

# The diverted profits tax - is it the start of unitary t...

Published: January 13, 2026, 6:45 am

---

A diverted profits tax has been announced today, [to which I have already referred](#). I gather we will learn no more about it until next week, so I am left speculating on how it might work.

What we know is that this will raise more than £250 million in 2015 and over £300 million a year after that. That's significant. It means more than a billion of profits will be brought within the scope of this new 25% tax charge - and there is no clue given why that rate is being used.

So how will the Revenue prove profit diversion. The obvious example is Google which in 2013 said it had worldwide profits of just less than \$14.5 billion and made 10% of its sales in the UK and yet paid almost no corporation tax here. Will HMRC do a simple apportionment and say 10% of those profits should be here then? If so Google could be asked to pay tax of maybe £200 million in the UK as a result. That would meet most of the budget for the new tax by itself.

But to do this would be revolutionary. It would mean that the UK was introducing a unitary apportionment tax of the type I have long argued for and which has always been rejected by the UK and also the OECD.

If it is not this, then what is it? I rather hope we will see tax on a unitary basis using country-by-country reporting as the basis of calculation, because this would be the start of a revolution in UK and worldwide corporate taxation. But does this Chancellor really have the will to do that?

We'll have to wait and see.