

# Pandemic Profits

Who's cashing in during covid?

## About Tax Justice UK

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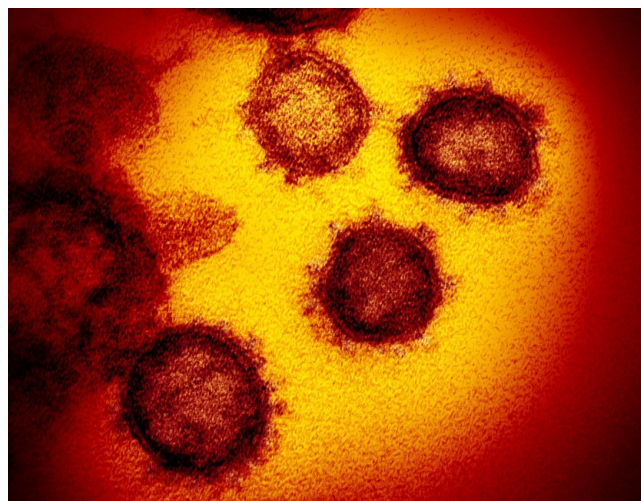
### Acknowledgements

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# 1. Introduction

The Coronavirus pandemic has imposed enormous hardship across the UK. The cost of the pandemic has not been shared evenly. While many households have experienced significant falls in income from being furloughed or laid off, others have emerged in a stronger financial position due to surging asset prices and rising household savings. According to the Resolution Foundation, the richest 10% of households have gained over £50,000 in additional wealth per adult during the pandemic on average, the poorest 30% of the wealth distribution gained just £86.<sup>1</sup> Women, minority ethnic households, low income households and young people have been disproportionately impacted by the economic fallout.



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The pandemic has also presented an unprecedented challenge for UK businesses. While many firms have struggled, some have prospered. In this briefing we highlight six companies that have significantly increased their global profits during the pandemic. The companies, which operate across different sectors of the economy, collectively made over

£30 billion in profit on their worldwide activities between March 2020 and March 2021. This equates to over £16 billion more profit than they were making before the pandemic. Most of these companies increased their profits by more than 100% during the pandemic compared to previous years – in some cases significantly so.

**Table 1: Summary of case studies**

| Company                            | Sector          | Average profit 2017/18 to 2019/20 (£m) | Profit 2020/21 (£m) | Excess pandemic profit (£m) | Pandemic profit increase (%) |
|------------------------------------|-----------------|--|---------------------|-----------------------------|------------------------------|
| Scottish Mortgage Investment Trust | Finance         | 1,023                                  | 9,217               | 8,194                       | <b>801%</b>                  |
| ASOS                               | Online retail   | 73                                     | 218                 | 146                         | <b>201%</b>                  |
| Tritax Big Box                     | Real estate     | 218                                    | 586                 | 368                         | <b>169%</b>                  |
| Serco                              | Outsourcing     | 67                                     | 167                 | 100                         | <b>149%</b>                  |
| Astrazeneca                        | Pharmaceuticals | 1,571                                  | 3,486               | 1,915                       | <b>122%</b>                  |
| Rio Tinto                          | Mining          | 10,807                                 | 16,455              | 5,647                       | <b>52%</b>                   |
| <b>Total</b>                       |                 | <b>£13,759m</b>                        | <b>£30,129m</b>     | <b>£16,370m</b>             | <b>-</b>                     |

Notes: 'Excess pandemic profits' are defined as pre-tax global profits made in the twelve months from 1 April 2020 until 31 March 2021 in excess of the average pre-tax profits reported in the previous three twelve month periods. Figures for Astrazeneca and Rio Tinto have been converted from US dollars into pound sterling using the appropriate exchange rate.

Source: Authors' calculations based on data from Compustat Global research platform, company financial reports and Reuters.



Simon Walker HM Treasury

These case studies provide an insight into how the pandemic is reshaping the UK economy. While some companies have benefited directly from the government’s response, others have benefitted indirectly from structural shifts that have been accelerated by the pandemic. As the UK looks to ‘build back better’, it is important that the tax system evolves to support a fair recovery, and keeps pace with the changing structure of the UK economy. While it is crucial that those who have suffered over the period are not asked to pay more, it is fair to expect those who have prospered to contribute more to the economic recovery.

