

The descent into tax chaos

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I have a feeling that this weekend was the one where the world began to descend into chaos. Let me moderate that slightly: let me suggest it is just tax chaos on the horizon at the moment.

Philip Hammond made clear that the UK is [happy to become a tax haven](#) and enter into tax wars, from which only the wealthiest can win, with the EU.

I sense a growing concern about Trump's tax plans too. They're referred to by [Gavyn Davies in the FT today](#). As he explains them (I think accurately)

Although complicated, the basic principle is that goods purchased outside the US (ie imports) would no longer count as "costs" to an American corporation, so they would not reduce taxable profits. Meanwhile, exports sales would no longer count as "revenue", so taxable profits would be reduced dollar-for-dollar by a firm's export receipts, provided that exporting firms also have some domestic revenues. In effect, imports would be taxed by an amount equal to the import bill multiplied by the corporate tax rate of around 20 per cent, while exports would be subsidised by the same amount.

Those are mighty high tariffs.

The US would win from such a tax: it runs a trade deficit. So too would the UK. But we would be in tax ware with the EU, China and much of the developing world. And I fear tax war would be the start of wider hostilities.

I've worked for a long time for global tax harmonisation. I still will. But it feels right now that it is slipping away. And that is very worrying indeed.