ANDREW MARR SHOW
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SAJID JAVID

AM: Back now to the big story of the day. Sajid Javid, as Business Secretary, speaks for hundreds of thousands of small businesses, who unlike Google don’t get the chance to have lots of private meetings with the tax man to negotiate about how much tax they’ll pay. And in a sense that is the central point, this is unfair to all the smaller companies who can’t do what Google has done.

SJ: Good morning. As you say, you know, I speak with thousands of companies; small, medium size, as well as, of course, large companies, and there is a sense of injustice with what they see. They do look at this and say, ‘look, I don’t operate all these multiple jurisdictions around the world, I can’t share profits around, what about me? Where’s the level playing field?’ And I share that sense and the sort of sense of unfairness that exists. In a sense I actually think it’s much wider than that. I think there’s a concern amongst many people about capitalism itself, when they look at, you know, companies are cheating on emission tests or banks that are rigging libor, they fix rates, and they say what’s going on? Now, I passionately believe that the free enterprise system is still the best system, is the best way to raise living standards, but this is a challenge.

AM: But this wasn’t a glorious moment.

SJ: It wasn’t a glorious moment when people look these issues. But it is important to, I think to talk about also what the government is doing. You know, you had earlier on your show, you talk about Google itself, and I’m not privy to its own tax affairs, that’s for HMRC. These matters are naturally complex and confidential. But the government has taken a huge amount of action to try and deal with just this kind of problem.
AM: But when we see this £30 billion tax mountain sitting in Bermuda, of which three billion, it’s suggested by Google, might be British money, then that does not appear to be a great victory in terms of getting money back from Google, does it?

SJ: Well, I think – well, first of all, the numbers themselves. It is a complex issue for whichever large company you talk about. As I said, I don’t know the details, you don’t, your viewers won’t, that’s for HMRC.

AM: That is partly the trouble. It’s not transparent. When it gets to sort of detailed deals between very, very powerful companies, and a lot of people think that Google, in a sense transfixes too many ministers. They’re so trendy, they’re so powerful, they’re so glossy that ministers and civil servants, possibly even tax officials, are slightly in awe of them.

SJ: Well, I don’t – I don’t think that’s the case at all. I think if you just look at the action the government has taken, the last five years since 2010 we’ve closed 40 tax loopholes which in themselves have raised over £12 billion over the last five years. We’ve led the way at the G20 and the OECD to have more international tax transparency, which is required by signing exchange – information exchange agreements with our international partners, by changing the rules, we’ve led the way in changing the rules and asked other countries to do so and they’re doing that. And these are measures that are going to bring results.

AM: Is it true, as the Observer reports this morning, that the government is defending Bermuda as a tax haven against assault by other EU countries?
SJ: No, I don’t think that’s the case at all. I mean, in fact the government, the British government has led the way for international tax transparency, whether it’s Bermuda or any other place. We’ve insisted on it. When George Osborne, you know, led this issue at the G20 he made a stronger case than anyone else on this issue and we have led the way. But what I do accept is that there is still more work to do. We need to do more work with our international partners and work out more ways to stop companies, large multinational companies, from being able to shift profits so easily. There is still this sense of injustice and more work still needs to be done.

AM: Was this £130 billion pound deal, million pound deal with Google a great victory, great victory, a great success?

SJ: I think that the way in which it was a success is that it helps to change behaviour. It is absolutely clear to me, I think, when other companies, other large companies, they look at this and they see that HMRC, no matter how long it takes – I think this particular investigation, if I’m not mistaken, took five or six years – that HMRC will not give up. They will come after you if they feel you’re not paying your fair share in taxes.

AM: It’s not an awful lot of money is it? As Anna Soubry, your colleague said.

SJ: Well, it will change behaviour. And that’s important and that is significant.

AM: We’ll see. I mean, moving away from Google, Facebook, a huge company, paid £4300 in tax in Britain this year. That’s extraordinary isn’t it?

SJ: Well, look, I don’t know the numbers for Facebook or Google.
AM: But .. it’s ridiculous.

SJ: I wouldn’t know the numbers and the detail. But I think comes –

AM: I got the number from Facebook. Not a small company. It’s 4,300 and something pounds last year.

SJ: Well, I think you’re referring to corporation tax, but let’s remember all these companies, Google, Facebook, whichever of these large companies you mention, they also pay VAT, they pay National Insurance, they pay all sorts of other taxes in Britain. So I think it would be a bit unfair to say that’s the only tax they paid in Britain. But you’re right to point out when it comes to corporation tax a lot of work has been done but more needs to be done.

AM: Let’s look at corporation tax in another story today. Six of the ten biggest companies in the UK last year paid no corporation tax at all. Isn’t corporation tax no longer fit for purpose?

SJ: I don’t – well, I’ve heard that, you know, I think Nigel Lawson has just said something like this in and a large group of companies.

AM: Do you agree with him?