In this briefing we recommend that the UK government:

- **Introduces a one-off windfall tax on excess profits made during the pandemic.** A 10% corporation tax surcharge on global profits made that exceed pre-pandemic levels could raise up to £1.6 billion on just the six companies in this report. A 50% tax could raise up to £8 billion. Such a levy would ensure that no company was able to profit excessively from a period of immense economic and human suffering.
- **Increases the main rate of corporation tax.** Raising the main rate from 19% to 25% immediately, rather than from 2023 as planned, would raise around £20 billion a year. The government should strengthen the corporate tax system in other ways, including by supporting ambitious reforms to international tax rules.
- **Equalises the taxation of capital gains and income.** Taxing capital gains at the same rates as income from employment could raise up to £14 billion a year, and would ensure that the substantial capital gains realised during and after the pandemic are not taxed at a lower rate than income from work.

## 2. Case studies

### 2.1 Finance: Scottish Mortgage Investment Trust

The pandemic has had a polarising impact on the UK's finance sector. Although many of the UK's major banks saw profits fall during the pandemic due to significant provisions set aside for loan defaults and falling revenues, surging global stock prices have meant that some of the biggest winners have been UK investment funds that have a significant exposure to global equities.

The Scottish Mortgage Investment Trust (SMIT), the UK's second largest listed investment fund, was the UK's top performing investment trust in 2020, **increasing its profits by a spectacular £8 billion (801%)** compared to the average of the three previous years.<sup>2</sup> Launched in 1909 and managed by the Edinburgh-based investment management firm Baillie Gifford, SMIT is an actively managed fund that invests in a global portfolio of companies. The trust has long been known for its large stakes in disruptive US tech companies. At the start of 2020 nearly 10% of its assets (equivalent to £800 million) were invested in electric car maker Tesla, whose share price soared by 700% over the course of the year. SMIT sold around 80% of its Tesla shares during the year to maintain diversification in its portfolio and prevent Tesla from dominating the fund's performance, which is the primary reason for its spectacular profits.<sup>3</sup> However, the trust is also a major investor in other companies that have prospered during the pandemic, including e-commerce giants Amazon and Alibaba, German



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food app Delivery Hero, streaming service Netflix and biotech outfit Illumina.

SMIT is not the only investment entity to prosper during the pandemic. RIT Capital Partners, formerly Rothschild Investment Trust, and the Edinburgh Worldwide Investment Trust, also managed by Baillie Gifford, **increased their profits by £718 million (430%) and £332 million (510%)** during the pandemic compared to previous years. The private equity firm 3i Group, which was originally established in 1945 as publicly owned investment bank the Industrial and Commercial Finance Corporation (ICFC), increased its profits by £877 million (90%).<sup>4</sup>

As an investment trust, SMIT is exempt from paying capital gains tax and corporation tax on capital gains realised within its portfolio, although investors in the trust are still liable for capital gains tax on profits when selling their investment.<sup>5</sup> However, in the UK the maximum rate of capital gains tax paid on shares is 20% – far below the maximum income tax rate of 45% – even though it is mostly paid by wealthy asset owners.<sup>6</sup> This means that many of those who have benefitted from surging stock prices during the pandemic are paying a lower rate of tax on their capital gains than those who earn their income from work. Research from Arun Advani and Andy Summers has found that individuals with total remuneration of £10 million a year had an effective average tax rate of just 21%, which is less than the rate paid by someone on median earnings of £30,000.<sup>7</sup> The majority of taxable capital gains in the UK accrue to just 5,000 people.<sup>8</sup>



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This asymmetry between the taxation of returns from wealth and income from work has long been criticised for being unfair and distorting economic decision-making. In November 2020, the government's own Office for Tax Simplification concluded that the current capital gains tax rules were "counter-intuitive" and created "odd incentives", and recommended that the government should consider "more closely aligning Capital Gains Tax rates with Income Tax rates". This move could raise up to £14 billion a year.<sup>9</sup>

