

# The blatant untruth at the core of Conservative corpora...

Published: January 13, 2026, 6:56 am

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David Gauke MP, the Tory Exchequer Secretary, and a man for whom I have little regard (a feeling which I know is reciprocated) was speaking at the Oxford Centre for Business Taxation [yesterday and said](#):

*We are prioritising reform of Corporation Tax because it is the most growth impeding tax there is.*

*In contrast there are those who insist we increase Corporation tax and reduce the deficit on the backs of business.*

*As if “business” was an entity separate from society, distinct from employees, and irrelevant to growth.*

*The argument is made — I heard it last week from the trade unions in Northern Ireland — that cutting corporation tax favours the wealthy over the rest of society.*

*But of course the economics doesn’t stack up.*

*We all know that higher business taxes feed through to a combination of prices, dividends, pensions, profits...and for an open economy like the UK, wages in particular.*

*Higher taxes on profits reduce the return to investment, leading to lower levels of investment. And a lower level of investment undermines productivity which ultimately feeds through to lower wages.*

*Ever increasing tax rates would simply serve to make the UK’s business environment internationally uncompetitive....to the detriment of our private sector, and to the detriment of our wider society, rich and poor alike.*

*Cutting Corporation Tax encourages investment. As the Chancellor said last year, reducing the headline rate signals that we are committed to creating a competitive environment for business.*

There's no other way to describe this but complete and utter nonsense. Unless of course you call it a lie - with a gratuitous insult for my work (he likes delivering them) for unions in Northern Ireland thrown in.

The explanation is very simple. It's that right now the world's corporations are sitting on an absolute mountain of cash. Martin Wolf notes it often in the FT. The FT [recently noted it in a video cast](#). [Paul Krugman did too the other day](#).

The reality is that there is not one iota of evidence that a) investment is being impeded by a shortage of cash as a result of tax paid by corporations b) changing tax rates will in any way encourage more investment when companies are already refusing to do it and are lending their cash to governments instead (how else do you think the deficits are funded?)

But despite this Gauke carries on saying that tax cuts are the way to encourage investment. Which is flagrantly not true, as the evidence shows.

So why does he promote tax cuts then? Because they make the rich richer. Precisely as the unions in Northern Ireland say. It's the only obvious explanation there is. And it's at the core of his government's philosophy.

Gauke like me believes there is tax incidence - corporation tax is paid by someone else than a company at the end of the day. He however hides behind the convenient claims of the Oxford Centre for Business Taxation that the charge falls on labour (an argument contrived on the basis of exceptionally dubious and bluntly biased analysis that only looked at the consequence of corporation tax increases and not decreases - which is what Gauke is delivering). The reality is as I say - that tax cuts deliver wealth to shareholders and no one else. Not once, not ever, has a manager turned round and said "we've had a corporate tax cut - have a pay rise". Nor, candidly, have they ever turned round and said "we've had a tax cut - let's invest more" - indeed the evidence is that higher taxes encourage investment and lower ones don't.

And that blows his whole policy apart.

Which is not surprising as his whole policy is about increasing the wealth gap in the UK and nothing else.