

## How to tax digital companies

Published: January 13, 2026, 8:44 am

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I have been asked overnight and this morning how I would tax digital companies. My answer is that I would apply to the what I have called an Alternative Minimum Corporation Tax (AMCT). I have previously [explained this here](#).

Using country-by-country reporting data the global profits of multinational tech companies should be apportioned to countries based on where their customers, staff and assets are. The formula should be weighted to customers since in the case of these companies they are clearly the major drivers of profit and they create the intangible worth of these entities.

Then I would apply a tax rate of at least 80% of that charged as standard in the UK to this sum. That should more than allow for the impact of tech investing on current tax liabilities. Some may say I am being generous. Some may argue that the monopolistic position of these companies may justify a higher rate. That is a detail I will leave aside for now. My point is that if the sum due on this basis was more than that due on declared profits the AMCT would be payable instead.

I have previously suggested that the advantages are that, firstly, tax payment on profits is ensured.

Second, the objective of taxing profit once only is greatly assisted.

Third, profit shifting becomes a largely meaningless exercise.

Fourth, as a result most tax game playing will come to an end: in effect most tax haven usage will cease to be of benefit.

Fifth, certainty on taxation will increase: this is what business always says it wants.

Sixth, stakeholder confidence in business will grow.

Seventh, investor risk will fall, which is likely to improve share prices.

Eighth, the focus in business will be on the actual location of economic activity and not tax, which is likely to improve decision-making and so the rate of return on capital.

Ninth, tax administration, audit and dispute costs are likely to fall as any sums under dispute will be reduced.

Tenth, there will be a focus on improved tax and profit reporting as parallel tax books will cease to have as much relevance as they have in the past.

So is it a panacea? No, full unitary taxation based on much improved tax reporting that eliminates the anomalies of financial accounting when used for tax purposes in the accounts of multinational companies would be better than an AMCT. But for now, AMCT could pave the way to that outcome. I believe the time has come to give it serious consideration.