

Northern Ireland's tax rate matters, even on days like ...

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Politics [in Northern Ireland is in crisis this morning](#) and I very much suspect that the interview I am currently scheduled to have on the BBC in Belfast at 8.30 this morning will be cancelled. If it was I would understand why.

It's not my job to comment on Northern Ireland politics on this blog unless the issue relates to tax and other such issues. Superficially the current stress in Northern Ireland does not do that, of course. But behind the scenes there have been growing political tensions that are tax and economically related.

As I have often recounted, [and did yesterday](#), the cross-party commitment in Northern Ireland to a reduced tax rate to match that of the Republic carries an enormous cost in terms of a reduced block grant from Whitehall. That has straightforward knock on effect in terms of reduced Stormont spending that would have greatest impact on social services of various sorts that would have significant consequences in many of the communities of Northern Ireland.

Sinn Fein has wanted the 12.5% tax rate for political reasons that I understand.

It has been unwilling to accept the economic consequences of that tax rate, for reasons that make sense for those it represents and which also reflects the fact (long ignored) that it is a party on the left of politics that has presented anti-austerity programmes.

The UK government has been keen to impose much greater austerity on Northern Ireland and the block within the power-sharing agreement on that process has been a cause of frustration to it.

None of this, I stress, alters the issues that need to be resolved immediately. But this background reveals a rising political stress that has fuelled tension. Dogmatic belief in tax cuts and the imposition of austerity do not exist without consequences. They may not have caused the current crisis in Northern Ireland, but nor have they helped either. And in that case any talks will eventually have to resolve these issues and the degree to which Whitehall is willing to support the economy of the North where about 67% of

national income is dependent upon the state, a ratio way out of proportion with the rest of the UK.

These are the big questions that will need to be addressed here when immediate tensions can be resolved. It is beholden on the UK government and others to answer the questions they give rise to.