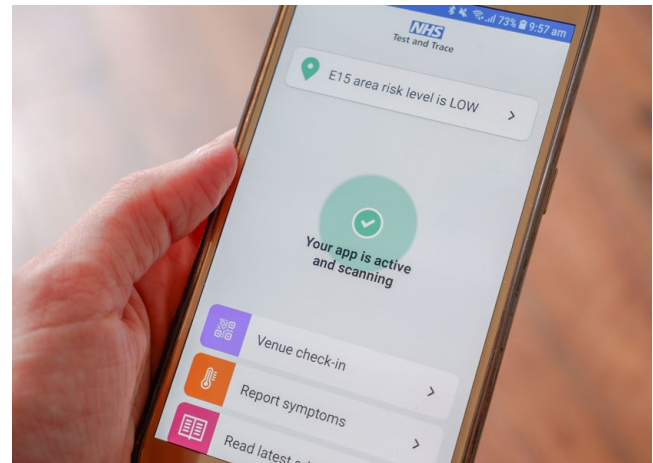
Baillie Gifford, which manages SMIT, told us that "While Scottish Mortgage Investment Trust invests in companies for five to ten years or more, some of those businesses saw faster than expected growth during the pandemic due to early adoption by people of new technology and online services. That rate of growth is unlikely to be repeated in normal conditions." Baillie Gifford made it clear that they, the companies that they invest in and the people who invest in them all pay tax.

## 2.2 Outsourcing: Serco

Since the beginning of the pandemic the UK government has relied extensively on private sector contractors to support its response, many of whom were awarded large contracts with no competitive tenders and little scrutiny.

Among the biggest winners from these contracts have been outsourcing company Serco, which **increased its global profits by £100 million (149%) during the pandemic** compared to previous years. The company has long operated in a number of sectors of public service provision in the UK including health, transport, and back-office services for local councils. A recent report from the University of Greenwich and campaign group We Own It concludes that Serco's record is "dotted with failures".<sup>10</sup> Despite this, Serco was awarded a £108 million contract in May 2020 to support the NHS Test and Trace programme, which was then renewed in August, taking the value of the contract to £410 million in total. The contract was not put out to open tender but selected via an existing framework of suppliers.<sup>11</sup>

The company's performance during the pandemic has been widely criticised. In August 2020 an investigation by The Times found that the contact-



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tracing programme was failing to reach almost half the contacts named by infected patients.<sup>12</sup> Despite this widespread criticism, in June 2021 Serco was awarded a new contract worth up to £322 million to continue running COVID-19 testing sites for another year, and the firm has said it expects its underlying profit in 2021 to be even higher than in 2020.<sup>13</sup>

Serco's profits have led some commentators to cite the company as evidence of the need for a windfall tax – a one-off tax on companies whose profits have soared as a result of the pandemic.<sup>14</sup> In February 2021 it was widely reported that the chancellor was exploring options for introducing such a tax, although it did not feature in the Spring Budget.<sup>15</sup>

Serco has activities around the world, with 60% of its profits coming from outside the UK.<sup>16</sup> Our pandemic profits figure is based on these global activities, as opposed to just work carried out in the UK. Serco has said that their pandemic activities were at margins below what they would usually expect from similar services.<sup>17</sup> Serco was also in a period of turnaround in the years before the pandemic, which reduced its profits immediately before the pandemic.<sup>18</sup>

## 2.3 Online retail: ASOS

One of the most dramatic changes triggered by the pandemic has been the surge in online retail sales. Among the largest beneficiaries of this shift have been large, internationally owned online retailers such as Amazon. Given the way these companies are structured, it is unlikely that the bumper profits that they have made during the pandemic will lead to a sizable increase in corporation tax paid in the UK.

However, a number of UK-based retail companies have also significantly benefited from the surge in online retail, gaining market share at the expense of high street rivals. Among the biggest winners has been online fashion and cosmetic retailer ASOS, which **increased its profits by £146 million (201%) during the pandemic** compared to previous years. Its online fashion rival Boohoo has also prospered during the pandemic, increasing its profits by £60 million (91%).

The success of online retail has been mirrored by the decline of major high street retailers, many of which – including Debenhams, Topshop and the Edinburgh Woollen Mill – have fallen into administration.<sup>19</sup> Some of these brands have in turn been purchased by online retailers. In February 2021 Arcadia group's Topshop, Topman and Miss Selfridge brands were purchased by ASOS, while Boohoo acquired Arcadia's Dorothy Perkins, Wallis and Burton brands, as well as Debenhams intellectual property assets.<sup>20</sup>

These takeovers point to a long-term shift in the way the retail sector operates in the UK, which will have a lasting impact beyond the pandemic. The shift towards online sales has led to mounting pressure on the government to level the playing field between online and physical retailers, and to help plug the gap in falling business rates revenue. According to The Sunday Times, ASOS and Boohoo paid just £48.1 million in total taxes last year despite making a combined £4.5 billion in sales, while Arcadia and Debenhams paid £160 million in business rates alone.<sup>21</sup> Separate research has estimated that Amazon's business rates bill for 2020-2021 was just £71.5 million, or 0.37% of its retail sales – far lower than its smaller high street rivals.<sup>22</sup>



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Not all physical retailers have struggled during the pandemic, however. The discount retailer B&M and Kingfisher, which owns DIY store B&Q, have seen their profits increase by £283 million (117%) and £391 million (107%) respectively – reflecting increased household spending on DIY and 'at home' activities during the lockdown.

