Resolution Foundation

Call of duties

Revenue and reform for Autumn Budget 2025

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Contents

Executive Summary

It is no secret that the Budget on 26th November is likely to need to raise taxes. We cannot yet know exactly how much revenue will be needed, but since the Spring Statement there have been notable 'U-turns' on Winter Fuel Payment and Personal Independence Payment policy, totalling a little over £6 billion. There has also been a rise in debt-interest costs and a slight underperformance of tax receipts, and it is widely expected there will be a downgrade in the forecast trend rate of productivity – all of which will likely contribute to a fiscal deterioration. The Chancellor is also highly likely to want to afford some giveaways, whether that be measures to help with growth or the cost of living, with a Child Poverty Strategy also expected.

Simply increasing expected borrowing, for example by abandoning the fiscal rules, is not a viable option given very real concerns about UK borrowing costs, which are currently the highest among our rich-country peers. Indeed, to avoid being back in the same position next year, and to reassure the gilt market, there is much to be said for increasing the buffers held by the Chancellor against her fiscal rules.

All together this could leave the Government plausibly needing to find £20-40 billion a year in total savings. Faced with such a large hole, the Government may well seek to have lower spending play some role. There are, though, significant challenges in using this as the main lever. Spending totals for departments have been set until 2028-29 in the multiyear Spending Review completed only in June. Quite apart from the disruption that would be caused by revisiting them so soon, 90 per cent of the additional day-to-day funding in the Spending Review was allocated to health and care, so any reductions would make ambitions to improve the NHS harder to deliver. In order to score welfare reforms this autumn the details would need to be announced without consultation – hardly the type of change needed, or likely to be deliverable, following the chaos of the summer's attempt at changes.

So tax must play a role (and anyone who claims otherwise should tell us how else they might save such a sum). How might a large gap be decisively filled through tax changes, given the concerns about the outlook for growth, living standards, inflation and jobs? It is not an easy challenge, but this report sets out what we think are the best options.

Above all, the Government must respond decisively, avoiding the sense that it is lurching from one fiscal event to another. To achieve this, the Government should take a strategic approach, putting our £1 trillion tax system on an improving path. Such a strategy needs to reflect its wider priorities and not simply be designed to fill a fiscal hole. And while raising revenue will inevitably come with losers and costs, there is no shortage of areas in the tax system where there is scope for improvement. There are many measures that can move us to a less distortionary tax system, and so support much-needed productivity growth over time, as set out in work such as the Mirrlees Review and our Economy 2030 Inquiry. Tax changes can also align with other parts of the Government's agenda such as health and environmental goals.

To address all of these challenges – and, via clear directions of travel, reduce uncertainty and increase credibility that the Treasury will always have the tools to balance the books in future – we focus on three areas. First, reducing arbitrary tax differences across businesses to improve competition and so support increases in productivity that can partly offset the effect of higher taxes. Second, raising personal taxes while protecting employees given existing unfair and distortionary tax differences. And third, raising revenue from reasonable taxes on harms where possible – while avoiding pressures on inflation in the short-term – for a greener and healthier country. We do not propose a net wealth tax, as we do not believe it is the best way to tax wealth more or better, but we do propose significant changes to how the accrual and gains of wealth are taxed.

Supporting productivity growth by increasing fair competition across businesses

The big increases in employer National Insurance (NI) and Corporation Tax rates that we've seen in recent years should not be repeated, and indeed there are areas of business taxation (within Corporation Tax and business rates in particular) where significant new tax cuts in future would help boost investment. But there are options that would raise revenue while supporting competition, which is too often distorted by unjustified differences in taxes.

But before raising any taxes, the Chancellor should look very hard at those who aren't paying their correct taxes. There is a glaring problem of unpaid small business Corporation Tax, where the estimated tax gap has grown in real terms from £5 billion in 2018-19 to £15 billion in 2023-24. The Government has consulted on 'e-invoicing' to simplify and solidify tax reporting, but further measures will be needed to take this problem seriously and try to roll back the trend. The Government should also act to reduce deliberate policy biases across businesses. The UK's high £90,000 VAT registration threshold (around double the OECD average) leads to a big divide between those that must apply VAT and those that don't, with observable 'bunching' below the threshold as firms deliberately hold down or under-report their turnover. The best solution is for most businesses to be above the threshold, so we suggest reducing the threshold to £30,000 over the next four years, raising £2 billion.

