

[Why we really do want to abolish corporation tax reason 672](#) [1]

Written by [Tim Worstall](#) [2] | Sunday 26 May 2013

You'll have noted that there's a certain amount of shouting going on at present about the corporation tax. And while there is much of that shouting going on very little of it seems to be well informed. For the truth is that we should solve this "problem" just by abolishing corporation tax itself. Around here we've been through the arguments many a time and I've been known to bore people to tears on the point. But it is still true that we want to get rid of it. The most basic reason being that companies simply don't pay it anyway: all taxes mean the wallet of some live human being gets lighter. As a company isn't a live human being (no, legal personality is not the same as being a natural person) therefore it's not the company bearing the burden of the tax. We've rehearsed this part of the argument a number of times.

There's another supporting argument [mentioned here](#) [3] though. Corporation tax is a dreadfully inefficient tax. For that reason alone we'd rather like to get rid of it and have something more efficient.

All taxes have deadweight costs (sorry, almost all of them do which we'll come to). The simple existence of the tax sticks an oar into market pricing and thus causes some people not to do what they would have done in the absence of the tax. Sometimes we desire this, of course: taxes on pollution say are meant to reduce the amount of pollution. But on making profits and incomes and things like that we don't want to reduce the activity. In this sense corporation tax, to put it politely, sucks. How much though?

"The domestic distortions that the corporate income tax induces are large compared with the revenues that the tax generates," the Congressional Budget Office wrote in a 2005 report. It found that for every dollar raised by corporate taxation, the cost due to distortions was between 24 and 65 cents.

An entirely horrendous number I hope you'll agree. And if we look [over here](#) [4] we can see that the OECD agrees. Corporation tax is very much more distorting than other forms of taxation. We thus should get rid of corporate taxation and replace it with something less damaging, something less distortionary and with lower deadweight costs. Like, for example, repetitive taxes on immovable property (or Land Value Taxation perhaps) which is one of the very few taxes which has negative deadweight costs. For you can't avoid it thus there's no distortions and the weight of the tax is likely to lead to more efficient use of the available land.

It's true that this issue of corporate taxation has been brought into public view as a result of various lefty agitrots and NGOs. Which is fine: free speech for all n'all that. But now that the issue is being talked about we, the sensible few, should coopt that public mood.

Now that everyone is talking about corporation tax let's do something sensible about corporation tax. Let's abolish corporation tax.

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