

Boris Johnson is promoting tax competition, which is al...

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The [Guardian reports this morning](#) that:

[Boris Johnson](#) has signalled his hope to push down tax rates and diverge from EU standards and regulations after Brexit, even as his talks on a new departure plan at a UN summit in New York met with seemingly limited success.

They added:

In what Downing Street has billed as Johnson's setpiece Brexit speech in New York, on Tuesday morning he is to address US and Canadian businesspeople in the city's [plush and newly built Hudson Yards district](#).

According to extracts of the speech released in advance, Johnson will promise that a post-Brexit UK would "roll out the red carpet" for US businesses, with "the most competitive tax rates and the best skilled workforce in the hemisphere".

"As we come out of the EU we are going up a gear," he is due to say. "We are going to take advantage of all the freedoms that [Brexit](#) can give, whether that is new tax allowances for investment or speeding up public procurement contracts."

In a round of TV interviews in New York, Johnson said examples where the UK could diverge from EU regulations in the future could be financial services or biotechnology, "where we want to do things different".

He told Channel 4 News: "To give you another example, it may be that we want, for instance, to take advantage of tax freedoms to allow companies to invest more in capital and plant. We may want to do free ports in the UK to drive up economic growth in areas that have fallen behind."

I quote at length because this needs to be discussed.

I note with curiosity that the FT is noting how hard most people [find it hard to understand the UK tax system](#) this morning. I would suggest that Boris Johnson is in

exactly this situation. He very clearly does not understand the UK tax system.

Recent research that I have undertaken with Prof Andrew Baker of Sheffield University into what we describe as tax spillovers has shown that very large parts of the UK tax system were, at least originally, designed to prevent tax abuse. So, for example, our corporation tax was introduced in 1965 with the main intention of ensuring that income was not diverted from individuals into companies, to be taxed at a reduced rate in those corporate entities. In other words, corporation tax was meant to prevent tax competition and to reinforce the income tax system, and the tax rates at which it was charged. That was a strong, appropriate, and relevant social purpose.

It would appear that Boris Johnson has entirely forgotten that social purpose for corporation tax. He is instead partaking in its exact polar opposite, which is tax competition. In the process of tax competition a government (in this case, ours, here in the UK) changes tax law to deliberately undermine either their own tax system, to advantage some in their society at cost to others, or to undermine the tax system of other countries, as he has indicated to be his intent.

In 1998 the Organisation for Economic Cooperation and Development began a programme to attack what they described as 'harmful tax competition'. That program was misguided. That was because the clear implication of its title was that there might be a benign form of tax competition. There is absolutely no evidence that a benign form of tax competition exists. All of it is harmful.

In the case of reducing rates of corporation tax a number of deeply destructive consequences arise. First of all, tax revenues fall. I do, of course, know all the arguments based upon modern monetary theory that suggests that tax is not needed to fund the government expenditure, but as a matter of fact a sum total of tax has to be raised within any system, including that described by modern monetary theory, to counter the effects of inflation. In that case, and as a matter of fact, if companies pay less tax then someone else will have to pay more: modern monetary theory does not change this logic. And as such what Boris Johnson is seeking to do is to shift the burden of tax from capital onto someone else, which will inevitably be ordinary people.

In the process he will increase inequality in the UK at a time when we need to achieve the exact opposite.

And in the process he will undermine our income tax, because people will be encouraged to shift their incomes from that tax system into the corporate tax system, with a resulting further loss of tax revenue.

And, inevitably, and by design, he will undermine the cohesiveness of the international tax system, upon which we are all dependent if countries are to fulfil their democratic mandates to their people, and so supply the services that modern states are expected to deliver within democratic frameworks. He is, then, launching an assault on

democracy itself, which should perhaps be no surprise to anyone.

To put it another way, what Boris Johnson is planning is to create tax law to do harm, which is precisely what the definition of a piece of regulation or law that creates tax spillovers is in the definition that Andrew Baker and I use.

Is this deliberate? I think it is apparent that it is.

Does Johnson know the downsides of what he's doing? Again, I think we can be sure that he does.

And will he do it nonetheless because he is indifferent to the consequences? Once more, I suspect so.

All of which provides the clearest indication as to why governments of the sort he heads are so harmful to societies at large.