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Use Brexit freedoms to make Northern Ireland a super low-tax pharma manufacturing 'freeport'

- *Uncompetitive taxes have seen investment and manufacturing in pharma production shift to the EU – with the Republic of Ireland reaping the benefits.*
- *Latest figures show a* ***£10 billion a year deficit in UK/EU pharma trade.***
- *Hot on the heels of two new Scottish freeports. Report says the Government could use the* ***unique position of Northern Ireland to create a super low-tax 'pharma freeport'.***

The EU is capitalising on UK taxpayer-funded research and development in new drugs by attracting big pharma companies to set up factories overseas with the promise of low taxes.

This analysis by the Civitas think tank uncovers £10 billion of annual lost pharmaceutical exports through 'uncompetitive' taxes levied on pharma companies. The report shows how major pharma giants use UK taxpayer-funded research and development spending to develop new drugs and then shift production overseas.

A new analysis, released today, highlights how the value of pharma goods produced by UK factories fell by **ONE THIRD,** and the value delivered by UK pharma manufacturing almost **HALVED** after UK research and development in pharmaceuticals peaked a decade ago.

Despite major UK investment in developing new drugs, imports from the EU almost **DOUBLED** over the last decade, creating an annual £10 billion trade deficit with the EU. The UK now imports TWICE the value of drugs it exports to the EU, despite over 80 per cent of the UK's imported pharmaceuticals coming from the EU.

Billions of pounds of potential pharma manufacturing have been lost to the UK as other countries welcomed new pharma plants from 2009 onwards. Over the past decade, private sector investment in pharma manufacturing has swerved away from the UK towards other EU countries, including low-tax Ireland.

Ireland's pharma exports are now worth TWICE the value of the UK's pharma exports, as low corporation tax and tax credits lure pharma giants to its shores. Irish pharma exports topped a massive €62 billion in 2020, with Irish officials recently claiming 'close to the biggest wave of investment in bio-tech facilities anywhere in the world.'

In *Prospects for a Global Britain,* trade analyst Phil Radford suggests a solution: creating a super low-tax pharma manufacturing freeport in Northern Ireland by taking advantage of its unique post-Brexit position.

According to Radford, Northern Ireland is now in a 'unique position' to become a major pharmaceutical manufacturing powerhouse, if ministers slash taxes on the production of new drugs in the province. Radford says the Government could 'shift the investment calculus for global pharma' by creating a new, super low-tax pharma freeport in Northern Ireland.

The Northern Ireland (NI) Protocol requires the region to follow EU laws for manufacturing new drugs. The UK government still sets taxes levied on companies doing business in the province. Drugs produced in Northern Ireland can still be sold seamlessly to the EU and the UK.

Turning Northern Ireland into a special pharma production tax zone would allow the province to compete 'aggressively' on tax and scoop up 'pharmaceutical skills and expertise' over the border in the Republic of Ireland.

Phil Radford said:

'Nothing substantive will change in UK pharma manufacturing and trade unless UK governments address tax discrepancy. There is no other UK manufacturing sector where dependence on the EU for imports is so high and also rising.

'The UK can pour money into R&D. But if it can't shift the investment calculus for global pharma so that it's more profitable to manufacture in the UK, then there's no reason why the current adverse trend should change. Dependence on overseas pharma supply will increase, and the profits from UK science will accrue on balance sheets in other jurisdictions.

'Northern Ireland's regulatory challenge can be turned into a manufacturing opportunity. Pharmaceuticals produced in Northern Ireland will, in the end, have seamless access to both markets because no other solution is politically enforceable.

'The UK Treasury could pile tax breaks into pharmaceutical investment and manufacturing in Northern Ireland without prejudicing its tax regime in the rest of the UK. If it did so, the pharmaceutical industry and its truly supple supply chains would be the very first to take notice. For them, investing in Northern Ireland would be a smart hedge against regulatory UK–EU spats. And where tax breaks go, pharma follows.'

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NOTE TO EDITORS

For media enquiries or a copy of the full report, please contact Frank Young, editorial director on frank.young@civitas.org.uk or 07860 811383

About Civitas: Institute for the Study of Civil Society

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