

We can take action to tackle corporate tax abuse - here...

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Rosamund Urwin wrote a [great article in the Evening Standard](#) yesterday on how we could tackle corporate tax abuse. Since she interviewed me at length I am going to borrow a chunk of the article back as it was good.

She wrote:

According to the economist Richard Murphy, who founded Tax Research UK, [current tax problems are] a legacy of the financial crisis: "After the crash, tax became the scarcest commodity in town. People know it is going to hurt them now if others aren't paying."

There is international appetite for reform. Chancellor George Osborne joined German finance minister Wolfgang Schäuble last week in calling for an international crackdown on tax avoidance by multinationals. And speaking yesterday exclusively to the Evening Standard at the McLaren factory in Woking, Business Secretary Vince Cable said: "[These companies] have no excuse because British corporation tax rates are competitive. We deplore any systematic abuse of the tax system. The way we have to deal with it is by working with other countries, because it is very difficult for one country in isolation to deal with clever forms of tax avoidance. So the agreement we had last week with Germany was a good model of how you deal with this, but it has got to go much further because the kind of thing that we are now exposing with Starbucks and Amazon and the like is just unacceptable business practice."

So how can we stop multinationals siphoning off money that the public purse so desperately needs?

A SALES TAX

At the weekend, former City minister Lord Myners said that the Government should consider a sales tax to force Amazon et al to put a little more into the communal pot. However, Bill Dodwell, head of tax policy at Deloitte, argues this isn't workable: "You wouldn't be able to do it under European law,

because of rules around VAT,” he explains. “Also, this moves profits from one country to another. Companies should be taxed on what they have made, not their sales.” It could also force businesses that truly are making a loss to pay.

Sales are a blunt instrument for measuring activity. Industries such as retail often have small margins and can suffer from high property costs, so a different rate would probably need to be imposed for different industries, making it very complicated to implement.

Richard Murphy also opposes a sales tax but for rather different reasons: “You are not taxing profits or capital. The effect will just be to add points to VAT, which is a regressive tax, so it’ll simply shift the burden from the richest to the poorest.”

AN INTERNATIONAL TAX

According to Murphy, what he dubs a FIT ([a “Fair International Tax”](#)) would be much better than a sales tax to raise extra tax revenue from multinationals. A FIT would be calculated by examining a corporation’s profits across the world, and then taking into account the percentage of sales and staff that are in the UK to work out how great a share of that sum should be paid into the national coffers. Murphy extols the virtues of such a system on his blog: “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.”

DISCLOSURE COUNTRY BY COUNTRY

The worst answer to the committee yesterday (and there was stiff competition for that ignominious honour) came from Andrew Cecil, Amazon’s director of public policy and seemingly of obfuscation. According to the online bookstore, its entire European arm made profits of just â,¬20â‰ million on sales of â,¬9â‰ billion last year. So MPs asked Cecil to state what percentage of profits and sales came from the UK, which he would not answer. The problem with letting companies report by regions that they have constructed is it allows them to obscure what they are doing. A small part of the remedy would be to force multinationals to break down their accounts [on a country-by-country basis](#).

A BOYCOTT

Governments can stop awarding contracts to companies that wriggle out of tax but how much difference can individuals make, with company boycotts and perhaps even direct action? Last week, “people power” earned a surprising advocate in Lin Homer, the chief executive of HMRC. Homer claimed that customer uproar is starting to force businesses to rethink their

tax obligations: “That’s a helpful thing for HMRC.”

Richard Murphy argues consumer boycotts are much more likely to be successful if they are highly visible. That means Starbucks - with its coffee shop on every corner - is likely to bear the brunt of a backlash (some may also find it easier to swap the Starbucks macchiato for a Costa mocha than to give up Google). UK Uncut is planning a “day of action” on December 8 in which the protest group will turn dozens of Starbucks branches into refuges, homeless shelters and crÃ“ches. And the chain is already the butt of the best jokes: with the spoof Daily Mail Reporter twitter feed perfectly satirising the Select Committee appearance: “Boss of Starbucks uses diamond encrusted calculator to demonstrate how the company makes a loss.”

A TAX TICK

For those who want to shun the tax-avoiders by taking their custom elsewhere, the big problem is how to identify businesses that are paying their dues. One possibility, inspired by the traffic-light food labelling scheme, is to introduce symbols on products and websites that would indicate the tax behaviour of the company. Such a scheme could be voluntary (so just the “goodies” would do it) or enforced.

Tax Research, which will also publish an index next year stating how much big corporations are contributing, is currently creating just such a motif, a “tax tick”. But why not be a touch more adventurous? Perhaps the tax “goodies” could display the faces of the doctors and firefighters they fund, while the baddies could have a fresh take on the toxic hazard symbol. Alternatively, they could use portraits of individuals of a similar type: JK Rowling for the tax superheroes and Jimmy Carr for the sinners. Alas, Carr’s lawyers might have something to say about that ...

There's plenty to do.