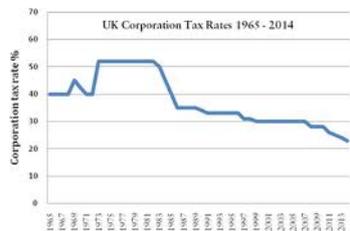


[All I want for Christmas is the abolition of corporation tax](#) [1]

Written by [Tim Worstall](#) [2] | Wednesday 25 December 2013



I think it's about time we abolished corporation tax don't you? As this paper shows, the effects will be pretty good. The rise in other taxation as a result of increased growth won't quite cover the revenue loss but it'll be a [near thing](#) [3]:

We simulate corporate tax reform in a single good, five-region (U.S., Europe, Japan, China, India) model, featuring skilled and unskilled labor, detailed region-specific demographics and fiscal policies. Eliminating the model's U.S. corporate income tax produces rapid and dramatic increases in the model's level of U.S. investment, output, and real wages, making the tax cut self-financing to a significant extent. Somewhat smaller gains arise from revenue-neutral base broadening, specifically cutting the corporate tax rate to 9 percent and eliminating tax loop-holes.

There's a major difference between the US version and the UK. Here, those in receipt of dividends gain a tax credit for the corporation tax already paid. If we abolish the corporation tax of course we would abolish that credit and dividends would be taxed as normal income. So it's entirely possible in the UK system that the revenue effect would be positive.

As to why we want to abolish it it is disguised taxation. 90% of the country believes that it is actually the companies that pay it. The other 10% of us are aware that it is the shareholders and the workers (in the form of reduced wages) that do. So better to lay the taxes openly on those who really bear the burden than disguising the cost of government from people.

And finally, one reason that we collect this tax at the corporate level is because it is convenient to do so. But as you may have noticed with the furore over Google, Amazon and so on, it is no longer convenient. So, let's stop doing this inconvenient thing and tax directly.

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