

News story: Chancellor pushes for international action on tax rules for the digital era

- Global tax rules do not reflect the digital age, Chancellor to warn world leaders
- Chancellor will also meet with the leaders of the Japanese business federation and Japan's big banks to discuss future opportunities from the UK-Japan relationship

World leaders must follow the UK's lead and work together to ensure global tax rules keep up with the times, the Chancellor will stress at a meeting of Finance Ministers from major economies around the world in Fukuoka, Japan (7 June).

The digital revolution has transformed how we do business, but the international corporate tax system is outdated, the Chancellor will say during the meeting of G20 Finance Ministers and Central Bank Governors. He will also outline the benefits brought by digitalisation to the UK economy and beyond, but warn that a plan needs to be agreed to tackle the way tech multi-nationals are taxed, because change is too slow.

Chancellor of the Exchequer, Philip Hammond said:

Britain's future outside the EU depends on the strong partnerships we build with our friends and neighbours across the world.

In Japan, I will further strengthen our successful economic relationship by showcasing how we're embracing the new economy and champion our world-class expertise in tackling the challenges posed by the digital revolution. I will also meet with my G20 counterparts to reaffirm the need for global reform of the international corporate tax framework, to ensure it is fit for the future.

The Chancellor set out details in last year's Budget for a Digital Services Tax – a tax on the revenues of certain online business models. But he made clear then that an international agreement would be the best solution to ensure that digital platform businesses that generate substantial value in the UK pay their fair share of tax.

Alongside Japanese, Chinese, French, and American counterparts, the Chancellor will reaffirm the UK's commitment to reaching an international

agreement on reforms to the international corporate tax framework for digital businesses.

Building on a recent report from the Global Infrastructure Hub – a G20 initiative – which noted that the UK is a ‘pioneer of project delivery globally’, the Chancellor will also push for the adoption of a set of shared principles for global quality infrastructure investment. The G20 Principles for Quality Infrastructure Investment will support efforts to close the infrastructure financing gap and drive sustainable growth.

The Chancellor will also hold talks with Finance Ministers of some of the largest global economies, including for the first time India’s new Finance Minister Nirmala Sitharaman. They’ll discuss the challenges facing the global economy and cooperation post-Brexit.

Finally, in Tokyo the Chancellor is also set to meet with senior figures in Keidanren (the Japanese Business Federation) and the CEOs of some of Japan’s largest businesses and banks, including Masayoshi Son, Founder and CEO of Softbank. They’ll discuss how the UK will maintain and strengthen its future economic ties with Japan – the world’s third largest economy – long after Brexit.

Japan was the UK’s 4th largest trading partner outside of the EU in 2018. Total trade in goods and services (i.e. exports plus imports) between the UK and Japan was £29.5 billion by the end of Q4 2018, 8.5% more than 2017.

The International Trade Secretary is also attending G20 meetings in Japan this weekend to address global trade tensions and advance reform of the WTO, including on digital trade rules that are fit for the 21st century.

Further Information

- Keidanren is the largest and most influential Japanese business organisation, comprising 1,412 major companies, 109 industrial associations and 47 regional economic organisations.
- The UK used its Presidency of the G8 in 2013 to initiate the first substantial renovation of the international tax standards in almost a century. The ‘BEPS package’ initiated then is a series of concrete measures to help countries tackle businesses shifting their profits around to limit their tax bills.
- The Infrastructure and Projects Authority, the UK’s centre of expertise for the delivery of infrastructure and major projects, has provided support to over 60 governments on infrastructure planning and delivery, and is working to promote the G20 Principles for the Infrastructure Project Preparation Phase – a key element of quality infrastructure endorsed by the G20 in 2018.