

## Tax is always subjective - that's why assessment of 'fa...

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There has been much discussion following the launch of the [Fair Tax Mark](#) about just what 'fair tax' might be.

I, unsurprisingly, take the view that there is such a thing as 'fair tax'. The almost universal condemnation of [Chris Moyles' tax avoidance](#), which hit the headlines this weekend, clearly proves that a very large number of people in the media and public share that view. At an instinctive level, whatever the legalities, people can and do form moral judgments on tax and believe it appropriate to do so. This then is my first point about 'fair tax': it is not a purely objective view of what is legally due, or not. There is much more to it than that.

For example, it is impossible to say that there's a right amount of tax that every company must pay. Very obviously that sum depends on its profits or losses. But even that is not enough to explain its tax charge. It also depends upon the government's decisions on tax rates and tax allowances. Currently the UK government has corporation tax rate at 21% but that does not mean that companies need pay this rate. The rate may be reduced, for example, if a company invests in new equipment and gets up front tax relief for doing so. It is a combination of the tax rate and the tax rules, therefore, that set the parameters within which tax might be paid.

But even these considerations are often not enough to produce a final figure of the tax the government actually receives. The actual sum due also depends upon the company's own attitude towards tax avoidance (which is taking risk with regard to the claims made for tax reliefs and allowances when they may, or may not, really be appropriate or due) and even tax evasion, which is illegally making claims or failing to declare income. Some companies undoubtedly take both kinds of risk.

The government's attitude also matters. If it is aggressive in tackling abuse then this has an impact on the amount of tax paid by changing the risk assessment of those who might want to mitigate their tax bills. If it is lax, whatever the law says, then clearly the incentive to avoid tax (in particular) increases considerably.

But even then there are areas where government attitude towards compliance has no impact on the outcomes because there are choices made available to the taxpayer which will, either deliberately or inadvertently, but always entirely legitimately and without risk of challenge from any tax authority, change the amount of tax owing. These options might be reflected in the choices a company makes on such things as its corporate and business structure; payment arrangements, especially when it comes to rewarding senior staff; choice of business location, the way in which it invests and where, and so on.

What should already be apparent then is that tax is not the black and white issue that some make it out to be. Some factors affecting tax paid are broadly factual e.g. profit and loss (although when companies trade across borders even this is open to doubt). Others, on the other hand, are very much matters of choice e.g. corporate structuring to take advantage of tax reliefs, attitudes to tax avoidance and even evasion, and perceptions of the likeliness of being caught.

In that case it is not possible to suggest that 'fair tax' can be appraised solely objectively. It cannot be. The tax a company pays is, inevitably, based on a subjective process. There is, however, nothing surprising in that. Almost all issues of any consequence in life where opinion has to be formed are subjective; indeed, that is precisely why opinion is necessary. But for opinions to be effective, they need to be informed.

As a result the [Fair Tax Mark](#)'s assessment of 'fair tax' is about appraising the choices a taxpayer makes based on the best possible information available. That's the first important point to note about our approach.