

TAXJUSTICE.UK

Freeports Team,
Area D, Floor 5,
Department for International Trade,
3 Whitehall Place,
London, SW1A 2HP.

13 July 2020

By email

Dear Sir or Madam,

Freeport Consultation

I want to thank you for the opportunity to comment on the government's proposals on the above issue. Tax Justice UK campaigns for everyone in the UK to benefit from a fair, and effective tax system. You can find out more about our work here: www.taxjustice.uk. This submission is also supported by War on Want and the Women's Budget Group.

At Tax Justice UK, we have considerable concerns about the creation of freeports in the UK. In this response we will be providing a headline summary of our concerns. Our partner organisations, including Fair Tax Mark, Church Action For Tax Justice and Tax Research LLP have provided more detail in their response to the consultation.

As we come out of the coronavirus crisis, rebuilding our economy will be vital. It will be particularly important to focus on "levelling up" areas of the country that have been left behind. Our [public attitudes research](#) has shown the public's desire for more investment in local areas and in public services. But we are concerned that freeports are the wrong way to do this and bring with them serious risks.

Our concerns relate to:

- The limited evidence that freeports in other countries have actually worked to achieve their stated objectives, as opposed to simply shifting investment that would have already happened, as has been highlighted by the [OECD](#). Research by the [Financial Transparency Coalition](#) has shown the significant risks posed by freeport-style zones and has questioned the benefits;
- The lack of information on the tax benefits that freeports can expect. There is a high risk of tax avoidance activity because of the uncertainties that freeports will create with regard to a range of taxes including corporation tax, value added tax, income tax and social security;
- The undermining of important regulatory standards, inside the freeports and throughout the UK, through the potential to have a "light touch" approach to regulations in freeports. This could hinder any "levelling up" agenda;

- The significant money-laundering risks that freeports will create as highlighted by the [Financial Action Task Force](#);
- Both research evidence and anecdotal reports suggest that tax is a factor in location decision-making but will rank far below other factors in influencing that process, suggesting that cuts to some taxes aren't necessary to attract investment;
- The risk that lower rates of tax in freeports will undermine the willingness of those in other parts of the country to pay tax;
- The risk that low rates of tax and cuts to regulation will undermine the economies of other countries and perpetuate a harmful race to the bottom;
- The importance of assessing whether any freeports that are created meet the objectives set out by the government. It is important that the government is clear on what will happen (and when) if the monitoring and evidence shows that these objectives are not being met and/or there are unexpectedly harmful side impacts.

Overall, we feel that there is a real risk that the creation of freeports would lead to a number of micro tax havens across the country. There is limited evidence that they would create significant new investment and there are real risks that freeports would lead to higher risks of tax avoidance and money laundering. For these reasons, we urge the government to reconsider its plans to introduce freeports.

I am happy for this response to be used as part of any future government publication on freeports. I am also happy for anyone to contact me if they want more information or to discuss this submission.

Thank you for the opportunity to comment.

Best wishes,

Robert Palmer
Executive Director, Tax Justice UK