

Tax debate is all about politics and principles: the Go...

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Jolyon Maugham wrote of [one of his own blogs](#) a couple of days ago:

Like many others (I presume) I decided to ignore [that blog](#) when I read it, largely to save his blushes and despite the fact that I was mentioned in it (on which, more below). But in subsequent private exchanges Jolyon suggested he was open to comment and in that case I will suggest just why this this blog represents so much that is wrong about much 'left-wing political' thinking on tax. Saying so I should note that Jolyon openly acknowledges that he is a Labour Party supporter, being very firmly on the New Labour wing of that party.

The first, and to be honest deeply frustrating aspect of this post was Jolyon bemoaning that tax debate is political when saying:

It's no easy task balancing the competing demands of fostering growth, funding critical public services and guarding against the rapacity of those unwilling to focus on anything beyond their post-tax return. And yet politicians — and lobbyists — of all hues seem willing to topple this hard struck balance for ideological gain. As though it, none of it, really matters.

I think only someone from New Labour could say this when the reality is that all tax is inherently political. It is, I admit generically, the great problem of those from the tax profession who engage in debate on tax issues that they think tax is all about money and that's a serious mistake. Tax does demand payment, of course, but that misses much of the point of it: it is as much about reorganising the economy and addressing market failure as well as achieving social goals as it is about money per se and all those issues are political to the core. To bemoan that politics and tax intermingle is to simply reveal the most basic misunderstanding of the nature of tax itself.

Having bemoaned political debate on tax Jolyon then made a next bizarre move: he welcomed George Osborne's Google tax of which we, as yet, know almost nothing at all

as to how it will work. I am astonished by this: if there's one thing we now know about tax it is that transparency and accountability are now key. Osborne has offered neither: he's told us we are to have a tax and given not a hint of what it is and instead of condemning this total failure from our Chancellor Jolyon said:

Now is not the moment to speculate on how the government will achieve this, a measure which stands to raise around £350m per annum. There will be time for that next week, when the detail is announced. But what we can, safely, say now is that it is a radical measure; not hitherto seriously contemplated as even possible; and one which meets an overwhelming moral and business need.

Only someone believing in the Third Way could support radicalism without having a clue what it might mean, and therefore whether it will raise a single penny in revenue, in my opinion. Change for change's sake is not a merit. And gestures for gestures sake may well have identified much of what Labour did for too long, but this comment just makes no sense: how can we know whether or not a moral or business need has been met when we do not know what the tax might do?

This though was not sufficient for Jolyon: he went on to then lambast those on the left of the tax debate: the Tax Justice Network, the Guardian and me being his identified targets for disappointment. Quite what Jolyon was trying to say is hard to discern: he produced several paragraphs whose meaning I am sure he knows, but about which I can only guess. These extracted comments provide some clues:

There's a cosy narrative on the left around tax avoidance: that avoidance is something the Tories tacitly encourage and that Labour, armed only with the simple sword of fairness and the trusty shield of moral authority, will end once and for all. Like most defining political narratives, routinely repeated at festive seasons to a congregation of the party faithful, its association with the truth is purely coincidental.

It's odd to move from this to berate me, the TJN and Guardian when none of us are linked to the Labour Party, and TJN is in particularly scrupulous in avoiding any party commentary at all. And yet he continues:

But this narrative, although it might bind together the faithful, also has consequences. It causes us collectively to close our minds to the technical difficulty involved in making good tax policy. It makes us less effective in Opposition (on which more to follow on Monday) and — which matters more — it makes us less effective in Government.

As far as I know no one who writes on tax for TJN or the Guardian is planning to be in government and I can assure you no one would be more surprised than me if I was. I am most certainly not standing for office. Jolyon is aware of this: I have told him.

What the next paragraph means defeats me:

Those who work in tax and in the media know this to be true. They know it. And they know its damaging consequences. And yet they burnish the narrative. Because, of the twin sins of acknowledging the left might have something to learn on tax and of being economical with the truth, it is the first sin that they hold to be the greater.

