

Northern Ireland: a case for which devolved taxes?

Published: January 13, 2026, 5:42 am

I am heading for Dublin this morning where I am meeting Christian Aid and others this afternoon before travelling to Belfast this evening [in anticipation of two meetings tomorrow](#).

I will, perhaps unsurprisingly, be discussing tax in both cities. In Dublin the focus will be tax competition, the role of the Irish government in encouraging it, the threat that the EU poses to its policies now and the bankruptcy of running an economy on the basis of pandering to the tax abuse that is deliberately designed to increase the income and wealth divides that create so much of the friction that quite appropriately distresses so many in both governments around the world [and in civil society](#).

In Northern Ireland the situation is different. Times are, of course, [politically difficult in the North at present](#). No one would wish for the current political tensions, or the causes that have given rise to them. Recognising that is a necessary background to anything I can say. The hope that stable devolved government can be maintained in Northern Ireland is the most important priority for now.

That said, the issue of tax has been significant in creating stress between the various parties at Stormont for some time. There has been reason for this. Whilst there has been cross-party consensus for some time on the desire for a 12.5% tax rate what has become very clear in recent months is that Sinn Fein has been reluctant and even unwilling to accept the consequent cuts to spending in the North that flow from this policy.

Those cuts, which Whitehall is demanding, are the result of the Whitehall grant to Northern Ireland having to be cut if the corporation tax rate is cut as a business incentive (which is what it is) by the exact amount that the rate cut might cost. This is to prevent the provision of artificial state aid under EU rules.

This has never been my sole objection to that tax cut, many more of which I explained as long ago as 2010, [here](#). It is, however a major objection. As [Andrew Baker of Queen's University Belfast and I wrote](#) on this issue for the Sheffield Political Economy Research Institute a while back:

Because of EU rules, stemming from the Azores judgement, if it was to cede corporation tax setting powers to Stormont, HM Treasury would have to reduce the size of Northern Ireland's annual block grant. It currently puts this figure at £700 million per annum, which is about 8.7% of the total block grant. Gerald Holtham estimates that, even if the cut were just £300 million, then compensating for that loss would require an additional £2.4 billion in private-sector profits. This translates into an additional £10 billion of Gross Value Added (GVA) (current figure £28 billion).

According to these conservative calculations, breaking even on the budget would therefore require the Northern Ireland economy to grow by a third! Viewed in this light, cutting corporation tax looks like a considerable gamble with the existing budget and public services. A more candid reading might invoke the spectre of self-harming.

I think Sinn Fein has realised the price for an all Ireland headline tax rate is too high, especially when, as [Andrew has separately and appropriately noted](#), the economic logic does not stack in many other ways as well.

In that case the question is how should taxes be devolved? I will be exploring ideas that will be more widely available in The Joy of Tax very shortly when it comes to that difficult, and almost wholly unaddressed question in the UK when making my atlks tomorrow.

There are answers. Corporation tax devolution is not amongst them.