Funding the Future

Destination based corporation taxation is a fantasistâ...

Published: January 14, 2026, 10:48 am

As I noted on Monday, I did, along with others, have a letter in the FT criticising the proposal that Martin Wolf made for the adoption of what is called a 'destination based cash flow corporation tax'.

Mike Devereux at Oxford University is the creator of this so called corporation tax, which would actually behave like a VAT. He had a letter in the FT this morning in response to my own, saying:

'Destination based' is a sound corporate taxation system

From Michael Devereux, University of Oxford, UK

Two letters this week have taken Martin Wolf to task for his support of the destination-based cash flow tax (DBCFT). But their arguments are unconvincing.

Contrary to the assertions of Professor Richard Murphy and his co-authors (March 11), the effective incidence of a value added tax and a DBCFT would not be the same – they have markedly different bases. Robert Denham (March 12) argues in a similar spirit that the DBCFT is not based on corporate rents, but on consumption. But that is a false distinction. The DBCFT clearly falls on economic rents, and as a result it would almost certainly be progressive. The destination component means that it falls on economic rents received by residents of the destination country.

Prof Murphy's claim that the DBCFT would "reapportion taxable income from the world's poorer regions and states to the richest ones" is refuted by empirical evidence from the International Monetary Fund that "developing countries would on average be beneficiaries of a move to a DBCFT". This effect would be much stronger if the DBCFT were combined with suitable taxes on natural resources.

Finally, Mr Denham argues that the DBCFT is illegal under World Trade

Organization rules. That is a legal question on which opinion is divided. But from an economic perspective, the legal question is bizarre. As Mr Denham notes, the DBCFT is equivalent to a VAT plus wage subsidy. Neither is illegal under WTO rules; it is odd that they might be if combined into one. All of these issues are set out in detail in the paper cited by Mr Wolf.

Michael Devereux,
Professor of Business Taxation,
SaÃ d Business School,
University of Oxford, UK
Director, Oxford University Centre for Business Taxation

As a matter of fact a destination based tax is a VAT with an allowance for labour spending. Devereux is simply wrong to claim otherwise. That is precisely how it would work.

And I have spoken to one of the authors of the IMF paper to which Devereux refers. Saila Stausholm happens to be a co-author of mine. And as she has pointed out Devereux's claim relies on two assumptions he does not refer to. One is that all countries adopt his tax at the same time, which is never going to happen. The other is that developing countries have the means to collect it. And they do not. If the assumptions, and especially the first, do not hold true the outcome would, in her opinion be 'hugely harmful'.

Devereux is wrong. His proposal is just another example of a neoliberal fantasist's unicorn approach to policy making: suggesting an ideal that is great in an Oxford paper that has not the slightest shred of evidence that it could ever be of benefit to the world at large.

I would hope we had enough experience of the believers in unicorns to kick such ideas into touch by now.