

Corporation tax is a problem that won't go away

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As [John Kay writes in the FT this morning](#):

Corporation tax is an increasing headache for policymakers around the world. They are under pressure from large companies, which demand concessions with threats to move their headquarters elsewhere. Rates of company tax have been lowered, rules amended to make life easier for companies that derive much of their income from overseas.

But as some lobby groups welcome these moves, others oppose them. Angry demonstrators besiege Vodafone and [occupy Fortnum & Mason](#). The protesters claim it is unfair that large multinational companies based in the UK pay little corporation tax. Barclays disclosed to an unhappy Treasury committee that, although it continued to rely on UK government support to meet its financing requirements, UK tax represented a very small proportion of its worldwide profits.

The problems are aggravated by competition to secure economic activity and corporation tax revenue. Brass plates on office blocks in tax havens purport to identify the headquarters of businesses that neither make nor sell any product locally. Ireland set the pace among developed countries in attracting global companies to locate activities and report profits there with a 12.5 per cent corporation tax; but that policy is deeply resented by other European Union members. [Northern Ireland](#) would like to follow suit and, if it did, [Scotland](#) and Wales would seek to jump on the bandwagon.

He's right, of course.

And he's right in the analysis that follows on to say that the OECD's arm's length model of allocating tax profits no longer works. That's been obvious to everyone but the OECD for a long time.

On the other hand he's wrong to dismiss unitary taxation as he does - giving in the process clear indication that he does not understand the difference between source and destination accounting for sales.

What is indisputable is this:

Advocating global economic agreement is, in general, a recipe for expensive meetings with no consequences. But if corporation tax on multinationals is not to disappear into a morass of complexity and avoidance, there is really no alternative to such agreement — and some fresh thinking.

Some of us are trying to deliver just that.

We're even confident of delivering.