

Why don't we get corporate tax reform to take on the li...

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A comment has been made on the blog which asks why, if I am so sure that [unitary taxation](#) is a good thing do we not get it? Let me suggest a number of reasons why, despite the fact that it is glaringly obvious that the international tax system is fundamentally broken, we do not get the change that we need.

First, there is the fact that just because the international tax system is fundamentally broken the world's biggest companies do really want to keep it. They can say they comply with all its requirements and make all the usual comments about paying the right amount of tax in the right place under this system knowing that all such statements are meaningless and that they pay much less than should be the case. The result is that they have every incentive to continue to support the system, and spend a great deal of money doing so.

Second, the role of the big four firms of accountants (PwC, KPMG, Deloitte and EY) must be taken into account. They are, in revenue terms, massive beneficiaries of the existing tax system because they are the owners of much of the intellectual property invested in the archaic, illogical and now impossible to use arm's-length transfer pricing system. Precisely because they know more about such arrangements than anybody else in the world they can, of course, extract monopoly profits from exploiting this knowledge, and therefore have every incentive to ensure that it is maintained into the future. They, like their large corporate clients, have as a consequence spent a considerable sum supporting the maintenance of the current status quo even though that is only in their interest, and not that of society as a whole.

Third, because so few politicians have any real knowledge about tax, and because it seems that so many tax officials always have one eye open to the possibility of transferring their knowledge into the private sector and as such also have a vested interest in maintaining the status quo, there is no political capacity to change the system because those politicians with the will to make the change do not have the resources and advice that they need to facilitate it.

Forth, there are, of course, some politicians who do for reasons of political belief wish to

maintain the current system. There is no doubt that the current arm's-length transfer pricing system that underpins international tax assists the upward flow of funds from consumers to the owners of capital, or if you like, from ordinary people to the wealthy. Some politicians are dedicated to facilitating that process.

Add these factors together and you can see the obstacles that change is up against.

But we'll try to deliver it, all the same.