

Funding the Future

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The [government has announced the Bill to grant Northern Ireland](#) the right to set its own corporation tax rate.

For those who want to reduce admin burdens (and those who have promoted this idea also claim to be firmly in this camp) this Bill is akin to a nightmare: it is 87 pages of new legislation covering everything down to calculating dredging allowances in Northern Ireland under the new tax regime. There are also enough formulas on profit and loss allocations to keep any accountant busy and in nice fee income for years to come: you can see just why KPMG Belfast was so keen to promote this idea.

But, the key point is that this new law was supposed to lure new business into Northern Ireland and yet at its heart is a provision that guarantees it cannot do that. Chapter 17 of the Bill relates to businesses excluded from claiming the new tax rate. These include those lending and making investments, those undertaking investment management and those engaged in reinsurance. In addition any 'back office activity' is excluded.

So, it's pretty unlikely that financial services will be relocated to Northern Ireland to get this advantage, and that's one of the biggest and most mobile sectors in the UK. And what's 'back office'? The Bill does not say and just gives the Treasury the power to define it, but it's a pretty fair bet that again some of the most mobile activities in the UK, like accounting, data processing and even many call centre activities will be 'back office activities' and so be excluded.

There is no surprise in this: EU law requires these exclusions, but has been ignored throughout by those promoting the arrangement. The consequence is, however, that a tax rate cut designed to lure business in is stopped from the outset from doing that for the businesses most likely to come. You really could not make up something quite so inept.

So, the net outcome of this new arrangement is that there will be a tax cut in Northern Ireland from which over 30,000 existing businesses may benefit, no new work will be attracted because it is nigh on impossible for that to happen, costs will sky rocket because of the admin this will impose on business in Northern Ireland and the people of Northern Ireland will suffer major cuts in public services because the block grant from

the UK will have to be cut by as much as this tax cut will cost - imposing a double whammy on the region. This is, of course, all as I predicted, but to see it now being spelt out as a plan to add to the woes of Northern Ireland makes my heart sink.

There is a madness in the form of a belief in tax competition at the heart of this proposal, coupled with faith in trickle down which in this case will undoubtedly be trickle up from those least able to afford it. Northern Ireland will come to deeply regret the day it got this power. We all will if Scotland gets it as well. Dogmatic hatred of tax and all that it can do for society is driving reform here from which only harm can result. I can only say I did my best to stop it but the Big 4 accountants who appear to be behind this have won the day. It's another cost they have imposed on society.