FABIAN SOCIETY

TAXING QUESTIONS

HOW LABOUR CAN RAISE THE REVENUE WE NEED

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FOREWORD

Meg Hillier MP

One of the first questions any new government faces is a sticky one: how will it fund its policy pledges? During the election, there was little discussion in the media about how to fund manifesto promises – tax was the dog that did not bark.

Right from the start of this parliamentary session, the new chancellor made two important promises which have come to define her decisions: to stick tightly to a new fiscal framework, and to abstain from raising 'taxes on working people'.

Since those heady days following Labour's landslide general election victory, the political and economic instability at a global level has had a profound impact on the fiscal situation. An unpredictable US president with a tendency for protectionism; the cost of borrowing rising globally; and devastating conflicts have all added to the costs faced by both the government and the populace.

The government has reacted by promising an increase in defence spending, raising employer national insurance contributions and making changes to social security. However, the latter met with substantial resistance, and will now not deliver the cost savings the Treasury hoped for.

Some have questioned whether the chancellor had made a rod for her own back by choosing to stick so firmly to her fiscal rules. Fiscal rules are, of course, important for creating certainty and stability for the country and the financial markets. Yet since they were first introduced by Gordon Brown, every chancellor has laid out their own rules – and then changed them. Each new set of rules has lasted less than the ones before. Some have speculated whether the chancellor will change hers. Arguably, she has little scope, having promised that her 2024 budget was the foundation for spending in this parliament. Any change is highly unlikely, but if there is a change, she will need to be clear about why and what the extent will be. There are no quick fixes.

Given the dire state of the public finances, it is understandable that there is talk of raising taxes. But ideas such as a wealth tax, changes to property tax, and even business rate reform are not easy or quick to deliver and not proven to work – largely because of resulting behaviour changes.

There may be scope yet for spending the money we have more effectively. Over my nine years chairing the Public Accounts Committee, I saw far too many examples of inefficient spending and decisions deferred which ended up costing more. We need to be ruthlessly efficient when managing public money – our constituents work hard and pay tax in the expectation that it is spent responsibly. I have frequently talked of the need for 'slow politics': political decisions that make financial sense for future costs, not just tackling issues in the short term. It is nearly always more costly to fix than to prevent. But too often commentators and the electorate are not willing to be patient in the face of immediate crises.

Now, a year into government, the chancellor has more decisions to make. Her headroom – the gap between the money in the exchequer and spending needs – is wafer thin, and yet the public expects investment in our health service, our children's education, in protecting our high streets, and our environment.

So what should she do? I have long believed that parliament works at its best when views are taken from experts, including from the front and back benches, who can highlight what works and what doesn't. She will be bombarded with suggestions and, as she has often said, will have to make many trade-offs on competing demands.

With work from a broad church of parliamentarians and policymakers, this collection of essays showcases creative, sustainable, and responsible ideas for the chancellor.

Dame Meg Hillier is the chair of the Treasury select committee and the Labour and Co-operative MP for Hackney South and Shoreditch

1. OIL AND GAS

Tessa Khan

Oil and gas production is taxed differently from the rest of the UK economy – and for good reason. Fossil fuel companies are extracting a finite, national resource, and regularly make billions in annual profits. They are not your average business.

The current headline tax rate for North Sea operators has become the focus of sustained and often furious industry lobbying ever since this Labour government raised the rate from 75 per cent to 78 per cent, with companies warning that high taxes threaten everything from UK energy security and jobs to the North Sea basin's transition to clean energy. At the same time, persistently high energy bills and a worsening climate crisis are leading to growing demands for polluters – especially fossil fuel companies – to pay more for the harms they cause.

With changes to the UK oil and gas tax regime expected in November's budget, the Treasury must avoid repeating the mistakes of previous governments, which used tax policy to ensure the profitability of private companies while propping up an increasingly uneconomic oil and gas basin. Instead, it must design a system that serves the UK's clean energy goals, workers and the wider public good.

An outdated tax system

UK oil and gas production has declined since the turn of the millennium but, for the past decade, the UK's oil and gas tax regime has sought to mask the reality of this mature, high-cost basin. Compared to other regions – and in a world of slowing global oil demand growth and falling prices – the North Sea is increasingly uncompetitive.

In 2014, the Conservative government, heavily lobbied by the industry, slashed headline tax rates and expanded tax breaks to try to incentivise new drilling – with the goal of 'maximising economic recovery' of oil and gas from the ageing basin.

This deliberately prioritised profits, and maintaining production, over public revenues, with the UK becoming one of the most competitive tax regimes for oil and gas in the world. During two of the past 10 years, the sector delivered negative returns to HMT. In 2020, the UK was the only country in which Shell operated where it didn't pay any tax. In fact, it collected almost £100m from the Treasury.

It took the energy crisis triggered by Russia's invasion of Ukraine to expose the injustice of this settlement. Oil firms reported record profits while millions of UK households were plunged into fuel poverty. The chancellor, Rishi Sunak, responded with the Energy Profits Levy, better known as 'the windfall tax'. But it came too late, and missed much of the windfall as a result: in 2022 and 2023, companies banked over £30bn in post-tax profits, yet paid just £5.6 bn as a result of the windfall tax.

Sunak also doubled tax relief for new drilling – tax breaks described by the IFS as "indefensibly generous" – in the hope of persuading companies to reinvest profits. For a period – until Labour amended the policy – this meant that UK taxpayers were effectively on the hook for almost all of the costs of developing new fields, leaving oil firms to cover just 9 per cent of upfront spending. In practice, these allowances served to protect existing investments that would have proceeded regardless, handing billions of pounds of additional tax relief to companies for no good reason.

Worse, it meant that the government had just created a tax regime where reliefs for investments in oil and gas were over three times as generous as those for wind energy – sending a clear signal to the industry that there was no imperative to shift investment to renewables, despite the North Sea's decline.

Not that many North Sea oil and gas operators were showing any commercial interest in the UK's energy transition – outside of the glossy rebrands and advertising greenwash. From 2015 to 2024, only six of 80 or so UK oil firms invested anything in UK renewables. Just seven plan to do so by 2030. Rather than pivoting to clean energy, companies are on what has been described as a "sunset ride" – seeking to maximise profit from oil and gas while they still can. And they want UK tax policy to continue to serve this aim – delivering profits for company executives and shareholders – rather than any broader public benefit.

