Funding the Future

Profits everywhere – except near the tax man

Published: January 13, 2026, 6:06 pm

There's a second article from Jesse Drucker in Bloomberg today. It reports:

Over the past three years, Pfizer Inc. was an earner without profit in its own country.

The maker of the cholesterol medication Lipitor, the world's top-selling prescription drug, reported almost half its revenues in the U.S. for 2007 through 2009, while booking domestic pretax losses totaling $5.2 billion.

Abroad, it was another story. A Dutch subsidiary more than made up for New York-based Pfizer's American losses. It reported pretax profits totaling $20.4 billion in 2007 and 2008 -- with a tax expense of 5 percent, a seventh of the top U.S. rate. Overseas tax savings increased the drugmaker's net income by $1 billion last year, according to Robert Willens, a tax consultant in New York.

Pfizer is one of thousands of American companies that bolster their profits by attributing income to subsidiaries in countries with lower income tax rates, legally cutting their tax bills. Eli Lilly & Co. and Oracle Corp. were among other big companies that helped drive a 70 percent increase in accumulated earnings abroad that weren't taxed in the U.S. from 2006 to 2009, according to data compiled by Bloomberg.

"An inordinate concentration of profits in a low-tax country, way out of proportion to actual economic activity, is a sure sign of aggressive tax planning," said Martin Sullivan, a tax economist who formerly worked for the U.S. Treasury and Arthur Andersen LLP.

Martin is a great guy.

He's never wrong on these issues.

This is the economic reality of globalisation.

We could shatter it with country-by-country reporting.

That would shift some of the burden of the tax increases we’re going to have back onto capital.

What are we waiting for?