From this he concludes (how I do not know):

Rather than acknowledge that the Google Tax might — depending on the detail, might — meet the compelling commercial and moral case identified above; rather than commend the ambition to tackle an issue dear to the public's heart; rather than recognise that the BEPS project (on even the most optimistic view) is both years off and imperfect; rather even then waiting for the detail, we eagerly commit the latter sin for fear that our silence will be mistaken for the former.

So, this is the charge sheet. And I plead not guilty to this suggestion that Jolyon makes:

Even Richard Murphy, a man in whose energy and courage there is inspiration to be found, and who has long campaigned for multinationals to pay their share, has found himself [unable](#), [quite](#), to welcome the concept of this radical step.

Well let me spell out precisely what drives that energy. It is principled base and if that's called political, so be it. Those principles may well be those I expect of left wing politics.

First, I expect transparency and accountability in taxation: transparency because that gives best chance that all will be treated equally and accountability because that requires that those in power will actually deliver on the promise of equal treatment.

Second, whilst the nation state is vital as it is at the core of taxation so to is international cooperation vital to the effectiveness of taxation: justice can only be delivered on the basis of equality being a concept that extends beyond any one state. That means cooperation is key.

Third, equality is vital. This is both horizontal and vertical and irrespective of the size and type of entity being taxed, or its place of ownership and the owners of that income.

Fourth, there is no room for competition in tax: competition is based on the assumption that participants may fail and there is not room for failure in tax collection.

Fifth, tax must remove distortions in an economy and attempt to correct its imperfections; not least those created by the market.

Finally, taxes that fail to promote these objectives are in need of replacement as they are as likely to to cause at least as much harm as good.

I am sure I could recast them; this is a quick summary, but that will do for now. And on this basis it is very obvious why anyone on the left (but not, it seems, in the Labour

Party) would right now oppose the so called Google Tax.

First, it has already failed a transparency test: we do not know what it is.

Second, it is likely to fail a transparency test: we will have no idea of knowing on what tax base this tax will be charged even when the details are published. There is no company on earth that publishes details of its diverted profits. We do know though that these sums are enormous: based on the fact that Google has worldwide profits of over \$14 billion and the UK represents 10% of its sales it would be quite fair to think that not much less than 10% of its sales should be made here resulting in profits of maybe £850 million, resulting in a tax bill of more than £200 million at the proposed rate of 25% given it pays very little tax on profits here. But the total expected yield on this tax is little more than £350 million a year. There's going to need to be a lot of explaining to make this transparent unless of course country-by-country reporting is to be made public and I have heard no rumour of that yet.

Third, on that basis accountability is unlikely.

In that case equality looks very unlikely indeed: there seems little chance at all that a level playing field is going to be created when it looks very unlikely that this proposed tax will come anywhere near close to taxing appropriately those who are diverting profit. This looks very like a failed tax in the making.

As importantly, everything about this proposal stinks of tax competition. If it is based on country-by-country reporting that was never intended as the use for this data. Despite the fact country-by-country reporting has been supported by the UK, and is on the BEPS agenda as a result, I cannot help but think there might be something going on here that is intended to undermine because this proposal looks like it might use CBC data to charge a tax unilaterally that is targeted at US companies when they are country-by-country reporting's main opponent. And at the same time, it feels like the whole process may be intended to undermine the OECD Base Erosion and Profit Shifting process, which is the biggest negotiation for an international tax settlement we have seen for decades. Could it just be that Osborne is doing his very best to undermine a process that is the antithesis of the tax competition he so believes in, especially when Cameron kept him out of the G8 process that helped give rise to it?

Next, it is obvious based on the potential collections noted above that this tax cannot hope to remove distortions from the market so it looks like this tax is going to fail at that.

So right now based on some careful principles based analysis some of us on the left - meaning we are dedicated to cooperative, principles based taxation that makes sure markets work for universal good and that all contribute to well being as they are able - are saying we already have serious reservations about what is being proposed.

Compare that with pragmatic gestures that won't deliver on any of the principles noted and you have the divide between New Labour and principled taxation made clear. I know which side I am happy to be on. I'd say it was Labour's job to be on the same side and to put the market based failed pragmatism of the New Labour era behind it, but that's just my view.

In the process, I've set out many concerns about the Google Tax, and that, I hope, is useful.