But hidden behind their bank balances, the North Sea's decline has been keenly felt by workers and the communities they support. Over the past decade, industry-supported jobs have more than halved. Aberdeen – once the UK's oil capital – has had what's been described as a 'disastrous decade', with falling incomes and rising fuel poverty and food bank use. It is now predicted to have the slowest economic growth of any UK city.

Overhaul the system

Labour is now poised to set out its plan for the future of the North Sea, including reform of the tax regime. Last year, it fulfilled its manifesto commitment to raise the headline tax rate – aligning it with neighbouring Norway – while also reducing some investment allowances, though companies can still write off over 80 per cent of the cost of developing a new field. Its plan for what replaces the Energy Profits Levy (due to expire in 2030) is expected to be revealed in the budget.

It has a battle on its hands. The industry, for whom tax lobbying has become another highly lucrative way of making money, is fighting hard for lower taxes and more generous allowances – including using the threat of job losses.

While declining employment is a major challenge, the industry's record speaks for itself: it has a long history of protecting shareholders over its workforce. Earlier this year, one of North Sea's largest producers, Harbour Energy, cut 250 jobs, blaming the "punitive" tax regime – despite paying £1bn to shareholders in the past three years.

Industry claims that lower taxes would meaningfully boost production and reduce the UK's growing dependence on imports also don't stack up. Most remaining reserves are oil – roughly 80 per cent of which is exported. Most UK gas has already been burned. Even if new fields are developed, the UK will be dependent on imports for two-thirds of its natural gas in just five years' time, and for over 90 per cent by 2050. That's down to geology, not policy.

The Treasury must hold its nerve. Instead of prioritising short-term profits, it must overhaul the oil and gas tax system so that it aligns with its clean growth plans, while managing the decline of oil and gas in a way that supports workers to transition.

This will require compromise between companies – on which workers and communities are still dependent – needing to make a return from diminishing reserves, and the wider public interest. Here's what such a compromise might look like:

- Set the tax rate at a level that ensures companies pay their fair share. This means ignoring industry pleas to return to the radically low levels of a decade ago, but also calls to squeeze North Sea companies dry – the days of large returns from the North Sea are over. A permanent mechanism is also needed to ensure future windfalls don't again slip through the cracks.

- Scrap reliefs for new drilling. It is economic lunacy for the public to continue to effectively foot the bill for projects that would not be viable without the Treasury's thumb on the scale – and which are incompatible with the UK's climate commitments. There may, however, be a case for tightly targeted reliefs to support the transition, such as allowances for decommissioning that are conditional on creating domestic jobs.

Tax policy should not drive energy policy. But for too long, it has been used to prop up – and profit – an industry in terminal decline. The opportunity is there to fix this broken status quo – by aligning the North Sea tax regime with the government's clean energy and climate goals, and ensuring that it instead serves the long-term interests of workers, communities and the wider public.

Tessa Khan is founder and executive director of Uplift, which supports efforts to create a rapid and fair transition away from oil and gas production in the UK

2. GAMBLING

Theo Bertram / James Noyes

Britain's gambling tax system is outdated, inconsistent, and fails to reflect the varying social and economic impacts of different gambling activities. The current framework perversely incentivises high-harm, low-employment sectors like remote gambling, typically in the form of online 'casino' style gambling on a mobile phone, while overtaxing less harmful, higher-value sectors like horse racing and bingo. This imbalance undermines fairness, exacerbates social harm, and misses an opportunity to align taxation with broader public policy goals.

At the Social Market Foundation, we propose a reformed gambling tax system that differentiates rates based on harm, economic contribution, and international benchmarks, raising revenue while promoting social good.

Evidence clearly shows that some gambling products cause significantly more harm than others. According to the 2024 Gambling Survey for Great Britain, 24 per cent of online slots players have a Problem Gambling Severity Index (PGSI) score of 8 or higher, indicating severe problem gambling, compared to 21 per cent for other online casino games. A 2023 study of 100,000 online gambling users further confirmed that slots are the most harmful gambling product, while single bets on horse racing pose the least risk. This harm is not just personal – it carries substantial societal costs, including debt, family breakdown, and increased pressure on public services. The 2022 Patterns of Play report underscored the online gambling sector's reliance on a small group of high-spending, high-risk gamblers, with the top 1 per cent of players generating over 40 per cent of gross gambling yield (GGY), averaging losses of £10,491 annually. Such dependence on vulnerable individuals amplifies the need for a tax system that penalises harmful products.

In contrast, land-based gambling sectors generate significant economic and social value. Horse racing, for instance, supports rural economies, sustains jobs, and fosters community engagement. Yet the current tax system penalises these sectors with higher rates than the low-employment, high-harm remote casino sector. This is a clear policy failure.

Taxation in other industries offers a model for reform. Tobacco and alcohol duties are structured to reflect harm, with higher rates for stronger products or to deter consumption. Environmental taxes, such as fuel duty and air passenger duty, similarly aim to mitigate societal costs. Gambling taxation, however, lags behind. Remote gaming duty (RGD) does not account for the disproportionate harm caused by products like online slots; nor does it align with international best practice.

Britain's remote gambling tax rates are modest compared to other jurisdictions. For example, in the US, Pennsylvania taxes remote slots at 55 per cent, non-slots at 16 per cent, and sports betting at 36 per cent. Several European countries apply a 40 per cent rate to online gambling activity. These examples demonstrate that higher, differentiated tax rates are feasible and effective. They also highlight the UK's outlier status, particularly as many gambling operators avoid VAT and UK corporation tax by operating from offshore havens. Increasing RGD would bring the UK in line with international norms while addressing the fiscal costs of gambling-related harm.

The approach we propose is a restructured gambling tax system that reflects harm, supports economic value, and aligns with global standards. Specifically, the government should:

- Increase remote gaming duty to 50 per cent: A higher RGD would target high-harm products like online slots, raising revenue to offset societal costs while discouraging excessive consumption. It would align UK policy with rates in other jurisdictions in the US and Europe.
- Reduce betting duty on horse racing to 5 per cent: Lowering the general betting duty (GBD) for horse racing would recognise its economic and social contributions, including providing jobs and supporting rural communities.
- Increase the Horserace Betting Levy to 20 per cent. Raising the levy from 10 to 20 per cent would generate approximately £140m annually for British racing, ensuring parity with other sports and reinvesting in the sector's sustainability.
- Harmonise general betting duty at 25 per cent. A uniform GBD rate across all betting products (except horse racing) would simplify the system while maintaining revenue neutrality.
- Exempt small businesses: To protect smaller operators, exemptions or lower rates could apply to businesses below a certain revenue threshold.

