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The effects of abolishing corporation tax [1]

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As you all know I'm a great believer in pushing that corporation tax rate right down to zero. In simply abolishing the tax in all its forms. One of the arguments against this is that, well, whadda about the revenue to pay for schoolsnospitalsncouncilouses? And the thing is, I'm not entirely sure that there's actually all that much revenue in corporation tax. Here's a prediction about dividends for this coming year [3]:

> Stock market investors are in line for windfalls after research showed that Britain?s biggest companies are expected to pay out a combined £72.4bn in ordinary dividends this year. Businesses listed in London?s benchmark FTSE 100 and mid-cap FTSE 250 will lift their dividends for the current financial year by 4.5pc, according to financial data firm Markit. The total payout is expected to rise to £89.3bn once special dividends, including Vodafone?s $23.9bn (£14.6bn) shareholder reward, are taken into account.

Note that this is only listed companies, this does not include any private companies paying dividends: something which a lot of them do of course. That £80 billion odd has already paid corporation tax at what, 25% say? Do note that most of the dodges about corporation tax fail when it comes to money available to pay dividends: all that offshore stuff just doesn't work. So, given that the £80 billion is a net figure, add in a bit for private companies and we could guess that perhaps £30 billion, £35 billion has been paid in corporation tax upon these dividends. The recipients of those dividends then get a tax credit on what has been paid already (higher rate taxpayers have to cough up more).

Over here we've got the total recepits for corporation tax [4]:

> Comparing the last two years available, total CT liabilities were broadly equal, rising by one percent to £43.8 billion in 2011-12, from £43.2 billion in 2010-11.

And some £9 billion of that was the offshore oil and gas sector. Which isn't, really, corporation tax that's a tax on the Ricardian Rent of the oil being found under British waters. Something that should most certainly continue.

£44 billion minus £9 billion in Ricardian taxation gives us pretty close to that £30 - £35 billion which is simply the advance taxation paid upon those dividends. And it really makes no difference at all whether we tax that at the level of the dividend recipient or the company.

All of which means that if we were to abolish corporation tax and then tax dividends simply as the income they are then there wouldn't actually be much difference in revenues to pay for the schoolsnospitalsncouncilouses.

Agreed, this is very much back of the fag paper stuff and I'm sure that other people have more accurate information on this. But wouldn't it be wonderful to be able to simply abolish a tax without any great effect upon the public revnues? Oh, and with the effect of no company ever again being able to do any tax dodging at all as there would be no tax for them to dodge? Plus all those accountants and lawyers have to go off and do something productive.

I like it as a plan. So where and why am I wrong here?

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