

I was asked one question on two separate occasions last week. It was "is tax a cost of business?"

The answer is a resounding "no, it isn't!"

The idea that tax is a cost of business is a convenient myth - one propagated by the tax avoidance industry to provide an all too ready excuse for its clients who justify their tax abuse by saying "it's all in the shareholders interests."

We do not however have to go far back in history to realise that in a more enlightened era those responsible for accounting saw through this untruth. It's not by chance that in the profit and loss account of any company tax is shown as a payment after its profit has been struck. In that sense the tax charge of a company stands alongside the payment of dividends to shareholders as a distribution by the company out of its profit. This makes abundantly clear that tax is not a cost, any more than payments of dividends to shareholders are costs. The payment of tax is a distribution.

Dividends are a distribution to the owners of a company paid in return for the capital that they provide to allow it to trade.

Tax is a payment made by a company to the society that grants that company its right to operate.

And there is no company that can say it has not been granted a licence to operate. Most companies trade in the states in which they are incorporated. In that case their certificate of incorporation - the certificate that proves they have a legal existence - that is their quite literal licence to operate. If they trade in a state other than the one in which they are incorporated then most states require that they be registered before being allowed to do so - in which case that registration becomes their licence to operate.

And have no doubt that this licence is very real: the licence may be cheap, but it carries with it too significant and unavoidable obligations.

The first such obligation is to comply with the tax charges created using the very same legal process that granted the company a licence to operate.

The second obligation is, I think, to be transparent and accountable for their actions by putting financial statements on public record.

These are reciprocal obligations for the right of limited liability that has been granted by a state. And yet we have allowed them to be corrupted. So much so that we don't [enforce them any more](#) resulting in a loss, in my estimate of up to £16 billion a year in tax revenue.

Which is something we really can't afford.