

## Replacing corporation tax with a sales tax would be a d...

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Discussion about corporation tax continues unabated, and I am looking forward to tomorrow and the Parliamentary Accounts Committee hearing. With a little luck I will be there.

What interests me today are the comments of Lord Myners, a Labour peer and former City person, [who told the Telegraph today](#):

*“Corporation tax for an MNC operating in the UK is close to being a voluntary payment,” he said. “The problem is that the tax environment many MNCs are interested in is a zero tax environment.”*

*Lord Myners said that the Government’s reductions in corporation tax — which will fall to 22pc by 2014 — would not work.*

*“You either shrug your shoulders and say you get benefits from secondary effects though employment taxes, VAT, the multiplier effect, and so on. Or alternatively you look for some other form of taxation.”*

*“If that were to be the case, some form of sales tax has attractions.”*

I agree, corporation tax is not working - and that's in no small part because of the changes George Osborne has introduced that are guaranteed to make sure that is the case. But to suggest a sales tax is a terrible idea.

Corporation tax is a tax on capital - on the wonders of companies, and despite all rumours to the contrary claimed often by right wing pundits US government based research suggests that's what it achieves.

A sales tax on the other hand is a tax on consumption and just like VAT it would hit the poorest hardest - the exact opposite of the purpose of corporation tax.

I am disappointed a former Labour minister could suggest such a reform.

I sincerely hope it never happens. The result would be capital going untaxed - the exact 0% tax option they're looking for now - whilst ordinary people in this country would pick up the burden. An idea that achieves the exact opposite of what is intended has to be a very bad one.