

UK Conservative Party chair Zahawi forced to resign

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30 January 2023

The continuing crisis of Britain's ruling Conservatives saw the sacking of party chairman Nadhim Zahawi on Sunday. Zahawi was fired after Prime Minister Rishi Sunak's "ethics adviser" found he committed multiple "serious breaches" of the ministerial code by failing to be transparent about his tax affairs.

This followed 10 days of intensifying claims from tax experts, opposition MPs and newspaper exposures that the multi-millionaire tried to avoid paying tax.

Zahawi was appointed party chair by Sunak in November. Sunak only took office himself in October, as the third prime minister in six weeks, following the forced resignations of Boris Johnson and Liz Truss. Zahawi remains Tory MP for Stratford-Upon-Avon.

Zahawi was promoted to education secretary in October 2021 by Boris Johnson and again promoted—as the last chancellor in his administration—from July 2022 to September last year. Zahawi was then replaced as chancellor by Kwasi Kwarteng when Truss replaced Johnson.

Zahawi and his wife are among numerous senior government figures who have amassed vast wealth. They made a fortune from various companies and have built a £100 million property portfolio. More than half the property was bought while Zahawi served as a government minister. Among their assets are five personally owned residential properties—worth at least £17 million. Three are in London, one in Warwickshire and one in Dubai.

The *Guardian* revealed on January 20 that Zahawi "agreed to pay a penalty to HMRC [HM Revenue and Customs] as part of a seven-figure settlement over his tax affairs..." The newspaper was "told that the former chancellor paid a penalty imposed by HMRC—part of an estimated £5m tax bill." The newspaper noted,

"Penalties are applied if someone does not pay the correct tax at the right time."

HMRC's investigation centred on a 42.5 percent stake in YouGov held by Zahawi's father through an offshore vehicle in Gibraltar, Balshore Investments. YouGov, an Internet-based market research, opinion polling and data analytics firm, was co-founded in 2000 by Nadhim Zahawi. The Balshore shares were eventually sold for an estimated £27 million in 2018. The disposal of the profits and tax receipts was the basis of the HMRC tax investigation.

According to the newspaper, "A source familiar with the payment" said a penalty was triggered as a result of a non-payment of capital gains tax due after the sale of shares in YouGov. Zahawi could have been subject to larger penalties had he not reached a settlement towards the end of last year.

Experts estimate the tax due was about £3.7 million in capital gains tax from the sale of more than £20 million in YouGov shares. Zahawi attributes this to an error that was "careless and not deliberate."

Sunak refused to fire Zahawi at that stage, instead requesting an ethics adviser, Sir Laurie Magnus, to investigate his tax affairs.

Pressure intensified last Thursday when HMRC's chief executive, Jim Harra, told MPs on the cross-party public accounts committee that under law, "There are no penalties for innocent errors in your tax affairs". He added, "If you take reasonable care, but nevertheless make a mistake, whilst you will be liable for the tax, and for interest ... you would not be liable for a penalty."

Magnus found that when Zahawi was appointed chancellor on July 5 last year, he filled in the relevant form with no reference to the HMRC investigation. Zahawi started his "interaction" with HMRC in April

2021, settling the dispute in August last year with an agreement signed in September.

Under the ministerial code, ministers must update a declaration of interest form, including details of any tax problems. Ministers are required to make senior civil servants aware of any potential issues that could arise. There is no evidence that Zahawi did this when acting as chancellor of the exchequer.

Magnus found that Zahawi breached the ministerial code from the outset by treating the HMRC investigation into him as a non-issue, with a face-to-face meeting in June 2021. Zahawi claimed that he did not realise this was a formal probe into his tax affairs.

Zahawi's dubious financial dealings were no surprise to anyone in Whitehall. The *Observer* revealed on Sunday that Sunak "was told there could be a reputational risk to the government from Nadhim Zahawi's tax affairs when he appointed him as Conservative party chair in October."

But for Sunak, such warnings were small fry, as he and his wife possess a fortune of at least £730 million. Last year Sunak entered the *Sunday Times* Rich List, with the WSWs noting that he was "the living embodiment of government in the service of the financial oligarchy ... of rule of, by and for the oligarchy."

Government and business are increasingly the same thing, with the financial aristocracy running both.

Another of Johnson's chancellors, Sajid Javid, was a multi-millionaire on entering parliament in 2010 with a fortune made in banking, as well as a property millionaire—who owned three homes—two properties in London and one in his constituency of Bromsgrove. *Sky News* reported this month that he is "in talks about a role with an investment firm with close links to SoftBank, the giant Japanese conglomerate." The conglomerate, Centricus, is a "London-based group which manages more than \$40bn in assets." Prior this Javid, who previously held the position of health secretary, had share options in a California tech firm behind health sector software. These were only sold after MPs pointed out the clear conflict of interest.

Despite a parliamentary majority of over 70, stemming from Johnson's defeat of Labour in the 2019 general election, the Tory government is increasingly unstable. Sunak was handed power by the financial markets' removal of Truss, who committed the crime

of outlining massive tax breaks for the rich without premising them on intensified austerity against the working class.

Zahawi is the second minister to be forced to resign in a government barely 100 days in office. Gavin Williamson stepped down as Cabinet Office minister less than a fortnight into Sunak's new government. Sunak's deputy prime minister, Dominic Raab, is being investigated over claims of bullying.

Sunak was only able to take office in the first place and his rotten government continue in the saddle due to its being propped up by the Labour Party and trade union bureaucracy.

Johnson and Truss were kept in place by Labour leaders Jeremy Corbyn and Sir Keir Starmer on the basis of a de facto coalition in the "national interest". This allowed the bourgeoisie time to reorganise its affairs and remove Truss on the basis that Sunak's new chancellor, Jeremy Hunt, be tasked with massively ramping up the offensive against the working class.

Labour is incapable of mounting any popular challenge to Sunak. Following Zahawi's fall, Labour's Shadow International Trade Secretary Nick Thomas-Symonds declared "There are now very serious questions for this Prime Minister who promised integrity, promised accountability, but that isn't what he is delivering. Instead, he has been weak, he has vacillated and has once again put party before country." Everything is being funnelled through the parliamentary set-up, with Thomas-Symonds stating, "The Prime Minister should now be coming out and giving us an explanation of these matters."

The Zahawi affair only confirms that there is no fundamental political opposition to the Tories within the parliamentary set-up, with the two main parties in agreement with intensifying NATO's war against Russia and deepening the offensive against the working class.



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