



Rt Hon Rishi Sunak MP
Prime Minister
10 Downing Street
London
SW1A 2AA

17th February 2023

Dear Prime Minister,

We are writing to urge you to reconsider the Government's plans to increase corporation tax from 19 per cent to 25 per cent in April this year. If the increase proceeds, potential new jobs and higher national output will be lost and your commendable ambition of transforming Britain into a 'science superpower' will be undermined. Levelling up hopes will be hit hard.

The announcement by AstraZeneca that it will be investing £320 million in the Republic of Ireland rather than in the North of England because UK corporation tax rates are too high is a dispiriting blow to the UK economy and a harbinger of what may come.

You will be aware that Ireland has had a corporation tax rate of 12.5 per cent for the past 19 years – half the level that the UK rate will rise to shortly under the Chancellor's current plans. This has had a highly positive effect on the Irish economy. To take the pharma industry as one example, its exports are now 2.5 times those of the UK. Twenty years ago, they were only 40 per cent of the UK level.

More broadly, the proposed increase will reduce the UK's competitiveness in corporate tax from number 6 to number 19 among the 38 OECD countries. Companies will have less money available to expand their activities and create wealth for the good of the country. Many, like AstraZeneca, will relocate future investment beyond our shores. Fewer will seek to establish themselves here.

For those companies that do remain – many of them small and medium sized businesses – increasing corporation tax by about a quarter will seriously impact their operations. SMEs account for half of UK output and two thirds of jobs and are the very businesses you rightly sought to keep alive during lockdown while you served as Chancellor.

Predictions that raising corporation tax will provide a significant boost to the public finances are based on shaky ground. From 2010 to 2017, the UK corporation tax was cut from 28 per cent to 19 per cent and revenues almost doubled from £31.7bn to £62.7bn – or in GDP terms, an increase from 2.4 per cent to 2.9 per cent. Although there are multiple factors underlying these figures, analysis by HMRC and HM Treasury a decade ago suggested that as much as 60 per cent of any lost revenue from corporation tax cuts would be recovered from positive changes in firms' behaviour, including higher employment and wages. In the current circumstances, when the UK economy is potentially at a tipping point, this is surely a gross underestimate.

We strongly urge you to abandon your plans to increase corporation tax and instead follow a growth agenda that will make Britain a better place for companies to do business and encourage inward investment.

Yours sincerely,

Rt Hon David Jones MP
Fellow at the Centre for Brexit Policy

Other signatories:

Rt Hon Sir Jake Berry MP
Rt Hon Simon Clarke MP
Rt Hon Sir Iain Duncan Smith MP
Rt Hon Mark Francois MP
Rt Hon Sir John Redwood
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Robert Agostinelli, Co-Founder Rhone Group
Lord Cruddas, CEO CMC Markets PLC
Sir Rocco Forte, Chairman Rocco Forte Hotels
Tim Martin, Chairman JD Wetherspoon PLC
Sir David Ord, Managing Director Bristol Port Company
David Roper, Co-Founder Melrose Industries PLC

Roger Bootle, Chairman Capital Economics (signed in personal capacity)
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