

The CBI's desire for a tax cut

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I've been musing some more on the CBI's ministrations on tax. I have a database on UK company performance. I prepared it when researching ['Mind the Tax Gap'](#). Between 2000 and 2004 the average UK FTSE 100 company turned over £13,782 million a year. It's average tax payment (I stress, payment to avoid deferred tax issues) was £487 million of which about 26% was in the UK after double tax relief.

This means that for the average FTSE company, whose finance directors are dedicating their vastly expensive resources to this activity, UK tax represents less than 1% of turnover. Now lets suppose that the tax rate is cut to 25% (and I think in their wildest dreams the CBI could not imagine more) then the fall in the rate will be 10.7% from that now announced. That means the benefit to UK FTSE companies would be about .09% of turnover, or about £13 million a year each over the period surveyed. However, I accept that corporation tax yields have grown in the last couple of years as profits have risen substantially. Updating this based on growth in tax yields would suggests a current saving of almost £20 million each. That's consistent with the fact that these companies pay about a quarter of all UK corporation tax.

The cost to the UK might be a total of about £4.5 billion based on [current corporation tax yields](#).

To put this in context, £4.5 billion is about 40% of university spending in the UK, most of which benefits big business either by linked research work or by supplying them with trained staff at no cost to them. This is one thing that could go if they got a cut in corporation tax. But it makes no sense at all.

All of which implies that what the CBI is doing is two things. First it is fixating on an immaterial issue outside its control when it should be worrying about issues it can control. Second, its not asking itself what role it does want to play in society. That's because it thinks that business is what society is about. That's wrong. Business is a small part of society. But it can't see that bigger agenda. Until it can it's voice deserves to be unheard.