

Why Northern Ireland must not have a separate corporati...

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I have the following piece in the printed version of the Belfast Telegraph this morning:

The Conservatives have now made clear that they think the Stormont government should reduce the corporation tax rate in Northern Ireland.

They are wrong to do so. I set out many reasons for saying so in a publication entitled [‘Pot of Gold or Fool’s Gold?’](#) published by the ICTU last autumn. I’ll summarise just some of them here.

First, unlike the government I do not think this power can be devolved to Northern Ireland under EU law. That Whitehall is even proposing this is sufficient in itself to suggest that any such action will fall foul of EU law. The decision has to originate in Stormont, and isn’t. The risk of getting this wrong is too big to take, and will discourage business from relocating because of the resulting uncertainty.

Second, the only known outcome of the change will be Northern Ireland losing part of the block grant. Northern Ireland cannot afford that risk when the upside is a massive gamble of £160 a year for every person in Northern Ireland on the creation of a tax haven.

Third, precisely because this is a tax haven activity EU law would restrict who could take advantage of it. Finance companies could not. Nor could companies providing what are called ‘intra-group services’ within groups of companies. That massively reduces the attraction to the type of business that relocates to the Republic.

Fourth, as the government’s own paper recognises, nothing Northern Ireland could do could replicate the lax tax regime of the Republic which refuses to tax large tranches of profit — so Northern Ireland can never compete with Dublin’s current offering.

Fifth, Ireland is under massive pressure to withdraw the 12.5% rate now, and may do so under protest to cut the cost of its bail out.

And finally the sheer admin complexity of two tax rates and a tax border with the rest

of the UK will eliminate all the cash advantages for companies.

This is an idea that needs to be returned to the economics classroom now, where it belongs as an object of idle curiosity of no benefit to a single person in Northern Ireland.

There's one piece of good news: The DUP hold the Treasury portfolio in Northern Ireland their minister, Sammy Wilson, is not convinced. Maybe he'll stand up to the madness of George Osborne and the Taxpayer's Alliance - because that's where this folly began.

And that's resoundingly good reason why it should end - because we all know they, like Osborne, are members of the Ministry of Truth - where everything is the opposite of what is claimed.