

Corporation tax should increase, but for none of the re...

Published: January 14, 2026, 3:47 pm

Paul Lewis correctly, I am sure, assumes an official source for this comment in The Times:

<https://twitter.com/paullewismoney/status/1351055346035470338?s=21>

By clicking on the image in the tweet The Times article can be read.

I happen to entirely support the idea of a corporation tax increase in March, but for none of the reasons suggested in the article.

As a matter of fact the coronavirus crisis has already been paid for. As a matter of additional fact, there is no additional debt due as a result of it to date. The payment has been made using new money created by the Bank of England for that purpose, whether it agrees with that suggestion or not. So, no repayment is required.

Nor is there a point of principle or fairness about repayment being required here. How can it be fair to demand repayment of a sum not owed?

But that does not mean that the isn't good reason for a corporation tax increase. Firstly, that's because companies are already heavily under taxed in the UK. Large UK companies pay less than the OECD average rate, by some way. Small companies pay at a rate below the standard income tax rate, which is a simple invitation to abuse. And no company makes payment in that case to society for the moral hazard that they create within it as a consequence of the limited liability their members enjoy. These facts require an increase in rate.

And the increase would be fair: companies who made a loss during the pandemic would not pay it. Only those who gained would do so.

But there still remains a critical point to make. If the Exchequer does not need this money - and it most definitely does not as even at the most superficial level money creation balanced its books in the last year - then the revenue must be redistributed to those in need. That would be fair and appropriate. Just because additional revenue is

not needed does not mean that the goal of redistribution goes out of the window.

So the Treasury should increase corporation tax, but for none of the reasons it thinks appropriate, and not for its own gain. Apart from that, it got everything right.