

Business will not be happy until it is free of any tax obligation

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From Mr John Christensen and Mr Richard Murphy.

Sir, We are bombarded daily with calls from industry for tax cuts (Letters, September 18) and increased tax competition even though the evidence suggests the effective tax rate in Britain is well below the headline rate.

We support competition, but think business should compete on the basis of innovation and the quality and price-competitiveness of its products, rather than continually looking for state subsidy - direct and indirect - to create a "competitive" environment. Tax competition has forced many developing countries to undermine their revenue bases in their efforts to attract inward investment with no benefit to anyone other than shareholders overseas. Throughout the world we see a shift of the tax burden from capital to labour and consumers.

It is time the issue of tax competition was examined afresh since it is quite clear business will not be happy until we reach the stage where it pays no tax. That might suit some in business, but for the economy as a whole it makes no sense. Worse still, it would distract from the role of enterprise - which is adding real value, not trading fiscal rules.

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