

The demand that corporation tax be scrapped is all about...

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It has genuinely been fascinating to spend the last two days discussing international tax and its relationship to the funding of developing countries over the last two days at a workshop at the Institute of Development Studies at the University of Sussex.

There is one assumption that we all seem to share is that corporation tax is an essential part of the tax system and as far as I can tell that is because the belief is widespread that this tax is paid by the companies themselves and the incidence of the tax falls on capital.

We need to say this, often. In the [last week there has been an OpEd in the New York Times](#) calling for the abolition of corporation tax. Oxford University has a centre for business taxation which [seems to be largely dedicated to this argument](#). These arguments are based on a myth that has been created, deliberately and purposively I am sure, that corporation tax is not paid by the companies themselves but do instead, [and without any reasonable economic support](#), say that the tax is actually really a burden on company employees. The aim is obvious: those who own shares in large companies (in particular) are subtly but very deliberately campaigning to have the tax they pay at source on their income earned as a result of that ownership scrapped which would then give them an enormous opportunity to defer tax on that income almost indefinitely.

What those who promote such arguments appear to ignore is the consequence of their actions. Arguing that there should be no corporation tax undermines the credibility of our income tax which could then be readily and easily avoided.

Worse, those developing countries that are much more heavily dependent upon corporation tax as an income source than developed countries (and that is most of them) will have that opportunity undermined because, as is still all too obviously the case, shifting profits to low and no tax states is all too easy.

In both cases the outcome of an abolition of corporation tax would be a shift of the tax burden onto those less able to pay, or the denial of services to those who really need them, and for whom they are absolutely essential.

Again, that is not chance; that is deliberate. The argument about abolishing corporation tax is not about economics and nor is it about economy recovery, job creation or anything else (major corporations already having hundreds of billions of spare cash available for this purpose). It is actually about ideology and the real desire of a few to redistribute wealth upwards. That is all this debate is about. And we should name it for that.