

There May and corporation tax cuts: a policy to shower ...

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Theresa May is playing a very silly boy's game today. It is called anything you can do I can do better. So if Trump says US corporation tax will go to 15% presumably she will aim to go one better.

Let's ignore for a moment the fact that there is no economic reason to do this: big business already has, or has access to, all the cash it needs to invest, but won't, for reasons I [explore](#) here.

Let's instead think of reasons why such a move is really bad for the UK.

First, it increases social tension. Why should big business have a tax rate less than the basic rate of income tax? Where is the logic in that? Of course people will be aggrieved.

Second inequality will rise. Dividends are assumed to have had basic rate tax paid in them at source. That is, in effect, assumed to be settled by corporation tax but this will now be lower than the income tax rate. The effect will be that investment income will be even more lowly taxed, and it already enjoys much lower rates than income from work. And since dividends are very largely enjoyed by the better off (and yes, most pensioners are better off) this will automatically increase inequality.

Third, there will be an increase in tax avoidance. Small business will have every incentive to incorporate to avoid tax. Unless the cuts will not apply to them this will be a straight gift to the tax avoidance industry. It's hard to think of anything more bizarre.

But most important there is no evidence we win any gain as a result.

So Theresa May will be announcing a policy solely intended to give money to the already well off and tax avoiders. That's not an industrial strategy. And that's not a new compact with business. That's just a continuation of a policy of showering favour on the better off at cost to the rest of the country.