

My House of Lords evidence for this afternoon's hearing

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The evidence I, the TUC and Tax Justice Network submitted to the House of Lords for this afternoon's hearing on corporation tax, which I am speaking at, [is available here](#).

The summary says:

The House of Lords Select Committee on Economic Affairs enquiry into corporation tax seeks to address thirteen issues. This paper addresses all those issues and also supplies additional appendices on country-by-country reporting.

In summary we argue that:

- * There is good reason for retaining a corporation tax based on profits;*
- * The alternatives to a corporation tax based on profits would be wide open to abuse, create serious international taxation difficulties, have significant and adverse income distribution effects in the UK, would be inflationary and would distort economic decision making;*
- * There is no fixed proportion of tax revenue that should come from corporation tax but there is a worrying indication that the proportion arising from it in the UK is falling heavily, and inappropriately;*
- * The incidence of corporation tax is almost certainly on capital in the short and medium, term and in the long term cannot be appraised. The evidence that the incidence is on labour at this point in time is weak;*
- * Corporation tax revenues will fall significantly as a proportion of GDP over the current Treasury forecasting period. This is partly due to vulnerability to tax avoidance but also due to unwarranted falls in corporation tax rates and to deliberate government policy that has considerably reduced the size of the UK corporate tax base as a result of the adoption of a territorial taxation system;*
- * Business location is unlikely to be significantly influenced by taxation but the relocation of profits is heavily influenced by taxation issues with a direct impact on the UK;*

- * There is need to undertake considerable reform of the UK corporation tax system to remedy defects introduced in recent years and a programme of reform is suggested, some being capable of being undertaken nationally and other parts needing to be addressed with the EU and OECD. All proposals made can be readily implemented within existing international frameworks, which is vital if action is to be taken in the time available in which action is required;*
- * SME tax evasion is likely to be a major corporation tax issue;*
- * Major reform of SME taxation is required to address the considerable problems this sector had imposed upon it by the existing corporation tax regime, and to counter the tax abuse it encourages;*
- * The notion of tax competition is itself harmful: the theory of tax competition is based on the microeconomic theory of the firm and this is wholly inappropriate when translated into policy prescriptions for states. International taxation policy must be determined in a cooperative rather than a competitive environment;*
- * Multinational corporations secure significant competitive advantages over their nationally based competition in the current corporation tax environment;*
- * There is no evidence to suggest aggressive tax avoidance has mitigated in recent years;*
- * Country-by-country reporting by multinational corporations is vital if a level playing field is to be established in international corporation tax and companies are to be held to account locally for the activities they undertake globally.*