

## Tax competition - dealing with the myth

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The FT published a letter on Monday asking for more tax competition. It seems it thinks itself duty bound to do so about once every three month. I won't reproduce it. They all have the same themes:

- 1) UK business pays too much tax;
- 2) The UK is out of line on tax rates;
- 3) If only tax was cut UK business would be more innovative;
- 4) Then we'd all be better off.

This argument is absurd. Point (1) is at best subjective. Point (2) is not true when effective rates are considered (and frankly, UK business is hardly overtaxed at headline rates. There is then a complete logical failure in the argument, which cannot move from (2) to (3). And the same logic failure is true of the move from point (3) to (4).

As usual, John Christensen and I were irritated by this nonsense, and so penned a quick response. This was [published](#) in the FT today and is reproduced below. Perhaps the key sentence is the last one. We believe in business, but in business that adds real value to society, and does not just trade in fiscal rules.

*Business will not be happy until it is free of any tax obligation*  
By John Christensen and Richard Murphy  
Published: September 19 2006 03:00. Last updated: September 19 2006 03:00  
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.*

*John Christensen and Richard Murphy,  
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