SJ: No, what I think is that it’s important to recognise that business has changed dramatically over the last few decades. If look at when the double taxation treaties that Britain has an other countries have, most of these were signed in the 1920s. So I think everyone accepts there’s been – well, this is really about the tax treaties, I’m not talking particularly about corporation tax but clearly the world of business has changed dramatically. So it’s absolutely right that we in Britain alongside our international partners, we keep looking at ways to modernise tax so that we
can collect it and collect it fairly from small and large businesses alike. And that's what the work that we’re doing is – what it’s been doing, whether it’s with the OECD or whether it’s at home. For example, the review we’ve got of business rates is again looking at major tax and seeing is it fit for purpose.

AM: Let’s not move to business rates if you don’t mind. What is the case against a flat rate, relatively modest sales tax as Nigel Lawson advocates, and many other countries around the world use? You know, it can’t be dodged, it’s absolutely clear and transparent, everybody has to pay it. Isn’t that the way forward?

SJ: Well, we have a sales tax that virtually everyone needs to pay, which is VAT.

AM: Yeah, this is an additional one obviously.

SJ: Yeah well, but we do this, it’s not as though we don’t have such at tax, and in many ways that works. But we have, like many countries, we have a number of different taxes but individually, whether it’s VAT, whether it’s corporation tax, business rates, whatever it is, I think it’s always important to keep them under review and decide whether they are fit for purpose.

AM: Do you think the Google row means the government should think again about business taxation more generally.

SJ: The government has been thinking about business taxation ever since the new government came in 2010 under the coalition, under this government, and that’s why there’s been so many changes. As I say, 40 of Labour’s tax loopholes have been closed and at every single budget we’ve seen other loopholes closed as we discover them, as they’re brought to our attention, and no doubt you’ll see the same in the next budget.
AM: And yet billions are still being moved to Ireland and then to Bermuda. You know, it is not an attractive picture is it, for the small businesses, as you were saying at the beginning, who can’t do this themselves?

SJ: And that’s exactly why we need to do even more work with our international partners, and I’m proud that Britain is leading the way.

AM: Okay. Now, your other big story of the day, as it were, is the announcement that you’re going to make all British universities, I think, publish the details of the breakdown of ethnic groups who apply and get places, but also socioeconomic groups as well. Why are you doing this?

SJ: Well, that’s right. It’s about racial equality. Let me say first of all, you know, as a British person of ethnic minority background, that, you know, I think Britain is the most tolerant country in the world when it comes to racial issues. But that doesn’t mean to say there’s not always more that we can do. So myself, you know –

AM: More black British people in prison than in top universities.

SJ: And it seems that if you’re a young black man you get a longer sentence, on average, for the same crime versus a young white man. We need to look at that, and that’s why, on that particular issue I’m proud that we’re getting David Lammie to look at that. Someone I think’s eminently qualified to look at that issue, not just as a MP and someone – a former minister, but also as a barrister. But there are still issues to deal with. I remember when I was a young man at school, you know, I remember being called Paki in the playground and being, you know, punched because of my colour. You know, these – we have moved on, I’d like to think, since then, but we still need to do more work, and that’s what the prime minister is talking about when it comes to
universities, for example, to say how can we get more black minority ethnic people through our universities? There’s been lots of progress but we need to do more.

AM: So what’s the point of making universities publish statistics if there’s no carrot and there’s no stick?

SJ: Well, actually tomorrow, starting tomorrow, I’ll be having a round table with a number of universities and schools to talk to them about the measures that they have taken. And let’s accept there has been progress, but not enough. You know, there was a number that came out recently that showed that for Oxford, for example, they had 27 black men and women attend in 2014 out of a total pool of 2500. So just one per cent.

AM: What.. says about that, other universities say they bring in everyone they can who gets the right A levels but the problem is in the schools, there are not enough people from white male working class backgrounds, but also from some ethnic minority backgrounds who are getting A levels of sufficient standard to get them to those universities.

SJ: And I accept that that is an issue, and that’s why we have such a radical reform going through the education system, with more children, for example, going to good and outstanding schools today than ever before. That is a reason, but it’s possibly not the only reason. There is such a thing as what I call unconscious bias. I’m not suggesting that people set out to be racist, of course not. I think there are instances where people have certain role models or certain images in their mind.

AM: Using phrases like, ‘a bunch of migrants.’

SJ: Well, that’s – that’s actually a completely separate issue about, you know, Labour’s open door immigration policy, that is
not what we’re talking about here. Which is about how do we get more black and minority ethnic people through our great universities. When I went to university, the first in my family, there were probably only about three or four people that I noticed that from ethnic minority background. It’s changed, there’s been huge progress, but there’s still a lot more to do.

AM: And so in essence this is about saying that if universities publish the very small numbers of black people and people from working class communities who get into their – through their portals, that will so embarrass them that there will be further change?

SJ: I think that it will help. Transparency always helps. But I think there’ll be more measures that are required, and I want to sit down with universities and discuss what more can be done, and then help them achieve that.

AM: Sajid Javid thank you very much indeed for coming in to talk to us today.

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