

## Briefing: UK set for highest effective corporate tax rate in the G7

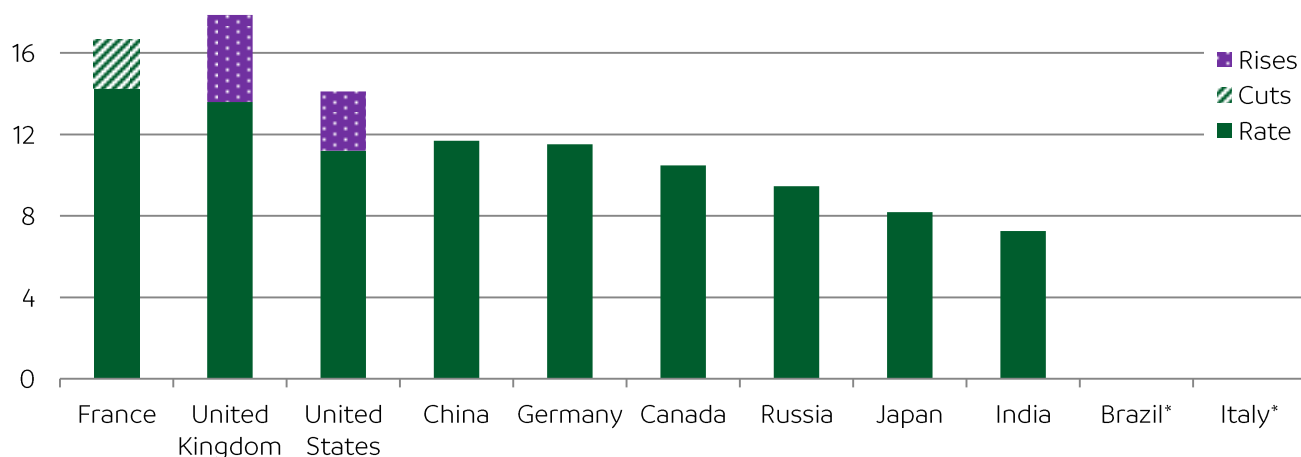
March 2021

- Corporation tax headline rate rise to match China's 25 per cent announced for 2023.
- This is set to push the UK's marginal effective rate to the highest among G7 (Canada, France, Germany, Italy, Japan, UK, US) and BRIC (Brazil, Russia, India, China) economies.

At 19 per cent, the UK enjoys the lowest headline rate of tax on corporate profits in the G7. Only Italy's 24 per cent rate is lower than the 25 per cent rate the chancellor has announced will apply from 2023. However, headline rates are only part of the picture. Various allowances and exemptions apply which reduce the tax levied, and produce an effective marginal tax rate. Analysis of these rates shows a starkly different picture.

OECD figures for 2019, their most recent, show the UK marginal effective corporate tax rate had the second highest in the G7 behind France, as well as being higher than in the BRIC economies. France has since cut its headline rate from 31 to 26.5 per cent. Even disregarding this, the UK's headline rate would only need to rise to 23.3 per cent for the marginal effective rate to exceed France's 2019 rate, assuming the same relationship between headline and effective rates is maintained.

**Chart 1: effective marginal corporate tax rates in G7 and BRIC economies (negative rates not shown)**



**Table 1: effective marginal and headline tax rates in G7 and BRIC economies (per cent of GDP)<sup>1</sup>**

Economy	Effective marginal rate, 2019 (% of GDP)	Headline rate (% of GDP)		
		2019	2020	2021
UK (after rise, 2023)	17.9	19	19	19
France	16.7	31	28	26.5
UK (before rise)	13.6	19	19	19
Germany	11.5	30	30	30
United States	11.2	27	27	27
Canada	10.5	26.5	26.5	26.5
Japan	8.2	30.62	30.62	30.62
Italy	-56.3	24	24	24
Brazil	-2.8	34	34	34
Russia	9.5	20	20	20
India	7.2	30	30	30
China	11.7	25	25	25

<sup>1</sup> Effective rates from OECD, *Effective Tax Rates*, [stats.oecd.org/Index.aspx?DataSetCode=CTS\\_ETR](https://stats.oecd.org/Index.aspx?DataSetCode=CTS_ETR), (accessed 3 March 2021). Headline rates from KPMG, *Corporate Tax Rates Table*, [home.kpmg/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html](https://home.kpmg/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html), (accessed 3 March 2021).