This package would raise nearly £2bn annually for the Treasury while redistributing the fiscal burden to reflect harm and economic value. By increasing taxes on high-harm remote gambling and easing the burden on horse racing, the government can align taxation with public health and economic priorities.

The gambling industry has previously resisted calls for tax rises by claiming that it would put jobs and horse racing at risk. Our proposals are designed to minimise this risk by focusing on online gambling, where fewer people are employed, and through dedicated protections for horse racing.

Britain's gambling tax system must evolve to reflect the realities of harm, economic contribution, and international benchmarks. By increasing remote gaming duty, reducing the fiscal burden on horse racing, and harmonising betting duties, the government can raise significant revenue, mitigate social harm, support valuable industries, and prioritise people over profits.

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3. INCOME TAX THRESHOLDS

Joe Dromey

The chancellor faces some challenging choices at the upcoming autumn budget as she seeks to close a fiscal gap of over £20bn. Her best available option to meet these challenges is continuing the freeze in income tax thresholds for a further two years. It would be an effective and progressive way to raise over half the funding that she needs, with most coming from wealthier households, and with relatively little political risk.

The Conservatives left the public finances in a mess, due, in large part, to 14 years of anaemic economic growth. However, they also left public services on their knees, with many crying out for additional investment. In this context, big reductions in public spending look neither practically deliverable nor politically possible. Significant changes to the fiscal rules also don't look feasible, as they would risk leading to sharp increases in borrowing costs, and would therefore be self-defeating.

In the long term, of course, boosting growth is the only way out of this fiscal bind. But in the short term, if we want to stick within the government's fiscal rules and fund the improvements in public services that we desperately need, it is clear that the chancellor will need to raise more revenue. When it comes to raising revenue, though, the government's options are constrained by a manifesto which ruled out increases to the rates of the three main taxes: income tax, national insurance and VAT.

However, there are other options available. Freezing tax thresholds is the best such option. In normal times, the threshold at which you start paying income tax – along with the thresholds for the higher and additional rates – increases in line with inflation. This ensures that, as incomes gradually increase in cash terms over time, people do not necessarily pay a greater proportion of their income in tax.

Conversely, freezing thresholds can raise revenue for the Treasury through a process known as 'fiscal drag'. If the thresholds are frozen, more people are brought into paying income tax, and more are brought into the higher rates of tax. With a larger proportion of peoples' income becoming taxable, the revenue raised gradually increases, even if the rate of income tax remains constant. Freezing thresholds has therefore been described as a 'stealth tax', as it is less immediately visible to taxpayers than an increase in tax rates.

Fiscal drag has been used in recent years to raise a large amount of revenue for the Treasury. The then-chancellor, Rishi Sunak, froze thresholds in 2022, initially for a period of four years. The freeze was subsequently extended to 2027/28 in the wake of the disastrous mini-budget. Given the lengthy freeze, and the high levels of inflation over much of the period, the OBR estimates that this will have increased annual tax revenue by an astonishing £45bn by 2027/28.[1] This makes the threshold freeze the largest single contributor to the significant increase in the tax share in recent years.

The chancellor had announced in last year's budget that the freeze would end in 2028, with thresholds again increasing in line with inflation. However, given the very challenging fiscal circumstances, the chancellor should extend the freeze for a further two years. There are four reasons why this is the best available option.

First, freezing income tax thresholds has the potential to raise a very significant amount of revenue, helping to close the fiscal gap. The IFS has calculated that – in order to maintain the relatively slim headroom against the fiscal rules set in last year's autumn budget – the chancellor would need to find £22bn of tax rises or spending cuts.[2] Our modelling at the Fabian Society suggests that freezing income tax thresholds for a further two years until 2029/30 would raise a further £11.7bn in revenue, providing over half of the funding needed.[3]

Second, freezing thresholds is highly progressive. The chancellor recently said that she wanted to ensure that those with the 'broadest shoulders pay their fair share of tax'. Our modelling suggests that half (49 per cent) of the revenue raised would come from the highest earning fifth of households. Conversely, the poorest fifth of households would bear just 4 per cent of the cost.

Third, freezing thresholds would come with relatively little political risk, both in proportion both to the revenue that would be raised and compared to some of the potential alternatives. Rather than a completely new tax or policy, it would merely be the continuation of an existing measure. It would be difficult for the Conservatives to criticise a further two-year freeze given that they were responsible for introducing a six-year freeze from 2022

[1] OBR, Economic and Fiscal Outlook. 2024

[2] IFS, Green Budget 2025, 2025

[3] Modelling conducted using Policy Engine. The basic and higher rate thresholds were frozen in cash terms for an additional two years (2028/29 and 2029/30)

onward. It would also be broadly consistent with Labour's manifesto. This committed not to increase the basic, higher or additional rates of income tax, but it did not rule out a continued freeze in thresholds.

Fourth, while freezing thresholds would have some impact on demand in the economy, it would have a relatively limited effect on growth. The Chancellor does need to raise revenue in the Autumn Budget, but we need to ensure that the measures we use to fix the immediate fiscal challenge do not harm the long-term growth potential of the economy.

There would, of course, be some risk involved. While the specific pledge was not to increase the *rate* of income tax, Labour's manifesto did state that they would not increase taxes on working people. Freezing income tax thresholds wouldn't be a tax increase per se, but it would increase total tax paid by working people. And in her last budget, the chancellor announced that continuing the freeze "would hurt working people [and] take more money out of their payslips." These words would surely be used against the government if thresholds did not go up again in line with inflation.

While the measure would be progressive, it would still impact working families who are recovering from a long cost of living crisis. Freezing thresholds for a further two years would mean the median household would be worse off by around £20 a month by 2030.

Finally, if we were to retain the triple lock – as the government has committed to – and continue with the freeze on tax thresholds, the state pension will exceed the level of the personal allowance by 2027. This would mean that – for the first time – a pensioner living on only the state pension would be required to pay income tax. For most pensioners, this would have little impact; three in four are already paying income tax. But drawing many more pensioners into paying income tax would represent both an administrative and political headache.

With our public services in dire need of investment, and our public finances under great pressure, there are few good options. Continuing the freeze in income tax thresholds for a further two years is surely one of the better ones. The measure would be compliant with Labour's manifesto, and it would raise nearly £12bn, over half of what is needed to close the fiscal gap. Half of this revenue would come from the richest fifth of households – and it would have less political cost than many of the alternatives. The chancellor should continue the freeze.

