

A fair international tax - FIT for purpose

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The Parliamentary Accounts Committee is meeting today to discuss the problems multinational companies are creating by shifting their profits out of the UK.

The mood for change in corporation tax is being created, and rightly so. Those who promote tax competition are worried. As [the FT notes](#) today, David Gauke said last week:

"If there is a perception that big business does not pay its fair share, that will make it all the harder for those of us advocating a competitive tax system."

He's right, but since it is now glaringly obvious that big business is not paying its fair share I have as a result prepared a suggestion for an alternative tax to remedy the problem: I call this a [fair international tax](#). This is not a fully developed idea as yet, but when discussion of [sales taxes instead of corporation tax](#) is taking place it is vital that all hats be thrown into the arena.

The FIT is what might be called an alternative minimum tax. What it does is look at the global profit of the company and then, using a formula based on where sales are and where people are employed allocate a fair share of that profit to the UK. If the resulting profit is bigger than the profit the company declares on its accounts for the UK then the FIT profit is used for tax purposes and if the accounts profit is higher then that is used instead. I suspect a margin for error might be allowed e.g. 10%, but that's a nuance to be considered later.

What this suggestion does is reconcile the demand for a unitary tax - [explained here](#) - which is undoubtedly the fairest way to tax corporations - with the local need to make sure things operate well now when the current system is failing badly. As a result FIT may only be appropriate whilst we move towards a full unitary tax, but since that will take some time it meets an urgent and pressing need now by providing an essential way of tackling the abuse companies are undertaking by shifting their profits out of the UK to elsewhere to avoid taxes in this country. And because it is simple, cheap to create, incredibly easy to operate, legal and cannot conflict with EU law it's

ready to go right now.

I was challenged last week to think of a solution to our current tax problem. FIT is it, I suggest. [Give it a read](#).

PS [country-by-country](#) reporting makes it work