

# UK corporation tax policy fails to attract new business...

Published: January 15, 2026, 4:47 am

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From the time that the current government came into power corporation tax reform has been one of their key objectives. The result has been a [cut in the tax rate](#) from 28 % to 21% now with 20% to follow, and a cut in the tax base, meaning that whole swathes of income have fallen out of the scope of the tax. The latter process has [created a territorial tax system for the UK](#). The aim was unambiguous. As [the government said of this policy](#):

*The Government wants to send out the signal loud and clear that Britain is open for business.*

*We must do all we can to support a private sector recovery. The UK is an open economy and many of the best known businesses in the world are located in the UK, generating growth, creating jobs and making a significant contribution to the public finances. We want to see those businesses grow strongly over the coming years, and attract new ones to join them.*

*In recent years too many businesses have left the UK amid concerns over tax competitiveness.*

*It's time to reverse this trend. Our tax system was once viewed as an asset. And it needs to be an asset again.*

In that context it is interesting to [note a report in the FT this morning that says](#):

*Foreign direct investment into Britain fell 19 per cent last year to \$37bn despite a [9 per cent rise](#) in global flows to \$1.45tn, according to the World Investment Report from the UN Conference on Trade and Development (Unctad).*

The open door has not been an attractive invitation. The tax cuts have not lured business.

The policy appears to be an outright failure. Far from attracting more money, less money has come than before. But the cost has been enormous. [I have estimated that this policy of tax rate and tax base cuts may cost the UK up to £10 billion a year](#)

In that case this has to be seen as either an outright failure of government policy or, alternatively, as part of a deliberate exercise to make big business better off at the expense of the rest of us. Another explanation is hard to find.