In February 2021 it was reported that the chancellor was exploring options for introducing an online sales tax, although it did not feature in the Spring Budget.<sup>23</sup> Such a tax would be a crude way of levelling the playing field between online and high street shops. However, it is likely to hit poorer households harder as many of the biggest online retailers would simply pass the cost of the tax onto consumers.

ASOS issued two profit warnings in the period immediately before the pandemic, meaning the company's profits in the years immediately before the pandemic were unusually low.<sup>24</sup> ASOS is also clear that the majority of its activities take place in the UK and that it does not engage in artificial tax arrangements.

## 2.4 Real estate: Tritax Big Box

As with finance, the pandemic has had a polarising impact on the real estate sector. Across the UK house prices increased by 10% on average in 2020, despite GDP falling by 10% over the same period. This differed from the global financial crisis, where GDP and house prices both fell year on year. Multiple reasons have been cited for the current housing boom, including the UK government's decision to cut stamp duty, the accumulation of household savings, and the so-called 'the race for space'.<sup>25</sup>

The picture surrounding commercial real estate is more mixed. In the decades leading up the pandemic investment in city centre retail and office space soared as investors sought to capitalise on rising rents and property values. However, the rise in remote working and online retail during the pandemic has pushed many of these trends into reverse. While some landlords have provided struggling tenants with rent relief, it is estimated that pandemic-related rent arrears for the UK commercial property sector have amounted to £7 billion, most of which has



been built up in the retail and hospitality sectors.<sup>26</sup> Office occupancy rates fell significantly in 2020, and it remains to be seen whether they will ever recover. Partly reflecting this, major listed commercial real estate firms such as British Land and Land Securities posted significant losses in 2020.<sup>27</sup>

Not all commercial real estate markets have been negatively impacted by the pandemic, however. A recent market survey by RICS noted a “widening disparity between strong industrial sector performance and struggling office and retail markets”, with rents and capital values widely expected to rise in the former sectors and fall in the latter sectors.<sup>28</sup> The most successful listed commercial real estate investor during the pandemic has been Tritax Big Box real estate investment trust, which **increased its profits by £368 million (169%) during the pandemic** compared to previous years. The company owns and manages prime logistics real estate in the UK. Its most valuable assets are vast distribution centres that are leased to companies such as Amazon, Ocado and B&Q that have thrived during the pandemic.<sup>29</sup> Unlike other commercial real estate firms, Tritax said it expected to collect 100% of the rent that was due in 2020.<sup>30</sup>

With the rise of online retail set to be a permanent rather than a temporary shift, real estate investors such as Tritax are well placed to prosper further in the post-covid economy. However, the future of the city centre commercial real estate sector is less clear. A key uncertainty remains as to whether remote working and the fall in city centre occupancy rates will be sustained after the pandemic, or whether city-centre development models bounce back once the pandemic subsides. Combined with growing vacancies in former retail premises, the former could lead to a sustained fall in commercial property prices and rents in city centre locations.<sup>31</sup>

Tritax told us that the recent increase in its profits reflects the significant investment in its business made between 2017 and 2020 and is unrelated to the pandemic.

## 2.5 Pharmaceuticals: AstraZeneca

AstraZeneca is the UK's second largest pharmaceutical company by revenue, and its covid vaccine played a critical role combating the impact of the virus. Unlike other vaccine manufacturers, the company has been widely praised for pledging to sell the vaccine “at cost”. However, the Financial



Times has reported that the company's deal with Oxford university allows it to make as much as 20% on top of the cost of goods for manufacturing the jab which enables the company to "yield a fair return for the company because it would otherwise be producing the vaccine at a loss".<sup>32</sup> It has also been reported that lower-income countries like South Africa are paying several times more per dose than the European Union.<sup>33</sup>

