

welcome step by Obama towards ending corporate tax ha.

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As [FinFacts has reported in Ireland](#):

The Obama Administration has proposed a minimum tax on profits of US companies in foreign jurisdictions that if implemented will reduce the attraction of Ireland's low-tax foreign direct investment regime and imperil the tax haven activities of high profile companies such as Microsoft, Google and Facebook.

President Obama on Wednesday proposed the first major reform of the US corporate tax system in a quarter century and outlined a plan to cut the headline corporate tax rate to 28% from the current level of 35% while eliminating several loopholes that cut tax bills.

The Administration said:

"Our tax system should not give companies an incentive to locate production overseas or engage in accounting games to shift profits abroad, eroding the US tax base." It takes aim at Ireland's low-tax system by proposing a minimum tax on foreign earnings that would "discourage a global race to the bottom in tax rates."

The Administration proposes that income earned by subsidiaries of US corporations operating abroad must be subject to a minimum rate of tax. It says this would

"stop our tax system from generously rewarding companies for moving profits offshore. Thus, foreign income deferred in a low-tax jurisdiction would be subject to immediate US taxation up to the minimum tax rate with a foreign tax credit allowed for income taxes on that income paid to the host country."

This minimum tax would be designed to balance the need to stop rewarding tax havens and to prevent a race to the bottom with the goal of keeping US companies on a level playing field with competitors when engaged in activities which, by necessity, must occur in a foreign country."

It's hardly surprising Ireland is worried: it is one of the main targets of this policy. But

bit should have expected this. Time Magazine has also looked at the Obama proposals and writes wisely [about them, saying](#):

Yesterday, President Obama announced a long-awaited proposal to cut corporate taxes in America, which U.S. businesses complain are much too high by international standards. The proposed reform is intended to prevent companies from shifting operations and earnings to tax havens (paging Mitt Romney!) and instead encourage companies to bring them back into the U.S., where they could create jobs and growth.

What's being missed in all this is that the corporate tax debate and the jobs debate are two separate things.

And as they point out, first of all, US corporations are remarkably adept at not paying their domestic taxes, and second despite the fact that they pay almost no tax on their overseas earnings they have simply accumulated a cash pile rumoured to be \$1.5 trillion rather than invest it. So, cutting taxes won't create more corporate jobs. Taxes on US corporates hardly exist already. They certainly don't need a tax break. And if they get one not a single new job will be created as a result.

In that case what is needed is the tax revenue that Obama's reforms might raise. If US corporations won't create jobs and work, because candidly most of them have no clue how to do so any more, then it is down to the US state to do so using the tax revenues those companies should be paying, but aren't.

If that gives good reason for a minimum rate of corporation tax on worldwide income I buy the argument, wholeheartedly.

But I note just as the States is realising the need for this George Osborne [is doing all he can to dismantle](#) the effective world wide corporation tax system we have that did once ensure that eventually all income of all UK based companies was eventually taxed here. and he's doing that, supposedly, in the name of providing the incentive to create jobs when those companies are also sitting on mountains of cash they are refusing to invest.

Osborne will never learn. But we will all eventually realise that he is probably the most incapable man to occupy No. 11 Downing Street for many a century.