Joe Dromey is general secretary of the Fabian Society

4. WEALTH

Liam Byrne MP

Ours is a country awash with capital. The money is there: in property portfolios and pension funds, on balance sheets and in buy-to-lets. Yet our *capitalism* is failing. Investment in the real economy is the worst in the G7, and while we have a wealthy democracy, we do not have a democracy of wealth.

I say this as someone who once believed the old model could hold. I was a card-carrying member of New Labour. I cofounded Progress in the early nineties and rose to office under Tony Blair. But I am now convinced that it is time for windfall taxes, and a restructuring of the burden of tax from work towards wealth.

The last 14 years have been brutal for millions. Austerity has buckled communities, including my own in east Birmingham, where we now suffer one of the worst child poverty rates in the country. Yet for a lucky few, the days since 2010 have been not the worst of times, but the best. According to the World Inequality Database, Britain's richest 1 per cent have, since 2010, grown their wealth by over £1tn. Over the long, hard years of austerity, the typical 1 per cent-er has seen an incredible £2.2m boom in their fortune – 31 times more than the rise in the average wealth of the bottom 99 per cent.

Were the rich smarter than everyone else? Did they work harder? No. The key to their success was the £895bn poured into the monetary system during quantitative easing (QE). That bold move held down interest rates and accounts for perhaps three-quarters of the once-in-a-century expansion of wealth driven by soaring asset prices. Yet QE was not free. The Office for Budget Responsibility estimates the great unwinding now underway will cost taxpayers over £108bn. We are all paying for QE – but its prizes went disproportionately to the very richest.

To add insult to injury, those lucky enough to draw income from capital enjoy a rate of tax far lower than everyone else. Almost 60 per cent of investment income goes to the richest 10 per cent of households – to people like Rishi Sunak, who makes about £2m a year but who, according to his last published tax return, pays a tax rate of roughly 23 per cent. This crazy economics of cheap cash and low tax helps explain today's moral emergency: queues at food banks alongside record sales of luxury cars, private jets and super-yachts.

The politics of resentment

The unfairness of it all shows up on election day. In the places where wealth has grown slowest, populism has grown fastest. My analysis of the 2024 results shows that in the regions where the 16-year growth in aggregate wealth has been weakest – the north-east and the East and West Midlands – the Reform UK vote was highest. Where wealth growth was greatest – the south-east – Reform's support was lowest.

This pattern seems to hold true at the constituency level. In the 20 seats with the highest Reform vote, average house prices – a good proxy for wealth – are a third lower than the national average. Roughly speaking, a 10 per cent decline in deprivation is associated with a 10 per cent fall in the Reform vote.

These basic truths lead to one conclusion: to defeat populism, we must fix wealth inequality.

A fair programme to fund renewal

This must start with restoring fairness to our tax system. For too long, we have punished work and rewarded speculation.

Changing today's tax settlement will not be easy, and we should be honest about this. We have the lowest investment in the G7, and bringing investment per worker up to the level of our peers – which is what is needed to fix the yawning productivity gap – will take around £2tn. So we do have to thread a needle: on the one hand, we must be wary of disincentivising investment; on the other, we must restore fairness.

To her great credit, Rachel Reeves has taken action to get things moving in the right direction. One of the single most effective ways to ensure the richest pay their fair share is to hire more tax inspectors. This was amongst the first moves the new government made. The chancellor has also taken action to close tax loopholes and reform non-dom status . While the latter measure was controversial amongst some, it remains the single most popular tax reform measure amongst the general public. It concerns a significant amount of money, too: in 2022, non-domiciled residents in the UK booked £10.9bn in offshore income and capital gains not subject to UK tax.

Where might future reforms lie? Ask the public, and there is a clear sense that the tax burden needs to be restructured. Most voters – but especially Reform-considering voters – believe that most tax revenue is wasted. Reform voters, in particular, overwhelmingly feel that they do not get their fair share of the public spending this taxes fund. As a result, if the pressure on living standards persists over the next couple of years, the chancellor may need to consider something like the big, bold working-class tax cut that the Australian Labor party proposed to such effect during their last election campaign. But how might this be funded? There are at least five ideas that might rebalance the tax system:

1. **Introduce windfall taxes on banks and energy companies.** Both have enjoyed exceptional state-backed support over the last decade and half – through a mixture of subsidises and quantitative easing – and hence both have enjoyed windfall gains. Both are also deeply unpopular with the public. So the economics of the past, and the politics of the moment, might make this an obvious choice.

2. **Simplify middle-income tax bands.** The series of cliff-edges between £50,000 and £150,000 is arbitrary and disincentives progression. Reforming this muddle would rebuild confidence in the system and recreate proper incentives for work.

3. **Tax wealth like work.** Levying national insurance on investment income as we do on wages would be worth around **£3.1bn** annually – even if we just started with landlords. Equalising capital gains tax with income tax, as Nigel Lawson once did, would raise **£11.5bn,** and potentially more if combined with an exit tax on the capital gains of those leaving the country (this would reflect the principle that, as Arun Advani puts it, 'you pay your bill when you leave the restaurant'). I am not sure we could quite go as far are pure equalisation, but raising CGT rates combined with an exit tax would be effective and fair.

4. **Fix property taxation** by replacing council tax and stamp duty with a modern, value-based property levy. The Fairer Share campaign calculates a rate of about 0.48 per cent on up-to-date values would raise roughly the same £50bn as council tax but far more fairly – ending the absurdity of bills of thousands of pounds in Blackpool contrasted with minuscule bills for multi-million pound homes in Westminster.

5. **Reform inheritance.** As the baby boomers shuffle off this mortal coil, we are about to see the biggest wealth transfer in history: some £5.5tn will change hands. Yet while some will inherit fortunes, others will inherit care bills. Reforming our loophole-ridden estate duty with a lifetime gifts tax paid by recipients, progressive on cumulative receipts, could help share wealth better – especially if we used the proceeds to create a national wealth fund paying a one-off dividend of £10,000 to every young person to get started in life, a system I call universal basic capital.

Together, these reforms would grow the economy, balance the books and begin to close the chasm between rich and poor. They would boost mobility by removing stamp-duty traps, raise disposable income at the bottom and in the middle, and ensure the very wealthiest contribute their fair share to Britain's renewal.