In addition, as has been the case for most of the covid vaccines, much of the funding for the development of the Astrazeneca/Oxford vaccine initially came from the state. One recent study found that 97% of the funding for the development of the Astrazeneca/Oxford vaccine came from taxpayers or charitable trusts.<sup>34</sup> Despite this, Astrazeneca and other vaccine manufactures are able to monopolise the financial rewards through being granted exclusive ownership of the underlying intellectual property rights. These factors, combined with strong sales of other non-vaccine pharmaceutical products, means that Astrazeneca's profits have more than doubled during the pandemic – **with pre-tax profits increasing by nearly £2 billion (122%) compared to previous years.** Astrazeneca's UK rival GlaxoSmithKline has also prospered during the pandemic, **increasing profits by £1.7 billion (35%).** Other pharmaceutical companies based outside of the UK that have developed a covid vaccine, such as Pfizer, are on track to make even bigger profits this year.<sup>35</sup>

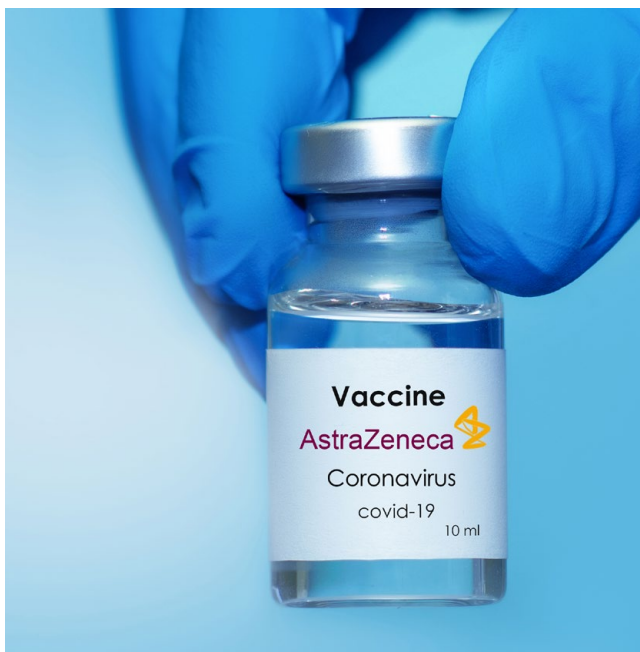
As a major pharmaceutical company, Astrazeneca has also benefited from numerous UK government tax breaks. The first of these is the Research and Development (R&D) tax credit, which was introduced in 2000 in order to provide better government funding for R&D in small and medium sized businesses. After pressure from industry, a large company scheme was added in 2002, and both schemes have since been steadily increased in generosity and scope. Today R&D tax credits cost the Treasury an estimated £7.3 billion a year – fourteen times more than the value of R&D grants to businesses by Innovate UK. However, a recent report by the Centre for Business Research at Cambridge Judge Business School found that the R&D tax credit scheme is failing to stimulate any additional spending and represents poor value for money for taxpayers.<sup>36</sup>

In 2013 another innovation related tax subsidy was introduced called the Patent Box. It aimed to encourage the commercialisation of intellectual property in the UK by charging a lower rate of corporation tax (10%) on eligible profits. It is estimated that the Patent Box now costs the Treasury around £1.1 billion a year, with 92% going to large companies, and over a third to companies in the finance and insurance sectors. However, the scheme has been widely criticised for failing to achieve its goals. The Centre for Business Research at Cambridge Judge Business School report concluded that "there is no evidence that the Patent Box has brought benefits to the UK economy" and called for the scheme to be scrapped.<sup>37</sup> Astrazeneca were approached for comment, but declined to do so.

## 2.6 Mining: Rio Tinto

Since the pandemic began in March 2020 the price of commodities such as copper, iron ore and aluminium have soared. Reasons cited for this boom include strong demand from China; a large increase in government spending on post-pandemic recovery programmes and bottlenecks on supply and labour shortages as a result of pandemic-related restrictions.<sup>38</sup>

The major winners from surging commodity prices have been large global mining companies, a number of which are listed on the FTSE100. Among the UK listed miners Rio Tinto has benefited the most from the pandemic – **increasing its global profits by nearly £6 billion (52%) during the**



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**pandemic** compared to previous years. Rio Tinto is the world's largest iron ore producer, the price of which has surged during 2020 – delivering a huge windfall for producers.<sup>39</sup> Prices have continued to soar in 2021, and as a result, analysts expect mining companies to increase their profits even further in 2021.<sup>40</sup> Rio Tinto's mining rival Anglo American has also prospered during the pandemic, with profits increasing by £4.2 billion (73%).

