevent large multinational companies from avoiding tax by claiming excessive tax deductions for interest expense.
- The requirement for large businesses to provide HM Revenue and Customs with a country-by-country breakdown of their profits, tax and assets.

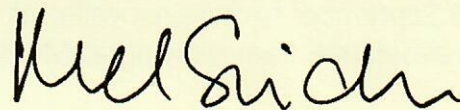
The Government also introduced the Diverted Profits Tax in April 2015 which seeks to counter contrived arrangements used to divert profits away from the UK.

The broader potential challenges posed by the digital economy for businesses and the tax system is also an important issue. At Autumn Budget 2017, the Government published a position paper on corporate tax and the digital economy. A further update to this paper was published at Spring Statement 2018. These can be found at:
www.gov.uk/government/consultations/corporate-tax-and-the-digital-economy-position-paper

The papers set out that the Government thinks international corporate tax principles need updating for the digital age to ensure that they reflect the new ways businesses create value. In the short term, the Government intends to work with international partners to explore interim measures to tax digital businesses, such as a tax on revenues.

Please pass on my thanks to your constituents for taking the trouble to make us aware of these concerns.

Yours sincerely,

A handwritten signature in black ink, reading "Mel Stride". The signature is written in a cursive, slightly slanted style.

RT HON MEL STRIDE MP