And if, after all that, extreme wealth concentration remains, we should consider a one-off wealth levy on the very richest 0.1 per cent – time-limited, targeted, and internationally coordinated, as the UK Wealth Tax Commission recommends. This proposal is very popular with the public, including among Reform voters. It would be very hard to implement, however, because currently we do not have good data on which assets are held where. At a minimum, we should find a way to start collecting this asset data for estates worth over £10m so that we can study the true potential of a levy.

The economics of decency

Naturally, we need to be careful. In particular, we must avoid driving capital abroad, preserve incentives for risk-taking, and protect pensioners from unintended shocks. But the bottom line is simple. Taxes on capital income must rise. If we get this right, we can use the money to reverse the extraordinary growth of wealth inequality that now divides our country – and inoculate our democracy against the populist poison that feeds on unfairness.

The challenge of this generation is to turn a wealthy democracy into a democracy of wealth – one where the dignity of work is matched by the fairness of reward. We will not defeat populism without higher levies on wealth. We will not rebuild Britain without restoring fairness to Britain's taxes. And we will not restore faith in politics until people see that the rules of the game apply to everyone, from the factory floor to the boardroom and beyond.

Britain isn't short of wealth. It's short of growth, investment, and fairness. This is a choice. Let's choose differently.

Liam Byrne is the member of parliament for Birmingham Hodge Hill and chair of the business and trade select committee

5. PRIVATE HEALTHCARE

Jade Azim

Our public finances are under immense strain. After the punishing austerity of the 2010s, raising taxes looks to be a more viable and likely response than further public spending cuts, and much more likely than a significant change to the government's fiscal rules. But the way forward without falling into political traps is by no means simple. In this context, a bold but pragmatic solution would be to raise revenue from markets that are both untapped and considered fair pools to tap by the general public.

Our research at the Good Growth Foundation points to a potential way forward: the private healthcare market. Private healthcare has seen an explosive boom in recent years. The Foundation has been making the case for a new levy on private health insurance, demonstrating its potential to raise significant revenue, its widespread public support, and its role in rebalancing a strained healthcare system.

The case for such a policy is rooted in both fiscal necessity and social equity. It is a case which resonates with the public. Our polling found that 55 per cent of Britons support a 'windfall tax' on private healthcare companies to fund the NHS, a sentiment that cuts across political lines. This is a clear signal that the public recognises the need for investment in the NHS and sees the private sector as a legitimate source of revenue.

One of the most effective mechanisms for raising this revenue would be raising the insurance premium tax (IPT) on private medical insurance (PMI). This is the most practical mechanism for instituting a potential 'windfall tax' – either one applied temporarily for a set duration, or under review.

Currently set at 12 per cent, IPT on PMI accounts for roughly £888m of total IPT receipts. By increasing this tax to the higher rate of 20 per cent, as applied to certain other insurance products, the government could generate an additional £550m. This would be a tangible, specific revenue stream that would contribute directly to funding to vital public services – and the government should reflect this in its communication of the policy. The revenue potential is substantial, with some estimates suggesting a total of up to £1bn could be raised by applying a tax to private healthcare services if modifying the potential rates applied.

Beyond the direct revenue, this policy offers significant benefits for the health system as a whole. The growing role of private healthcare is often framed as a response to escalating NHS wait times. However, this has led to a two-tier system where those who can afford private insurance can "jump the queue" while others are left on increasingly long waiting lists. A tax on private health insurance would create a fairer playing field and ensure that those who use the private system still contribute appropriately to the public one that underpins it. The argument is not that the private sector is a drain on the NHS, but rather that it has benefited from the current system without a commensurate contribution. The tax would also acknowledge the increasing trend of people paying for private procedures directly out-of-pocket, a trend that reflects the pressure on the NHS.

However, a pragmatic approach requires acknowledging the risks and challenges. Critics argue that certain taxes on private healthcare would increase costs for individuals and businesses, potentially forcing more people back onto NHS waiting lists and increasing pressure on an already strained public system. Some insurers and advisors also warn of an increase in "lapse rates" – that is, people not renewing their policies – as affordability becomes a major issue for policyholders. They contend that a 20 per cent VAT on private healthcare services, for example, could effectively "double-tax" premiums already subject to IPT.

These concerns must be addressed in implementation. In part, this is why we suggest a non-VAT mechanism. Another key consideration is framing the policy as a windfall tax on companies – as noted, with the duration in flux – rather than a broad tax on individuals. Insurance as the target, rather than VAT, also moves the burden to companies rather than people. The Good Growth Foundation's polling shows that public support for a "windfall tax on private healthcare companies" is higher than for a general "tax on private healthcare", noting not just the windfall aspect but the focus on companies. This framing helps position the tax as a response to the exceptional current profits made by private providers during a period of high demand, rather than a punitive measure against those seeking private care.

Furthermore, implementation must be carefully managed to mitigate any negative effects. The revenue generated could be, as noted, explicitly hypothecated to the NHS, creating a transparent link between the tax and the public service it funds. This would increase public accountability and demonstrate how the policy directly benefits the population. Exemptions for NHS use of private hospitals and services would also be essential to ensure the tax does not impede the public sector's ability to utilise private capacity when needed.

In conclusion, a tax on private health insurance, framed as a windfall tax on private healthcare providers, presents a viable and politically popular solution to a pressing fiscal problem. While risks exist, particularly regarding potential increased pressure on the NHS, these can be mitigated through careful implementation and a clear communication strategy.

This policy is not just about raising revenue; it's about reasserting the principle of a shared, well-funded public health system, where those with the greatest means contribute to the collective good. It is a pragmatic, evidence-based, and politically astute proposal that offers a way forward for a stronger NHS.

Jade Azim is head of policy and advocacy at the Good Growth Foundation

6. PENSIONS

Andrew Harrop

This autumn, Rachel Reeves needs to raise tens of billions of pounds with measures that pass four tests. Her tax rises must be socially fair, politically acceptable, economically benign and administratively feasible. Well-designed reforms to pension tax relief could pass all these tests.

Twelve months ago, in the lead up to her first budget, Reeves examined pension tax reform. A widely-read Fabian Society report set out the case for change. But in the end the chancellor decided not to act – apart from the important decision to extend inheritance tax to pensions. This autumn, in an even tighter fiscal position, will Reeves' appetite for pension tax reform be higher? She needs more money, and she has ruled out many other options, so perhaps the calculus will be different this time.

