

Budget 2021 corporation tax to increase to 25%.

The Chancellor plans to raise corporation tax by 6% to a new 25% rate from 2023 raising an additional £22bn in revenues.

In April 2023, the rate of corporation tax will increase to 25%, a 6% increase from the current 19% while at the same time creating a small profits rate for businesses with less than £50,000 profit who will continue to pay corporation tax at the current 19% rate.

The hike in corporation tax is expected to raise an additional £22bn in revenues a year with the tax take increasing from £48.8bn in 2022-23 to £71.3bn in 2023-24.

The increase is required to raise revenue to support recovery balancing this with the objective of having an internationally competitive tax system. The rate of corporation tax to 25% will remain the lowest rate in the G7. The increase will not take effect until 2023.

Businesses with profits of £50,000 or less, around 70% of actively trading companies, will continue to be taxed at 19%. A tapered rate will also be introduced for profits above £50,000, so that only businesses with profits of £250,000 or greater will be taxed at the full 25% rate.

The corporation tax rise will come into effect well after the point when the Office for Budget Responsibility (OBR) expects the economy to return to pre-pandemic levels and on the back of an unprecedented period of support for business investment through a 130% upfront capital allowances super-deduction for investment in plant and machinery.