Although the UK is home to Rio Tinto's corporate headquarters, its mining activities take place abroad

in countries such as Australia, Canada, Mongolia and Chile, and as a result most of the \$8.4 billion the company paid in taxes and royalties in 2020 were paid in these countries. However, in 2020 the company did pay \$132 million of corporation tax in the UK, reflecting the fact many of the company's corporate functions are based in the UK.<sup>41</sup> So while the scope to raise additional revenues from mining activities specifically is limited in the UK, increasing the main rate of corporation tax would increase the amount of tax mining companies pay in the UK. Rio Tinto were approached for comment, but declined to do so.



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### 3. Policy recommendations

The above case studies provide an insight into how the pandemic is reshaping the UK economy. Some of the companies highlighted have benefited directly from the government's pandemic response, while others have benefitted indirectly from structural shifts that have been accelerated by the pandemic. As the UK looks to 'build back better' from the pandemic, it is important that the tax system supports a fair recovery. Our research has shown that there is strong public support for higher taxes to support better services, and for taxing the wealthy more – including among Conservative voters.<sup>42</sup>

Elsewhere Tax Justice UK and 17 other think tanks, campaigners and charities have set out a bold agenda for building back better after the COVID-19 pandemic.<sup>43</sup> However, our analysis in this paper has highlighted the need for further tax reform. We therefore recommend the UK government also introduces the following changes:

#### **Introduce a windfall tax on excess pandemic profits**

The substantial increases in profits made during the pandemic by some companies have led many economists and think tanks to call for a one-off 'windfall tax' on excess company profits. Similar taxes have been introduced in several countries throughout history, often in response to wars or other emergencies. As the economists Emmanuel Saez and Gabriel Zucman note: "These taxes all had one goal – making sure that no one could benefit outrageously from a situation in which the masses suffered".<sup>44</sup>

In the UK, governments have introduced windfall taxes on multiple occasions over the past century. In 1915 the government introduced an 'Excess Profits Duty' to support the First World War effort, which was initially set at a rate of 50% on any profits that exceeded a firm's pre-war average. The tax continued until 1921, with the rate varying.<sup>45</sup> A similar tax was introduced just after the outbreak of the Second World War.<sup>46</sup>

In 1981, the Thatcher-led Conservative government introduced a 'special budget levy' on UK clearing

banks, which had made large profits during a recession due to high interest rates. The following year, the same government introduced a 'special tax' on North Sea oil and gas to capture more of the revenues from the late 1970s oil-price explosion, which raised £2.4 billion. In 1997, the newly elected Labour government introduced a windfall tax on the privatised utilities, which produced an estimated one off income to the government of £5 billion.<sup>47</sup>

As the Institute for Fiscal Studies has noted: "there are strong arguments in favour of taxing excess returns and of taxing them at higher rates than normal returns".<sup>48</sup> Survey evidence from the early months of the pandemic also suggests there would be substantial public support for an 'excess profits tax' on company profits that rose significantly above normal levels during the pandemic.<sup>49</sup>

The Resolution Foundation has set out proposals for a one-off 'Pandemic Profit Levy'. Under the proposal, companies which record higher real-terms profits during 2020-21 than they averaged in the two fiscal years before the pandemic should pay a 10% surcharge in addition to their usual Corporation Tax bill for that year on the part of their profits that exceeds the pre-pandemic average.<sup>50</sup>

Our findings suggest such a tax could raise substantial sums. The six companies examined in this briefing made excess global profits of £16 billion in 2020 compared to previous years. On this basis, a Pandemic Profit Levy of 10% could raise up to £1.6 billion from these companies alone, and a 50% levy could raise up to £8 billion.<sup>51</sup> These are rough ballpark estimates given that reported profits do not translate directly into tax liabilities. Given the lack of consistent publicly available country-by-country tax information it is also difficult to estimate how a company's profits are taxed across different countries. Therefore our revenue estimates are based on each company's global excess profits. The government should carry out a more detailed analysis on the revenue such a levy could raise.

