

# The tax tail is now wagging the UK economic dog as Pfiz...

Published: January 13, 2026, 5:57 pm

---

The financial press is full of stories about Pfizer this morning, and its planned takeover of Astrazeneca. A recurring theme is the tax dimension of this story, highlighted in [this Bloomberg piece by Jesse Drucker](#) and [also by the FT's editorial](#) today.

To shortcut a complicated issue, the essence of the concern is that if at least 20% of the shares in the new combined entity are held by former shareholders in Astrazeneca then the headquarters of the new company can be located in London, which moves Pfizer out of the US tax regime and into UK tax residence. For Pfizer the advantage of this is enormous: it is one of the many US companies that has accumulated an enormous cash pile offshore because it will not repatriate its profits to the US where they would be taxed. The result, from the US perspective, is that it will lose hand over fist as a consequence of this deal, these funds moving outside its potential taxation for good.

From the UK perspective the problem is equally severe. As I [explained some months ago on this blog](#), arrangements that the Coalition has put in place since coming to into office in 2010 include a tax regime that deliberately ignores the worldwide income of UK-based companies, leaving them untaxed if they happen to be located in tax havens, as if this is a matter of no consequence to the UK exchequer. Before 2010, broadly speaking, UK companies were taxed on their worldwide income, albeit not wholly efficiently.

The consequence of the change that George Osborne introduced was to make the UK itself into a tax haven, and that is exactly what Pfizer wishes to exploit by taking over Astrazeneca and then relocating its headquarters, at least notionally, to the UK, to become UK tax resident. What this would mean is that all of Pfizer's profits located outside the USA would then fall out of UK tax, altogether, as well as falling out of US tax, meaning that this offshore cash pile would then be tax-free, for good.

I stress that this is not happening by chance; this is exactly the sort of outcome that George Osborne wanted when he made the UK into a tax haven, justifying this action by saying that it would attract jobs into the UK.

I [warned in January](#) that there was no evidence that this policy would create any more work in the UK. That is now [a concern that the FT echoes](#). In fact, its concern is that far from this tax break helping create jobs, it will actually almost certainly destroy UK jobs, and UK research and development activity, because Pfizer appears dedicated to a tax saving and cost-cutting regime to justify the merger exercise, and all of those action impact very heavily in the UK.

The consequence is obvious: we now have a tax regime that is undermining the stability of other states, including the USA, at a time when David Cameron says that he is tackling international tax avoidance, and we have a domestic consequence of that new tax regime that sees it destroying jobs, undermining our research capacity, and makes it clear that financial engineering is the only service that we have to offer to the world. When Osborne said he wanted to diversify the UK economy he was lying: financial speculation is now the only game in town, and he's promoting it.