

Lower rates brings in more revenue

I was pleased to see the Cato Institute yesterday wade into the debate about how to get more tax revenue from business. They have studied the OECD figures for tax raised 1980-2020. These show that in the 1980s the leading 22 countries of the world charged an average Corporation Tax rate of 46.2%, and collected 2.4% of GDP from this. In the last decade they charged an average rate of 26.7% which yielded 2.9% of GDP. It's more evidence of the case I have been making that cutting rates can often produce more revenue. The Treasury accept the principle of the Laffer effect, but think the optimum rate for revenue is far higher than it is in practice.