

# Government update on Corporation Tax

## News story

The government has today, Friday 14 October, announced that Corporation Tax will increase to 25% from April 2023 as already legislated for, raising around £18 billion a year and acting as a down payment on its full Medium-Term Fiscal Plan.



- The Prime Minister has set out that the way the government is delivering on its mission to achieve a low tax, high wage, high growth economy is to change.
- The legislated increase in the Corporation Tax rate from April 2023 will go ahead, with most small businesses benefitting from the new small profits rate.
- Chancellor Jeremy Hunt will deliver the Medium-Term Fiscal Plan on 31 October, detailing action to get debt falling as a percentage of GDP over the medium term.

The decision has been taken in recognition of the need to ensure the UK's economic stability and reassure markets of its commitment to fiscal discipline, after elements of September's Growth Plan went further and faster than markets were expecting.

The Prime Minister has set out that the government is prepared to do whatever is necessary to ensure debt is falling as a share of the economy in the medium term and to ensure that taxpayers' money is well spent, putting public finances on a sustainable footing.

The previously announced small profits rate of Corporation Tax will be maintained. Smaller or less profitable businesses will not pay the full 25% rate, and companies with less than £50,000 of profit – the large majority – will not see any increase at all, continuing to pay Corporation Tax at 19%.

The UK's corporate tax regime will remain competitive and supportive of growth at the 25% rate, continuing to be the lowest rate in the G7. As part of the forthcoming tax review, the government will look at how the tax system can go further to promote growth and investment.

The government is committed to growing the economy and taking forward supply-side reforms that will ignite strong and sustained growth that delivers prosperity for the UK.

Chancellor of the Exchequer Jeremy Hunt will set out the government's Medium-Term Fiscal Plan on 31 October, alongside a full forecast from the independent Office for Budget Responsibility.

#### **Further information**

- The around £18 billion raised per year through an increase in the Corporation Tax rate to 25% is an approximate figure. The OBR will assess the fiscal impact of the change on 31 October.
- The Chancellor will confirm the position on the Bank Surcharge in the Medium-Term Fiscal Plan.

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