About the Fair Tax Mark

The Fair Tax Mark certification scheme was launched in the UK in 2014, and seeks to encourage and recognise businesses that pay the right amount of corporation tax at the right time and in the right place. Unashamedly drawing on the experience of social certification schemes such as the Fairtrade Mark, it seeks to use third-party certification to provide assurance on responsible tax conduct.

Some sixty 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. The Fair Tax Mark 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. Other initiatives include Fair Tax Week and the Councils for Fair Tax Declaration.

To date, activities have focused on the UK; however, a new suite of international standards is now under development. These would enable the Fair Tax certification of businesses that have their ultimate holding company situated outside of the UK. We believe that there is a pressing need for this given:

- the Fair Tax Mark is increasingly approached by businesses from around the world seeking accreditation;
- regulators, investors and municipalities across the globe have expressed a desire to support Fair Tax Mark accreditation (or equivalent) in their jurisdictions; and
- if no action is taken by civil society, unscrupulous entities will step into the vacuum and propagate low-bar tax kitemarks

Backdrop

The focus of our work is corporate income tax, and related measures that are designed to tackle the avoidance of this (such as diverted profits taxes and digital services taxes). Businesses are subjected to many different types of tax, but corporation tax has an importance way beyond the revenues it raises. As argued by the Tax Justice Network: “It holds the whole tax system together. It curbs political and economic inequalities and helps rebalance distorted economies.”

The one-hundred year consensus that once dominated international corporation tax law is over. The rise of transfer mispricing, tax havens, profit-shifting and a statutory tax rate race to the bottom have seen to that. Public discontent (fuelled by a chain of scandals, data leaks and brave whistle-blowers) has grown to such a level that politicians the world over have been empowered / forced to take action.

Compared with other areas of corporate responsibility, responsible tax conduct has emerged only recently; but, a number of voluntary responsible tax programmes have been developed around the world. These include initiatives from corporate responsibility activists, civil society campaigners, investors and tax professionals.

They each seek to address the question of: ‘what does responsible tax conduct look like at the level of the individual firm, given the existing legislative context’. The demand for an answer to this question is partly driven by a growing number of progressive businesses that are proud to shun tax avoidance and want to communicate this to their stakeholders.

Fair Tax Mark public consultation on the core requirements of future global standards

In July 2020, the Fair Tax Mark published 'The Essential Elements of Global Corporate Standards for Responsible Tax Conduct' – with a with a view to seeking feedback on its consideration of a new suite of international standards. Comment on the analysis and conclusions is being sought through to end September 2020 – via webinars and a dedicated website feedback tool.

We have proposed that four corporate commitments should be at the centre of the internationalisation of the Fair Tax Mark, and act as the core of the certification of businesses across the globe. Namely, business should:

1) Embrace public country-by-country reporting and related financial transparency

MNCs should report on revenue, profit, tax and employee investment, on a public country-by-country basis. In addition, companies should publicly disclose a full list of their subsidiaries (together with tax residency). Disclosure of the fullest possible profit and loss report, together with detailed tax notes and a narrative explanation, is desirable for businesses of all sizes.

2) Publish a binding Policy undertaking not to use tax havens artificially or pursue tax avoidance

Business should publish a tax policy embracing moral considerations and explicitly shun tax avoidance, the artificial use of tax havens and commit to the declaration of profits in the place where their economic substance arises. Policy should be subject to annual affirmation via compliance checks and be owned by a named board director.

3) Disclose their beneficial owners and persons of significant control

Business should disclose their beneficial owners and persons with significant control (if different). The threshold for disclosure should be at least at the level of 10% of shareholdings or voting rights, but preferably lower. This includes ownership via trusts.

4) Pursue independent assurance from outside of the big accountancy firms

Organisations rooted in civil society are best placed to provide assurance, with the involvement of the big accountancy firms treated with scepticism given their historic involvement in the enabling of tax avoidance. Independent assurance rooted in civil society is more likely to support the emergence of much needed legislative and regulatory developments, such as pCbCR.

Concepts such as unitary taxation and formulary apportionment are vital at an international level, but are not something that a business can be expected to progress unilaterally. It would, however, be desirable for progressive businesses to support this shift, and at the very least not block international progress via lobbying (either directly or indirectly, via trade bodies).

Further information at www.fairtaxmark.net and info@fairtaxmark.net