

The Great British Corporate Tax Giveaway

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The [above title is also to be found in Forbes](#), where Lee Shepherd has written an article under that heading.

She does three things in that article. First of all she explains the extraordinary phenomenon of UK Uncut; a tax protest appropriately aimed at corporate tax abuse.

Secondly she explains what that abuse is and how the UK government is complicit in facilitating it.

Thirdly, she laments the fact that no replication of the protest is likely in the USA.

The article is long, a little wonk-ish, and well worth reading in full. From my perspective I'm pleased to see that she supports my concern about the introduction of territorial taxation, [expressed here](#) yesterday. [As she says](#) (and I have edited a lot):

The protests have hit multinationals where they live, so that the campaign has been much more effective than the bog-standard one-day picketing of the Whitehall government offices in London. But Whitehall is to blame. A lot of the objectionable nonpayment of tax by British multinationals is completely legal, and approved by both major political parties.

What prompted this outcry? The participants in Uncut UK are making the logical connection between Cameron's spending cuts and the lack of revenue from the most fortunate segments of British society.

The policies Uncut UK is targeting were initiated by the previous Labour government, only to be expanded in generosity by the current government. The recently adopted corporate tax policy is called territorial taxation, which means that multinationals owe no tax on their foreign business income to their home government.

Combined with transfer pricing, territorial taxation is an open invitation to multinationals to have as much income as possible treated as foreign.

Territorial taxation makes transfer pricing problems worse. How is that possible? It raises the stakes. A multinational that successfully shifts income out of a high-tax country with developed consumer markets and paved roads, such as the United Kingdom, gets the full benefit of the low or nonexistent tax rates of the tax haven to which the income is shifted. There is no further tax on repatriation of that income.

That's it in a nutshell: the UK government is deliberately introducing a system of tax that is almost impossible to police, as Shepherd argues, and which is bound to reduce the contribution the UK business makes to UK taxation revenues.

Is there any real surprise that people are really angry as a result?

Hand-in-hand, working together, an elite that spreads from business to government, and back again is ensuring that the rest of us transfer our wealth to a tiny minority in society. This tax reform is part of that process.

Why can't they see that this is not sustainable?

Hat tip to Nick Shaxson, TJN