There are also tax biases that favour larger businesses. We've just had an employer NI rise that was particularly large for the lowest paid. But partnership income – e.g. in top law firms – was not affected by this, despite over 70 per cent of this income going to the top 1 per cent of taxpayers. The lack of employer NI for partnerships leads to a distortion around how businesses are structured (avoiding becoming companies) and around how workers are classified. And it is fundamentally strange that a receptionist at such a firm would attract employer NI but a partner on £2 million a year would not. A version of employer NI should therefore be extended to Limited Liability Partnerships (LLPs) at least – these being particularly close competitors to companies – with an equivalent of the Employment Allowance leaving the smallest firms unaffected. This would raise around £1 billion a year, primarily from very high earners.

Another way that employer NI could be made broader and more even-handed would be to extend it to more pension contributions, given the £22 billion a year cost of exempting employer contributions. This year's employer NI rise should preclude big changes this autumn, but small changes would be reasonable as part of a broader package. One option would be to look at reducing the generosity of relief within pension salary sacrifice arrangements. These schemes lead to different tax treatments for different businesses and workers for no good reason, with the administrative barrier and costs being disproportionately high for small businesses (and with the lowest paid unable to benefit due to minimum wage rules). Applying employer NI to these salary-sacrificed contributions, at half the usual rate, would raise another estimated £1 billion without being a major new burden for employers as a whole.

Reducing the tax system's bias against employees

The previous Government noted that there was an unfair 'double tax' on work. Income Tax, personal NI and employer NI all reduce take-home pay for employees, while other income sources are often taxed at much lower marginal rates. This is unfair on (working-age) employees, but also causes a range of economic problems. Choices about how to structure work are distorted, with differing tax rates across (and within) employment, self-employment and dividend income. Choices about what assets to invest in, and how long to hold on them, are distorted. In some cases, entrepreneurs are actively encouraged to leave the UK. Pensioner demographics are not accompanied by matching pensioner tax revenue. And the separate and distinct Income Tax and employee NI systems make the tax system much more complicated.

The UK has made some progress on these issues in recent years with, for example, the alignment of the starting point for paying NI and Income Tax; employee NI rate cuts; cuts in separate allowances for different income sources; and Capital Gains Tax (CGT) rate rises – although the Government's employer NI rise went in the opposite direction. So the Government should now look to focus on non-employee tax rates, and on continued movement towards abolishing employee NI.

First, dividend taxes warrant limited reform. Given the combination of Corporation Tax on profits plus dividend tax rates, the higher and additional rates of dividend tax are similar to the rates of wage taxation. But the basic rate of 8.75 per cent is low compared to taxes on wages, to CGT, and to that in other countries, and encourages artificial arrangements whereby the timing and amount of dividends is carefully managed each year. A consistent approach would raise this to (at least) 16.5 per cent, raising £1.5 billion.

There are a range of possible ways to better align tax rates on other income sources. But one that would combine multiple benefits would be a 'tax switch' whereby the rates of Income Tax rise by 2p, but employee NI rates are cut by 2p. Crucially, such an approach would leave employee tax rates unchanged, protecting the pay packets of working-age employees. But it would be a significant step in reducing the disincentive to employment (versus other forms of income) that exists in the tax system. With this 2p switch, the higher and additional tax rates would be aligned across different income sources at 42 and 47 per cent respectively (rather than only workers paying these rates), and the new basic rate of 22 per cent would get closer to the 28 per cent paid by employees. Despite not raising taxes for employees, this 2p tax switch would raise £6 billion a year and move towards major simplification, at the cost of asking more of those groups that currently face lower tax rates than employees. In particular:

- Rental income, taxable interest and some other forms of capital income – which do not attract NI – would face a 2 per cent tax rate rise.

- The self-employed (excluding LLPs) would face a 2 per cent tax rate rise. At the basic rate, this would mean alignment with employees given the current 2p gap there, but the resulting 28 per cent basic rate for the self-employed would still be the lowest in decades except for the past two years. At higher rates, their personal tax rates would become higher than employees', which would represent the beginning of a form of employer NI to the self-employed. This could be a quid pro quo for inclusion in the Government's proposed Unemployment Insurance benefit.
- Pensioners who earn above the personal allowance would see a 2 per cent tax rate rise on earned and unearned income, although future pensioners would benefit from higher up-front tax relief on employee pension contributions, where employee NI currently applies.

By definition, only those who are currently relatively under-taxed – due to not being liable for employee NI – would see an increase from this switch. Given where different groups start in terms of tax rates, that prioritisation would be fair – and indeed the tax switch approach could be scaled up. Of course, it does require the political courage to argue that the principle of protecting pay packets for employees is the core interpretation of the Labour manifesto promises. In any case, given the precarity of the public finances, there may also be a need for broader tax rises that affect working-age employees too. On balance, extending the personal tax threshold freezes into 2028 and 2029 to raise £7.5 billion would be sensible, asking £140 extra of basic-rate employees (but with no impact before April 2028). In isolation this would ask relatively little of the highest-income households (partly due to the over 1 million additional-rate payers being unaffected by personal allowance changes), adding to the case for accompanying top-heavy measures.

