



## Corporation Tax Rate Reduction Significantly Improves UK Ranking in G20

The 2010 Coalition agreement stated that “our aim is to create the most competitive corporate tax regime in the G20”.

A 2011 report by the Oxford University Centre for Business Taxation showed that this had not been achieved by 2011. In 2011, the UK ranked 7<sup>th</sup> in the G20 on the statutory tax rate (with a rate of 28%), and 9<sup>th</sup> on the effective tax rate (with a rate of 26.3%).<sup>1</sup>

Today, the Chancellor of the Exchequer announced that the statutory tax rate would be reduced to 22% in 2014. If no other countries introduced reforms to their current corporation taxes, then the rankings of the UK in 2014 would become:

Statutory tax rate. UK ranking: 4<sup>th</sup>

Effective tax rate. UK ranking: 6<sup>th</sup>

The effective tax rate measures the proportion of the profit taken from an investment project, taking into account the generosity of allowances – that is, how taxable profit is calculated. It is generally lower than the statutory rate. The UK has a relatively harsh treatment of allowances. In particular, the UK gives no relief to investment in industrial buildings, the only country in the G20 not to do so, despite the Government’s support for investment in infrastructure.

The full rankings are as follows.

### Ranking of Statutory Tax Rates (UK in 2014; all other countries in 2012)

	%
Saudi Arabia	20.0
Russia	20.0
Turkey	20.0
United Kingdom	22.0
South Korea	22.0
Indonesia	25.0
China	25.0

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<sup>1</sup> See G20 Corporate Tax Ranking 2011, Katarzyna Bilicka, Michael Devereux and Clemens Fuest, available at [http://www.sbs.ox.ac.uk/centres/tax/Documents/reports/G20\\_Corporate\\_Tax\\_Ranking\\_2011.pdf](http://www.sbs.ox.ac.uk/centres/tax/Documents/reports/G20_Corporate_Tax_Ranking_2011.pdf)

Canada	28.0
Mexico	30.0
Australia	30.0
Germany	30.9
Italy	31.3
India	32.4
Brazil	34.0
South Africa	34.6
France	35.0
Argentina	35.0
United States	40.5
Japan	40.8

**Ranking of Effective Tax Rates (UK in 2014; all other countries in 2012)**

Russia	16.7
Turkey	16.9
South Korea	18.0
Saudi Arabia	18.1
Italy	19.3
United Kingdom	20.3
China	22.4
Indonesia	23.0
Canada	24.4
Mexico	26.1
Australia	26.6
Germany	27.0
India	28.8
France	29.8
South Africa	29.8
Brazil	30.7
Argentina	32.3
United States	34.9
Japan	36.0

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