Funding the Future

Heading in the same direction

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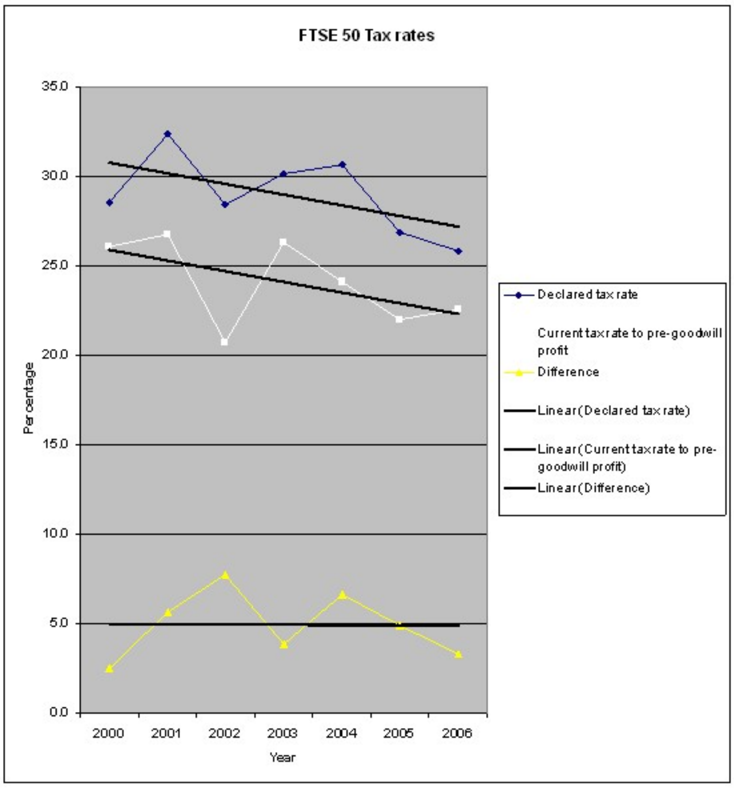
Mike Devereux and Judith Freedman of the Oxford University Said Business School Centre for Business Taxation had an article in the Guardian this morning. I thought it curious they forgot to mention the close links between the Centre and the FTSE 100 Group of Finance Directors, but I'll leave that aside. I'll just note that the Guardian subtitled the article:

Rather than knock firms for minimising their tax bills, we should focus on reforming the rules

It is a line that I suspect their sponsors will enjoy.

That I disagree with much of what they say is unsurprising. As is well known, Mike and I don't always see eye-to-eye. I was not surprised as a result to see that he and Judith took a swipe at the Tax Gap idea. However, what they do not tackle is the data it produces, which shows the following, quite dramatic trend:



In fact it is very difficult to work out what they did actually intend to say in their article: it appears profoundly confused until near the end when out of the mish-mash of digs at the Guardian an idea emerges:

So what should be the basis for taxing multinational corporations?

They ask. And then say:

A corporation is a legal person, but in practice most corporate groups are made up of a network of companies. The group typically has shareholders across the globe, and assets, employees and customers scattered throughout many countries. In a system based on taxing profits, it makes sense for the group to move its profits to where the tax is lowest. The way to combat this is to find a new basis for taxing corporate groups, based on factors such as where assets are located, employees work or sales are made. The European commission has been working on proposals for such a system, but they are difficult to formulate and agree. A worldwide solution needs even broader international co-operation.

Now here, despite all their digging, they're moving onto ground which we share. What they describe, but will not name is unitary taxation. That is exactly what the Tax Justice Network is calling for in the UK. It is a system of tax which country-by-country reporting is designed to support.

So despite it all Mike Devereux seems to be on the side of the Tax Justice Network. I wonder if he wants to join? He and Judith would be welcome on one condition: a commitment to corporate taxation is pre-requisite. If the argument that the current system won't work is matched by the one that the ideal replacement is not possible which then means we shouldn't try at all is the disguised line (and I think the article makes that possible) then we're still at logger heads.

For once I'd rather hope we're not.