Two other changes that would focus on the very wealthy would be the removal of distortionary CGT loopholes by which large bills can be completely side-stepped. First, the UK is a relative international outlier in not applying a settling-up charge on (most) built-up gains when people leave the UK. This means that someone who moves to Spain or Ireland before selling or winding up a company would make very large tax savings on gains generated in the UK. This makes no sense, and indeed all the other G7 countries bar Italy require emigrants to settle up their CGT. Second, when assets are held until death, any built-up gains are written off for tax purposes. This creates perverse incentives to avoid realising gains, and is a particularly valuable tax concession to those with very large business wealth. Instead, full tax should be paid whenever beneficiaries later realise gains. The combination of these two measures would raise an estimated £4 billion a year and fix some of the weakest links in the system for taxing wealth in the UK.

Using taxes to help improve the country's health and environment and support a fair transition to electric vehicles

It is sensible for public policy to tax harms, to make prices reflect the true costs to society. Reform here could raise revenue while simultaneously helping to efficiently achieve other Government and societal goals such as decarbonisation, better health and a better NHS, and better and less noisy roads.

Motoring taxes are an important part of the tax system, but they are also an obvious and significant fiscal risk. It should be stressed that the fiscal forecast already assumes that the 'temporary' 5p Fuel Duty cut in place since 2022 will expire next spring and that each year will feature RPI-inflation-linked uprating. But we should be sceptical that this is currently much more than a 'fiscal fiction' given the last Fuel Duty rise was in 2011. Continuing with the pattern of delayed and cancelled rises would be very expensive: the previous Budget spent £1 billion cancelling one uprating, and by 2029-30 the cost of continued freezes would be over £5 billion annually. With the cost of petrol at its lowest real value in decades, it is time to show that Fuel Duty can rise like most other taxes, rather than diminishing in real value every year.

We suggest three changes to the Fuel Duty uprating regime that might help achieve this. Instead of an RPI link, which would deliver bigger increases when inflation is expected to be high, a fixed change such as 3 per cent a year could be chosen. Instead of big annual jumps every spring, there could be smaller quarterly changes. And instead of the temporary 5p cut expiring in March when concern about inflation is likely to still be high, this could be spread over (say) 10 quarters. Compared to what the OBR is forced to assume, this package of changes would be an inflation-lowering tax cut in the short-run, but would have no cost by 2029-30 and – crucially – mean greater fiscal credibility.

Electric vehicle (EV) tax reform is also needed, and one option is to do this through Vehicle Excise Duty (VED) reform for all vehicles sold in future. Reform here must deal with the fiscal challenge of low EV taxes, distributional unfairness in EV VED, and its lack of any links to harms, but all while not undermining the EV transition. VED for EVs sold in future should change to be a function of distance driven and weight. Weight is a useful metric as it is correlated with road damage, noise, tyre and brake pollution, danger to others, reduced front visibility, road footprint, energy use and car value. Together with a record of miles driven, this would provide a good link between harms and payment. This should be supported by reforming VED for other new vehicles, perhaps also with a weight link, and this combined package, which also includes ending the 'pavement tax', could raise £2 billion in 2029-30 but go on to raise over £10 billion by 2035.

Another net zero related measure would be to expand the scope of the UK Emissions Trading Scheme (ETS), to apply carbon pricing more consistently and efficiently. Specifically, the Budget could score something the Government has already agreed in principle to do as part of the recent UK-EU agreement, which is to match the EU's broader scope on aviation (where the UK treats longer-haul flights more generously) and shipping. These changes could raise £2 billion.

Government consultations also point to likely changes in gambling duties and the Soft Drinks Industry Levy (SDIL). The gambling duty landscape is complex, and the Government has suggested combining three existing duties into one. There are many possible design choices here but, as an example, aligning rates that currently vary from 15 to 25 per cent across four different duties into a streamlined 25 per cent rate could raise £1 billion. An expected slight broadening of the SDIL will not raise as much money as that. But we think the Government should go much further and take up the National Food Strategy's suggestion of a Sugar and Salt Reformulation Tax. With rates of £4/kg for sugar and £8/kg for salt, applied at the industry level, this would raise around £3.5 billion by 2029-30 – net of abolishing the SDIL. It is right to be concerned about recent food-price inflation and living standards – but change would take several years to design and roll out, and even after implementation the total impact on inflation would be relatively small. Revenue should be earmarked for the Child Poverty Strategy, mitigating the regressive impact. This is a relatively simple public health measure that could have major impacts in support of the Government's health mission, with the salt element alone estimated to add 0.6-1.8 months to UK life expectancy.