On paper, the case for reform is very strong, because pension tax rules are too generous and clearly unfair. The idea behind pension tax relief is that people are exempted from tax on pension contributions and investments, but then pay it on their eventual pension income. But in practice, the system provides almost all pension savers more in tax relief than they will later pay in tax (once inflation is factored in). In 2023/24, the tax relief was worth around £80bn, while just £25bn of income tax was paid on private pensions.

Pensions are under-taxed in several different ways. First, most people can take a quarter of their pension tax-free. Second, national insurance is not charged on employer pension contributions, either on the 'way in' or the 'way out'. Third, high earners receive tax relief at their marginal tax rate of 40p, 45p or 60p in the pound, when the average tax rate they pay in retirement is far lower.

This point also explains why pension tax relief is unfair: higher and top rate taxpayers get much more in tax relief for each pound of pension contribution than employees on the basic rate. But they do not pay proportionately more tax in retirement, driving inequality in later life. The 2024 Fabian report estimated that 53 per cent of all pension tax relief went to the fifth of employees on higher tax bands. An employee earning £110,000 per year gets more than £1.50 in tax relief for each £1 of net contribution.

So, the theoretical case for reform is clear. But following a tough first year in power, Reeves' options are constrained by practical politics. After the huge backlash to last year's rise in employer national insurance contributions, she cannot increase the tax burden on business. That rules out applying employer NICs to employer pension contributions. Similarly, she will be very wary about measures that hit retirees after the debacle of the winter fuel payment. Any changes must protect low- and middle-income pensioners.

Perhaps raising the burden on high-income pensioners would be more acceptable to the public, as was the case with the winter fuel cuts. But it is still a risk.

Two reforms to address the systematic under-taxing of pensions are therefore only outside chances. The first is to reduce the amount of tax-free cash that can be taken at retirement from £268,000 to (say) £100,000. The second is to levy an equivalent to national insurance on large private pensions, to make up for NICs having not being levied in the past on employer pension contributions.

These are progressive policies that would raise revenue from wealthy older people who have pensions that were historically under-taxed. But the chancellor knows the media backlash she could expect. Rich savers nearing retirement would argue that their big untaxed lump sum was part of the pension 'deal' on which they had based their plans. Transitional protections would probably be needed for people near their pension age. Or perhaps the chancellor will proceed gradually, reducing the maximum tax-free amount in steady slices of £20,000 or £30,000 at a time?

Raising tax on pensions in payment is even more fraught, given this is covered by Labour's manifesto commitment not to raise income tax or National Insurance. One option would be to scrap the 2p upper rate on employee National Insurance and swap it for a 2p increase in the higher and additional rates of income tax. All incomes over £50,000 would then be taxed the same, whether from earnings, pensions, rent or investments. Non-employees including rich pensioners would pay more, but it could be presented as a tax rationalisation rather than an increase in headline rates.

Smaller changes that tidy up the system are more likely. For example, last year's reforms to pension bequests could be extended by making all inherited pensions subject to income tax (people who inherit a pension from those aged below 75 are currently exempt). The annual allowance for pension contributions could also be cut from £60,000 to £40,000, the limit until 2023. This would stop very high earners from maxing-out on pension tax relief, but it might need to be accompanied by tweaks to tax rules on defined benefit (DB) pensions.

Finally, HMRC has conducted research on scrapping the favourable tax treatment of salary sacrifice arrangements. These schemes allow employees to take a pay cut in exchange for a higher employer pension contribution. They enable employees and employers to avoid NICs on individual pension contributions and overwhelmingly benefit high earners. They are associated with relief on NICs worth over £4bn per year.

That's about as far as the chancellor is likely go in one budget. But she should also consult on medium-term plans to completely restructure and simplify tax relief on contributions. Under these reforms, income tax and employee NICs would be levied on both employee and employer contributions. In exchange, a single flat-rate of tax relief would be paid to pension schemes, irrespective of an individual's marginal tax rate or whether it was an employer or employee contribution. The government could present this as a simple cash top-up, paying £1, say, for every £3 of contribution.

Under this new system, upper and top-rate taxpayers would receive less in tax relief, and basic-rate taxpayers a little more. There would also be no tax advantage for individuals in the choice between employee and employer contributions. Importantly, the rules on employer NICs would not change, so employer liabilities would not increase.

There would be a one-off burden for employers and pension providers to set up new systems. But once 'live', defined contribution pensions would be simpler and more transparent than today. The only ongoing complexity would be the treatment of DB pensions that are still open to new accruals (overwhelmingly in the public sector). For these schemes there would be administrative challenges, as DB pensions would need to accurately allocate employer contributions to each employee for tax purposes. There are also potential issues of affordability if pension promises to high earners are based on former levels of tax relief. Finding answers for DB schemes should not be rushed, and a separate tax regime or transitional arrangements might be needed. But, as most open DB schemes are publicly funded, the Treasury can work out with their sponsors how to make them work.

Wholesale reform of pension tax relief will not be easy – which is why it has not happened already. But it is operationally achievable, does not hinder jobs or growth, redistributes money from high to low earners, and can raise many billions of pounds. Labour should grasp the nettle.

Andrew Harrop is a director at Public First. He was the Fabian Society's general secretary from 2011 to 2024

7. BANK WINDFALLS

Simon Youel

The UK's monetary policy framework has left the Treasury uniquely exposed to the costs of quantitative easing and enabled commercial banks to extract economic rents at the expense of the public. The following proposal lays out options for recouping the Treasury's losses while mitigating any potential adverse effects.

The biggest avoidable strain on the public finances comes not from excessive spending on public services, but from the banking system. The government is currently set to pay the Bank of England £22bn a year over the next five years to cover its losses from quantitative easing (QE). QE is the technocratic moniker for the central bank's controversial monetary policy tool, through which £895bn of new money was created to buy bonds between 2009 and 2021. The Bank has made eye-watering losses in recent years because it pays the full base rate on the reserves it created, and as rates rose, the interest paid to banks has outstripped the income received on the bonds it purchased. The Bank has also crystallised huge capital losses by selling bonds back to the market via 'quantitative tightening' after raising interest rates. HM Treasury has already quietly transferred £85.9bn between the end of 2022 and March 2025 to cover these losses.

HM Treasury is in a particular tight spot due to an obscure indemnity it signed with the Bank of England to underwrite losses. This was updated by the then-chancellor, George Osborne, so that any profits (as well as losses) were transferred every quarter. This peculiar arrangement has left the UK uniquely exposed to the costs of monetary policy. By contrast, other countries have taken steps to insulate their public finances, such as by treating central bank losses as a 'deferred asset' which is recouped out of future central bank earnings.

