Funding the Future

Northern Ireland's tax problem

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Northern Ireland wants to take control of its Corporation tax rate but there is a problem.

Under EU law (which would also apply to Scotland and Wales) the moment Northern Ireland decided to cut its corporation tax rate to attract new business to a rate below that applying in the rest of the UK (which is England for these purposes) then the block grant that the UK pays to Northern Ireland must be cut by an amount equivalent to the revenue that will be foregone by cutting the corporation tax rate or else it will be deemed that illegal regional aid will have been given to Northern Ireland for business located there.

In other words, if Northern Ireland is to get this cut in corporation tax it has to make the 44% cuts that are being demanded of all government over the next few years plus an additional cut on maybe 10% of state spending in the areas impacted and as yet the parties in northern Ireland cannot agree how to manage welfare reform and so are behind the cuts agenda Westminster has demanded of them.

There is no chance that Northern Ireland can afford these cuts.

There is no chance it can manage these changes.

There is no chance the people of Northern Ireland would forgive their politicians for imposing this recklessness on them.

There is no way Osborne also intends to deliver: this cannot become law during March 2015 just before the general election which is the only occasion when it could happen. Osborne is then creating deliberate political decision in Northern Ireland to support the DUP who he hopes will support the Tories after the next general election.

This is all about playing very bad politics indeed that misleads people, is leading to recklessness and false promise and a wholly mistaken hope that jobs can be created when the cost of doing so would be beyond anything Northern Ireland could afford to pay. And it is all based on bad economics.

No wonder people are disillusioned with politicians, everywhere.

There are [links to other arguments on this issue here](#).