

# Corporation tax reform cannot be its replacement with a...

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I (with others) [have a letter in the FT](#) this morning:

## Reform would be little more than additional VAT

*From Professor Richard Murphy and others*

Martin Wolf is right that the world's corporation tax systems need major reform ("[The world needs to change the way it taxes companies](#)", Opinion, March 7). He is entirely incorrect about the required solution.

Corporation tax has three purposes. One is to protect the income tax base from attack. The second is to tax capital, which by and large it does, making it a rare tax as a result. And third, it is a tax that should be used to apportion taxable benefits to those locations where value is added in the global supply chains that benefit us all.

Mr Wolf misses all these points and proposes a destination-based cash flow tax. This, in effect, is nothing more than an additional VAT in those places with the biggest consumer markets in the world. The consequence is that it will be regressive within a state as the incidence will be highest on those with lowest income, since the tax will be easy to pass on to consumers. It will reapportion taxable income from the world's poorer regions and states to the richest ones of all. It will, as a result, increase global inequality when the precise opposite is needed.

There is a basis available for global international tax reform. It is to apportion the global profits of companies to states on the basis of where their sales, employment and assets are located. This would deliver global tax justice and coincidentally achieve the other objectives of an effective corporation tax. This is the required direction in which reform must take place.

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