The other side of the Bank of England's losses are huge gains for commercial banks. They have enjoyed record profits in recent years thanks to the central bank paying a higher base rate of interest on the hundreds of billions of pounds of risk-free reserves they hold.

By not passing on windfalls from the Bank of England to customers, banks are extracting economic rents. Through their monopoly position in issuing the money used by the public to make payments, banks are enjoying seigniorage revenue that would have previously accrued to the state. Such pure economic rents are an ideal target for taxation.

There are a variety of ways the government could recoup transfers to banks, depending on ambition and how much the Treasury aims to raise. Perhaps the most straightforward option would be increasing the existing corporation tax surcharge on banks. This was cut by almost two thirds, from 8 per cent to 3 per cent, by the previous government. As shadow chancellor, Reeves criticised the cuts; simply reversing them could be expected to raise around £3.5bn a year. A more radical option would be increasing the surcharge to 38 per cent, in line with the windfall levy on oil and gas companies. This would have increased the tax intake by £16bn from the 2024 profits of the big four banks alone.

However, simply raising the surcharge may be unappealing to this Labour government, which has sought to prioritise the growth and competitiveness of the UK's financial services sector. As the surcharge would apply to all activities booked in the UK, banks may threaten to move their global and investment banking operations abroad.

To mitigate this risk, a tax could be targeted at the windfalls banks have enjoyed from their domestic retail banking business. Positive Money has suggested replicating Spain's tax on net interest income and net commissions above a threshold of €800m, but targeting net income from domestic retail banking specifically with a 38 per cent levy, in line with the oil and gas windfall tax. Such a levy on UK retail banking net income above £800m would be expected to raise more than £11bn from the big four.

There have also been proposals to tackle the source of the windfall directly by reducing the interest paid on reserves. The New Economics Foundation (NEF) have suggested a 'tiered reserves' policy, which would see the Bank of England only pay the full base rate on a portion of reserves, similar to the approach taken by the likes of the European Central Bank and the Swiss National Bank.

While tiered reserves have gained the support of leading economic commentators, such as former Bank of England deputy governor Sir Paul Tucker and the FT's economics editor Chris Giles, it has met with resistance from Bank of England governor Andrew Bailey, who has characterised such proposals as a tax on banks, and suggesting that such a tax should be imposed via the fiscal policy of an elected government.

Helpfully, IPPR have recently developed a proposal which translates the direct nature of tiered reserves into fiscal policy, framed as a 'QE reserves income levy'. This would be a tax on interest on QE-related reserves above 2 per cent, and would be expected to raise £7-8bn a year over this parliament, while also mitigating impacts on banks' international competitiveness.

Recent polling from the TUC, which is also calling for windfall taxes on banks, shows such policies would be electorally prudent. Two in three (66 per cent) of the public support such a measure, including nearly three in four (73 per cent) of those who voted Labour in the 2024 election but who are now leaning towards Reform.

Banks naturally oppose higher taxes on their windfalls. UK Finance has argued that “adding another tax would make the UK less internationally competitive”, but as explored above, taxes can be designed in ways that do not harm international competitiveness. HSBC chief executive Georges Elhedery warns that higher taxes risked “eroding our investment capacity”, but banks have been eroding their own investment capacity by distributing capital to shareholders. The UK’s big four banks alone spent over £30bn on dividend payments and share buybacks in 2024. Higher taxes on banks would in effect claw back windfalls being paid to shareholders. Bank shares may fall, but this should be viewed in the context of the big banks’ share prices having more than tripled in recent years.

Regardless of which tax the chancellor opts for, banks will remain profitable, with sufficient income to cover their costs. And, as the Bank of England maintains, lenders have strong capital positions to fall back on. While banks should be profit-making, there is no compelling reason why they should be profit-maximising, especially when these profits are being maximised at the expense of the public.

Simon Youel is head of policy and advocacy at Positive Money

8. RENTAL INCOME

Adam Corlett

As Jeremy Hunt pointed out in 2024, there is an unfair double tax on work. Take-home pay is reduced not just by income tax, but by national insurance too – the latter on both the employee and employer side. Landlords, however, only pay income tax on their rental income. That tax difference is unfair and unjustified. Landlords should not face lower marginal tax rates than their tenants.

The previous government made some progress in narrowing this gap by cutting national insurance, but this was extremely expensive. Instead, there's a case for a 'levelling-up' of tax treatment, particularly in the context of the government's need to raise more revenue. In other words, tax rates on rental income should be increased to get closer to those faced by employment income.

Leaving aside the impact of employer national insurance, but adding together income tax and employee national insurance, the direct tax rates faced by working-age employees outside of Scotland are a basic rate of 28 per cent, a higher rate of 42 per cent and a top rate of 47 per cent. In contrast, rental income only attracts income tax at 20, 40 and 45 per cent.

A more even-handed approach could take one of several forms. A new class of national insurance could be charged on unincorporated rental income (including beyond pension age). An income tax surcharge could be added to achieve the same goal. Or – more radically – the whole tax system could shift further away from employee NI and towards higher income tax rates. The end goal should be that rental income faces the same top rate of 47 per cent, higher rate of 42 per cent and basic rate of 28 per cent as income from work (though the 8 point jump in the lower rate, from 20 to 28 per cent, could warrant a phasing-in at least). This could raise around £1-2bn: not fiscally transformative, but an important contribution, and a fair one given the current gap in tax rates, landlords' higher wealth levels, and the 2024 autumn budget's increase in employer national insurance contributions. With an average rent of around £1,400 per month,[4] and assuming taxable

[4] ONS, Private rent and house prices, UK, September 2025

profits are only half of gross rent,[5] a 2-percentage point tax rise would cost a landlord of one property £170 a year, for example.

What would be the dynamic effects of such a change? Firstly, in isolation, the incentive for rental income to be taken via a company would increase. A good accompaniment, therefore, would be to raise the 8.75 per cent basic rate of dividend tax, which is also low compared to taxes on other income.[6] But, in general, taxes on dividends are already higher than those on rental income, given the combination of both corporation tax and dividend tax – with a resulting top tax rate of over 54 per cent. (Taxes on unincorporated rental income, then, are not just low compared to taxes on wages, but compared to those on business investment too.)

