

What cutting corporation tax to 10% would mean for the ...

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Some of the smaller economic brains inside the Brexit camp are suggesting that the UK [should cut its corporation tax rate to 10%](#). Let me suggest some of the consequences.

First, we would lose over £20 billion of tax revenue a year. That's one third of the total forecast UK deficit. There's not a shred of evidence that we would recover any of this from alternative new taxes: at best such a tax cut might keep some business in the UK that would otherwise leave, but there is almost no chance business will now relocate to the UK for tax purposes for [the reasons I note here](#), and because it is widely known that tax is usually fifth or sixth on any criteria ranking for location decision making. Being outside the EU will always outweigh the value of this cut for multinational corporations.

Second, many of those paying much less tax will be small UK companies. In fact, every self employed person will have a massive incentive to incorporate their business (as happened when Gordon Brown had a 10% small company tax rate early in this century) and tax avoidance will be enormously boosted as a result at no real gain to the economy.

Or, third, massive anti-avoidance rules will have to be put around small business to prevent them getting advantage of this gain, which will be administratively cumbersome, hard to enforce and reinforce the idea that is already prevalent in tax that there is one rule for big companies that favours them enormously and another for small ones which always does them down. This encourages both social and economic division and at the same time encourages tax evasion.

Fourth, if those rules are not put in place inequality in the UK will rise significantly: the wealthy who could record their income in a company and who do not then withdraw it from the company to live off (which is a certain sign of being wealthy) would be able to accumulate their wealth at a vastly lower tax rate than anyone itself: this is the way to ever deeper social divisions.

And, fifth, any hope of fair markets where the ability to serve the customer is the sole criteria for success would be even further undermined by favouring some who could

access this rate and denying others the opportunities to do so, in the process killing any chance of fair economic competition and so undermining the essential nature of free markets that suggests that they have a valuable role to play in society.

There is nothing pro-market in using tax as a competitive tool. This policy is a policy that is instead about destroying market capitalism. It's ironic that it comes from the political right as a result, except for the fact that it reveals their real motives: this policy is about increasing inequality and reinforcing the exploitative monopoly rights of a few in this country and not about the well-being of the UK as a whole. And that's why it has to be opposed.