We need to tax Google, but the last thing we need is a ...

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What now seems a long time ago I did the investigation that led to the first ever story on Google's tax. The story was shared very quickly, as here from the Guardian. The rest you could say is history. Except, of course, for the fact that very little has actually happened as a result. Google still pays very little tax, and that despite the introduction of the so-called 'Google Tax'' by George Osborne.

But now, according to the BBC, the government is to act:

Some of the world's largest technology firms are facing hefty new bills as the UK government moves to fundamentally change the way they are taxed.

Google and Facebook are braced for significant changes in the tax system after the Treasury told the BBC that a new tax on revenues was the "potentially preferred option".

It would open up the firms' huge UK sales numbers to the tax authorities.

At the moment, tax is levied on profits, a much smaller figure.

Google, for example, said it made sales - revenues - of £1bn in the UK in 2016 and a pre-tax profit of £149m.

If the government taxed a proportion of those sales its tax bill would be likely to increase significantly.

The details are not clear as yet. But I will say that there are problems.

The first is that if the new tax is simply a sales tax then it is bad news. As I have long argued, sales taxes are simply passed on to consumers, or in this case to advertisers. Making advertisers foot Google's tax bill would be deeply unintelligent: this would simply increase the unlevel nature of the playing field on which business is operating and so compound the injustice of the current situation where only some (largely smaller, and largely domestic) companies really pay the tax we might expect of them.

Expect a serious backlash as a result.

In that case we have to hope for something better. I have argued for an alternative minimum corporation tax (AMCT) that I think has real merit in this situation. In my original proposal I suggested this:

My proposal for an AMCT is simple. In essence the AMCT would apply an agreed tax rate to the globally reported pre-tax profits of the reporting entity. This sum would be collected by the head office location of the company, unless that jurisdiction refused to cooperate in the process, in which case another country could nominate itself to undertake the task.

The sum settled would then be apportioned among all the jurisdictions in which the entity traded as indicated by its country-by-country reporting data. To minimize potential valuation disputes, I would suggest any apportionment be based only on sales and labor, with sales also being apportioned on both a source and destination basis (each being weighted equally) and labor on both a headcount and payroll cost basis (again weighted equally). I accept this would mean extending the OECD template but this information should be available to any company, so the demand is not onerous.

The tax rate to be used would be blended: I would suggest the rate be based on the headline tax rate of those most populous states representing at least 90% of the world's population, with the calculation being weighted by population. If this was thought to create bias, this sum could itself be averaged with a similar calculation based on GDP per country itself weighted by GDP.

The actual figure to be charged should, I suggest, be 80 percent of this blended sum. This would then ensure that most states would still have an additional tax charge to make, giving them a vested interest in reviewing the local affairs of the corporation. This would also mean that if some local incentives, such as accelerated capital allowances, were to be offered to encourage investment in a jurisdiction then they are likely to be effective.

There is more: follow the link. My point now is that using CBCR data (and Google's UK sales and headcount are known, as are total figures) it would take minutes to work out how much tax it might owe in the UK using this method as an alternative to the token gesture that it offers now. Simplicity is built in.

And I stress, the UK could do this unilaterally. If it did so it would simply have to describe this as an anti- avoidance measure . If it did so the objection that such a charge would not comply with our double tax treaties would fall away.

Is the solution ideal? Clearly not: it would be better if we had a unitary taxation system for global profits. But we are not going to get that as yet. In the meantime an AMCT is easy to calculate; is (essentially) on profits, should be internationally tax compliant if considered an anti-avoidance rule (which adds the merit that the vast majority of UK companies would be automatically unaffected by it) and at the same time hints at the right direction for travel for the eventual required reform.

I sincerely hope this is what we get because basing any new tax in sales would be a very big mistake indeed.