

THE CONSERVATIVES PROPOSAL TO SHELVE THE REDUCED 17% CORPORATION TAX RATE



In the Finance Act 2016 the UK Government enacted legislation that the 17% corporation tax rate would be in force from 1 April 2020. The objective of this policy was to have a more competitive corporate tax system to provide the right conditions for business investment and growth.

Prime Minister Boris Johnson announced on 18 November 2019, that the Conservatives would “postpone further cuts in corporation tax”. Therefore, the planned cut to corporation tax from 19% to 17% from 1 April 2020, is shelved should a Conservative Government be elected at the General Election on 12 December 2019.

Businesses will have made strategic and financial decisions based on the Government implementing the 17% reduced corporation tax rate. Deferred tax provisions will need to be revisited where future tax impacts at 17% have been accounted for.

The current 19% corporation tax rate remains competitive. Statistics from The (OECD) show that even with a 19% corporation tax rate, the United Kingdom would have one of the lowest rates amongst developed economies.

Jeremy Corbyn, leader of the Labour party has said that he would, should a Labour Government be elected, raise the rate of corporation tax to 26% by 2022 – the level it was in 2011.

The Liberal Democrats leader Jo Swinson has revealed in the party’s manifesto that they would raise the rate of corporation tax to 20% - the level it was in 2015.

As a minimum, businesses should consider the impact of corporation tax rates remaining at 19% on any deferred tax positions. The above corporation tax rates should also be factored into any forecasting for the coming year.

Rawlinson & Hunter work extensively with businesses on an array of projects, including corporation tax planning. We would be happy to assist you in understanding the impact of the above on your business.

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BUSINESS TAX ALERT

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