

# The tax profession's cure for corporation tax abuse is ...

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Taxation magazine has done little to cover itself in glory during recent tax debates, most notably when its editor, Mike Truman, wrote an article branding Margaret Hodge ' [Tax Prat of the Year](#)'.

Now Truman [has published an article](#) by a 'partner in tax practice' using the pseudonym 'Samuel Johnson' under the title 'A modest proposal' and subtitled 'A radical new approach to address high-profile tax avoidance'. Unfortunately the whole article, which could be by Truman for all we know, is not available in full on line but I have read it all. The summary of key points reads like this:

- \* Google says it pays taxes legally due.
- \* Radical alternatives to test this commitment.
- \* Abolish corporation tax for some or all companies.
- \* Recover the lost tax by increasing VAT or NIC, possibly selectively.

So let's look at this Truman endorsed view. What it says is that it will be impossible to create a tax system in the UK that will ensure large companies pay at the same rate as their smaller, nationally based competitors. This, of course is untrue. We could have a differential in the tax rate for large business so it pays at a nominal rate at least 10% more than small business, as we did for decades. That might work. So too would unitary taxation work. But the author ignores these obvious points, making assertion instead.

He then offers his own solutions. The first is to abolish corporation tax altogether, but realises that this may be hard to stomach. So he then offers an alternative, which is just to abolish it for large companies. Oddly, he suggests a unitary formula basis for deciding which companies are large for this purpose. His claim is that the resulting gap would be derisory (which is not true: [the most basic of research would prove that](#)). But he has a solution, which is to increase VAT by a few percentage points or add to employer's national insurance.

Now this could all be tongue in cheek, but I really do not think so: the slightly flippant style of the article really does cover serious intent - and given that it is anonymised one that we can only presume Taxation endorses so it cannot attribute the views to anyone else. All of which means that Truman is now publishing the view that tax avoidance by big business is solved by abolishing their tax obligations which are then shifted onto ordinary people through regressive consumption taxes and by increasing taxes that will reduce real wage rates.

I think we learn rather a lot about Truman, his organisation and the tax profession as a result, including its happiness with opacity given the anonymity it affords to the author of this piece. No wonder Truman doesn't like the Fair Tax Mark with its focus on paying tax, tax justice, opposing tax havens and their low tax regimes and transparency. It would appear he's happy to promote the polar opposite