

Why cutting Northern Ireland's corporate tax rate won't...

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The [Northern Ireland Select Committee of the House of Commons](#) has suggested [today](#) that the corporate tax rate in Northern Ireland should be cut to 12.5% to match that of the Republic of Ireland. I wrote a report on this subject last year for the TUC and Irish Congress of Trade Unions. Entitled “[Pot of Gold or Fool's Gold](#)” sets out my arguments in full. There are many of them. I will highlight three.

First, the chance that such a tax rate could be introduced in Northern Ireland without falling foul of EU law is remote in the extreme. And if it proved to be illegal the damage to the Northern Ireland economy as a result of the consequent uncertainty could be considerable.

Second, the Republic's low tax offering is not just a low tax rate — it's also a low tax base. The tax collected by any state is the tax base multiplied by the tax rate — and because both are low in the Republic then many companies operate there and pay little or no tax at all. This is something Northern Ireland could not emulate unless it were, in effect, to cede from the UK for tax purposes.

But doing that would have massive implications. First, the rest of the UK would then need to put up massive tax barriers to trade with Northern Ireland to prevent artificial tax abuse by companies really located in England, Scotland or Wales. That would be enormously harmful in terms of administrative burden to doing trade with Northern Ireland. And second, if it is assumed that the reduced tax rate will bring in increased taxes in Northern Ireland (and those proposing this idea seem to think that it will — although there is no evidence at all that the Laffer curve on which they base this idea actually exists) then that assumed increase in tax revenue has to be deducted from the subsidy now given to Northern Ireland so that it does not get a double dose of regional aid under EU law. The risk is if the assumption of increased tax is wrong — as I think not just likely but absolutely certain if the Republic's experience is copied — then the funds available for public services in Northern Ireland will be cut severely. As a result this folly, promoted by the tax accountants of Northern Ireland for the benefit of their clients will impose real and lasting cost on ordinary people throughout Northern Ireland. And that's a risk no one should take.

Which is why I and the trade union movement on both sides of the Irish Sea oppose this move.