Second, while a tax rise on landlords' profits would, by definition, have little impact on whether landlords make a nominal profit, post-tax returns would drop slightly, and some landlords would decide to sell up. However, a shift away from real estate demand (and towards higher investment in shares and bonds) is not necessarily a bad thing. When landlords sell up, the homes are not destroyed: the only meaningful shift would be between the private rented sector and the owner-occupied sector, with a slight rise in home ownership rates. House prices would be slightly lower than otherwise given the reduced demand from private landlords. Itis possible that rents could be pushed up very slightly. However, concerns over the living standards of tenants would be far better addressed by unfreezing local housing allowances or by building more homes, for example, than by choosing lower tax rates for landlords in the hope that these will be passed on.

This proposal is not about bashing landlords but about moving towards more equal taxation of different sources of income. It could make the tax system both fairer to workers and more efficient, while helping to put the nation's finances on a sounder footing.

Adam Corlett is principal economist at the Resolution Foundation

[5] In aggregate, expenses equal around half of gross rental income. HMRC, Property rental income statistics: 2025, August 2025

[6] Corlett, A, Call of duties: Revenue and reform for Autumn Budget 2025, Resolution Foundation, September 2025

9. CHANGING THE FISCAL RULES

Dominic Caddick / Dhananjayan Sriskandarajah

There is currently a lot of attention on different ways to raise the revenue we need to deliver an effective state – with good reason. But we also need to pay sufficient attention to the case for changing the rules that constrain public finances.

Some use the phrase "fiscal black hole" to describe forecast shortfalls against the government's self-imposed targets on debt and borrowing. The metaphor may be more apt to describe the all-consuming and inescapable weight our current fiscal framework exerts, warping every budget decision around its demands. We are told over £30bn in taxes may need to be raised at the next budget, but none of this will fund new or improved public services. Instead, it will be entirely swallowed by a framework designed to satisfy the Office for Budget Responsibility (OBR) and the bond markets.

What is portrayed as a galactic challenge is quickly brought down to earth when one sees how flimsy these so-called 'black holes' are. Past work at the New Economics Foundation (NEF) showed the chancellor's 'headroom' can swing by up to £16bn simply by assuming different impacts of public spending. Each time the OBR changes the outturn for growth or interest rates, the 'black hole' magically shrinks or expands. In fact, this is exactly what we are seeing at this upcoming budget – £20bn of the shortfall is expected to come from a productivity downgrade. While the OBR's past optimism may warrant correction, it is astounding that a technocratic change-of-mind can have such significant sway over fiscal policy.

When the chancellor decided to increase public investment by 2.2 per cent of GDP at the last autumn budget, the OBR 'scored' these measures as yielding a measly GDP increase of 0.15 per cent by 2029-30. Having to rely on the OBR to score the government's policies in this way puts it in a particular bind. The OBR will downgrade growth further if taxes rise; it generally finds little benefit in extra spending; and it takes time to score regulatory changes like planning reform. Combined, these factors make spending cuts the easiest option.

Fortunately, there are some ways out of this bind for the chancellor. The most direct path would be to reform the fiscal rules themselves, which have been rewritten nine times before. Such proposals are fundamentally arguments for more borrowing, and with interest rates as high as they are, it is legitimate to question if borrowing more is the right call. However, more borrowing need not lead to an acute crisis if the Bank of England is willing to do whatever it takes to stabilise markets. And, while extra borrowing might come at a cost of higher interest rates, any commitment to extra debt could reasonably be paired with a credible strategy to direct it toward the most productive areas.

The current lack of such a strategy might be why our fiscal framework is already unable to instil confidence in bond markets. Our fiscal framework explicitly excludes capital spending from our borrowing rule. This unconditional exception means even bad investments get to bypass the fiscal rules. This creates a doom loop for public debt: productive and preventative day-to-day spending gets cut, while borrowing increases for investments with scant returns. We saw this at the last spending review: the defence industry received the lion's share of new public investment despite little evidence this will translate into economic returns.

Yet the alternative to the current framework shouldn't necessarily be merely a new list of exceptions. At NEF, we have argued that fiscal rules should be replaced with a system of fiscal referees: expert economists who could judge the best response within a certain context. They could, for example, suggest an optimal primary balance for the government to meet – ie, how much the government should aim to borrow in a particular period. This sort of advice could clearly direct government spending around sensible borrowing levels without having to make exceptions and force cuts that may be counteractive to the goal of debt sustainability. Importantly, it would make sure discussions of tax rises are based around the state we want, rather than insatiable holes in our fiscal framework.

There may also be scope for the government to challenge the OBR's productivity assumptions. At NEF, we have argued that the Treasury should be able to make its own forecasts that challenge the OBR's. To formalise this process within the current fiscal rules, we recommend that the OBR should be transformed into the 'Office for Fiscal Transparency'. This new body would absorb the OBR's current forecasting capacity with the extra responsibility to detail where they disagree with the chancellor's assumptions. We believe Labour's green spending and its newly revitalised commitment to tackle child poverty are two key areas it could make such disagreements.

On green investment, the chancellor has plenty of evidence to back herself to make the argument that the OBR may be underestimating the boost new green spending would give. IMF research has found multipliers as high as 1.5 – that is, £1.50 economic returns for every £1 spent – for green investment, with persistent effects for five years. Compare this to the OBR's current assumptions of a multiplier of 1 that declines over the five-year forecast period (with a small but growing supply-side effect on top) and it is clear to see the OBR may be missing the mark.

Similarly, Labour's investment into social programmes will provide dividends in terms of saved spending elsewhere. People who are lifted out of poverty are less likely to experience health problems, less likely to need further government support, and more likely to secure employment that allows them to contribute back into the system. The OBR has shown it is unable to consider such costs: despite strong evidence Sure Start was a fiscal benefit, no fiscal risk was flagged when it was cut. Therefore, using this evidence to argue that Labour's current policies will make currently unaccounted for economic returns and fiscal savings could give Rachel Reeves a credible way to argue for extra breathing room.

If the chancellor sticks to the letter of her current fiscal framework, fiscal black holes will continue to stare back at her – and we will be stuck in a doom loop of raising taxes and cutting spending. Instead, the fiscal rules themselves can be rewritten, the OBR's assumptions and forecasts can be challenged, and the way that the OBR operates can be changed. All these approaches offer more sensible and sustainable ways of addressing the fiscal challenges the UK faces.

Dominic Caddick is an economist at the New Economics Foundation (NEF). Dr Danny Sriskandarajah is the chief executive of NEF

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