

Montreal Economic Institute

Why a Global Minimum Tax Rate Is Not About Fairness

By [Bradley Doucet](#)

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Those looking for a sign that the winds have indeed changed in the United States could do worse than that country's proposal for a [global minimum corporate tax rate](#) of 21%. Ostensibly, such a measure is meant to address the fact that big multinational corporations are not paying their "fair share," setting up shop as they do in low-tax jurisdictions.

I have my doubts that fairness is really the issue, though. If it were, why wouldn't there be at least some people pushing for a *maximum* corporate tax rate? After all, a ceiling could be set at 12.5%, say, which is [the rate that currently prevails in Ireland](#). That way all companies everywhere, big or small, international or local, would pay similarly low rates.

Yet it seems that people who think tax rates need to be harmonized always assume that a *minimum* rate is the way to go. I can only think of one reason for this, which is that the goal of harmonization is not fairness; the goal is higher tax rates.

So if you believe governments should do more, you probably support harmonization through top-down minimum tax rates.

If, on the contrary, you believe that governments should do less—that people should be freer and take more responsibility for their own lives, and that this will lead to more vibrant, prosperous, and peaceful societies—then you likely support the bottom-up, organic harmonization through global competition that has exerted [downward pressure on corporate tax rates](#) in recent years.

And if you believe in "fairness" between corporate tax rates and personal tax rates? By all means, let's lower those too.

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