Applying a Pandemic Profit Levy across the entire economy would likely raise more money. The funds raised could go towards the £10 billion a year

of extra spending needed to deal with ongoing COVID-related costs.<sup>52</sup>

### **Increase corporation tax**

Although a one-off windfall tax would claw back a proportion of the excess profits made during the height of the pandemic, it would not have an impact on future profits. As noted above, there are many companies that are set to prosper from the structural shifts that have been accelerated by the pandemic for years to come.

At just 19%, the UK's rate of corporation tax is low by international and historical standards. In the Spring Budget the chancellor announced that corporation tax will increase to 25%, but not until 2023. We therefore recommend that the UK government increases corporation tax immediately. Doing so would mean that companies that are well placed to prosper from the structural shifts accelerated by the pandemic – such as mining and pharmaceutical companies – also contribute more to the public exchequer on an ongoing basis. Because corporation tax is only paid on profits, companies that have been significantly impacted by the pandemic will not be affected. According to estimates by the Resolution Foundation, increasing the rate of corporation tax to 25% would raise around £20 billion a year in tax revenue.

This represents a broader trend away from the 'race to the bottom' on corporate tax rates. In July this year, over 130 countries agreed a new approach to taxing multinational companies that will go some way to tackling tax avoidance and will raise more

money. While the deal doesn't not go far enough, and lower income countries will barely benefit, it represents a clear step forward. Importantly, by reducing the benefits of moving profits offshore, it makes it easier for governments to raise corporation tax domestically.<sup>53</sup>

The government should also review tax reliefs such as R&D tax credit and the Patent Box. The evidence is that these are very expensive and are failing to deliver much, if any, benefit to the wider economy.

### **Equalise the taxation of capital gains and income**

As the example of the Scottish Mortgage Investment Trust shows, much of the wealth that has been accumulated during the pandemic has come in the form of increased asset prices. However, in the UK the maximum rate of capital gains tax paid on shares is 20% – far below the maximum income tax rate of 45% – even though it is mostly paid by wealthy asset owners.<sup>54</sup>

There is now a growing consensus among economists and think tanks that this arrangement is inefficient and unfair.<sup>55</sup> We therefore recommend that capital gains should be taxed at the same rates as income from employment. This will ensure that returns from wealth and income from work are taxed on an even basis, and that a larger proportion of the substantial capital gains realised during and after the pandemic contribute to the economic recovery. The government's Office for Tax Simplification estimates that aligning capital gains tax with income tax rates could raise up to £14 billion a year for the exchequer.<sup>56</sup>



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## Annex: Methodology for case studies

In order to identify the case study examples, an initial scoping exercise was undertaken to identify sectors of the UK economy that have prospered during the pandemic. Within each of these sectors, the companies that have dramatically increased their profits during the pandemic were identified by calculating a measure of 'excess pandemic profits', defined as pre-tax profits made in the twelve months from 1 April 2020 until 31 March 2021, in excess of the average of profits reported in the previous three twelve-month periods. This is similar to the definition of excess profits used by Oxfam and the Resolution Foundation in recent publications.<sup>57</sup> For data availability reasons, the analysis has been limited to UK companies that are publicly listed.

Data on the financial performance of companies was gathered using the Compustat Global research platform, company financial reports and Reuters. Quarterly financial data was used to construct a consistent time series in order to account for varying reporting periods. All results are reported in British pounds, and have been converted using the appropriate exchange rate where financial performance is reported in other currencies.

# Endnotes

- 1 <https://www.resolutionfoundation.org/publications/wealth-gap-year/>
- 2 <https://www.bailliegifford.com/en/uk/individual-investors/literature-library/funds/investment-trusts/scottish-mortgage/annual-reports/scottish-mortgage-annual-report-including-the-notice-of-agm-march-2020/>
- 3 <https://www.bailliegifford.com/en/uk/individual-investors/literature-library/funds/investment-trusts/scottish-mortgage/annual-reports/scottish-mortgage-annual-report-including-the-notice-of-agm-march-2021/>
- 4 All the excess profits figures cited in this report are based on the authors' calculations using publicly available corporate profit data. See the methodology for details of our approach.
- 5 <https://www.pinsentmasons.com/out-law/guides/investment-funds-tax>
- 6 Private Equity managers pay a Capital Gains Tax rate of 28% on their share of profits, which is called carried gains.
- 7 <https://warwick.ac.uk/fac/soc/economics/research/centres/cage/manage/publications/bn27.2020.pdf>
- 8 <https://warwick.ac.uk/fac/soc/economics/research/centres/cage/manage/publications/bn19.2020.pdf>
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