

# The best way to reform corporation tax? That's the only...

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A found an odd postscript to last week's exchanges with Mike Devereux on corporation tax reform in the letter's page of the FT where I (and others) [proposed a unitary apportionment method](#) of solving the international corporation tax problem and [Mike proposed](#) an extension of what is, in effect VAT, which he calls a destination based cash flow tax base for corporation tax. That postscript is in the Guardian where Mike and Judith Freedman, also of the Oxford Centre for Business Taxation, [suggested](#):

*So what should be the basis for taxing multinational corporations? The Guardian sometimes seems to suggest that tax should be based on "residence", sometimes on "physical presence", and at other times "profits". But what do all these phrases mean when the taxpayer is a corporation? A corporation is a legal person, but in practice most corporate groups are made up of a network of companies. The group typically has shareholders across the globe, and assets, employees and customers scattered throughout many countries. In a system based on taxing profits, it makes sense for the group to move its profits to where the tax is lowest. The way to combat this is to find a new basis for taxing corporate groups, based on factors such as where assets are located, employees work or sales are made. The European commission has been working on proposals for such a system, but they are difficult to formulate and agree. A worldwide solution needs even broader international co-operation.*

People are allowed to change their minds, of course. But it's worth noting that I have never seen explanation as to why Mike has done so. After all, he has moved from arguing for tax in all those places where a company adds value to arguing for a tax that will almost entirely be paid in the wealthiest countries on earth. Why has he chosen that new bias? It's a question needing an answer when ethically it is an argument that is almost impossible to sustain, even if the regressive aspect of the tax within those countries that would tax is ignored.

*Hat tip to Nick Shaxson.*