

Why a zero rate corporation tax is about undermining ta...

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I was asked today by a journalist why there might be problems with a zero rate corporation tax - which is an idea many on the right are now promoting. I replied that zero corporation tax creates many problems.

The first is that companies would then make no contribution at all to society despite the enormous privileges they enjoy, including limited liability, which literally means they can dump their losses on the rest of us.

Second, such a tax rate means companies would not pay for the services they use paid for by taxation and there is no obvious reason why they alone should get this advantage. Do we really want to subsidise in such arbitrary ways?

Third, zero corporation tax would let anyone with excess income shift it to a company and have it accumulate tax free, so increasing the already massively problematic income and wealth inequalities in society.

Fourth, tax authorities are the main and most effective regulators of companies.

Without tax being due no one would really look at company's accounts at all and fraud and crime using companies would escalate.

Fifth, the burden of tax would then all fall on labour and not capital - leading to massive economic distortions.

Sixth, if companies were not taxed most significant capital gains would then also fall out of tax, so undermining another tax.

The list could go on, but the fact is zero corporation tax is actually about undermining the effectiveness of the tax system, the cohesiveness of society, the ability of the government to deliver the services expected of it and so eventually the rule of law and democracy itself because it would declare some income outside the scope of that law and the need to contribute to society. If you want to tear our society apart this is the way to start doing it.