Together these options would raise over £30 billion while also putting the tax system on a reforming path

The tax changes suggested here provide options for raising over £30 billion of additional revenue in 2029-30 – with smaller impacts in the near term but additional fiscal benefits from tackling the risks surrounding motoring taxes.

They would support productivity growth through fairer competition and greater consistency across tax rates, without significant tax rises on business investment. They would reduce the tax system's bias against employees and make progress towards ending the complexity of employee NI. They would mean a cleaner environment, healthier food and less damaged and congested roads. And by meeting the fiscal challenge without adding to near-term consumer prices overall, they would facilitate the hoped-for path of lower inflation and cuts in interest rates – to help bring down borrowing costs.

Clearly there would be vocal losers – particularly among taxpayers that have previously benefited from taxes that are low compared to working-age employees, or to known harms – but that is unavoidable given fair, base-broadening tax rises. Designed well, this Budget could simultaneously provide fiscal reassurance, a meaningful Child Poverty Strategy, and long-lasting beneficial tax reform.

Section 1

Introduction

In this report, we consider how the Government should approach the challenge of raising revenue at the Autumn Budget on 26 November. It does not attempt to estimate what the OBR's new Economic and Fiscal Outlook will show in November. But there are good reasons why a significant downgrade and new tightening are expected. Most obviously, since the Spring Statement there have been notable 'U-turns' on Winter Fuel Payment and Personal Independence Payment policy, totalling a little over £6 billion.

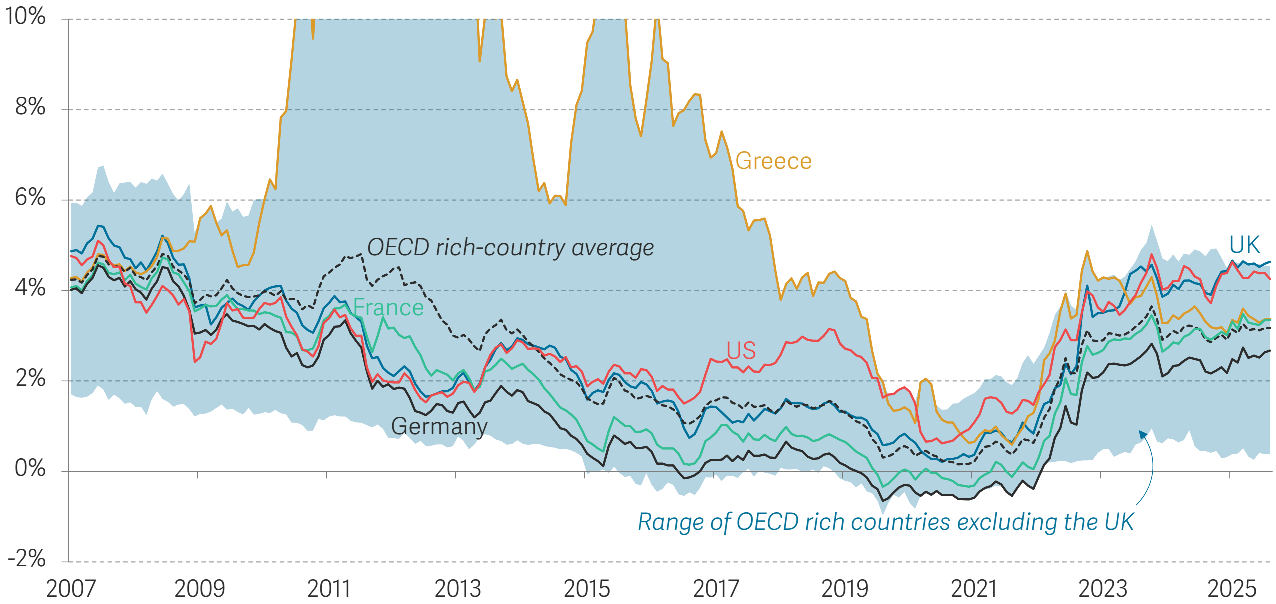
Beyond policy choices, interest costs have risen since the Spring Statement (potentially adding around £4 billion) and a notable gap has opened up between the OBR's economic outlook and others' (weaker) forecasts.[1] This, combined with the impact of higher tariffs and trade uncertainty emanating from the US, slightly weaker-than-expected tax receipts and potentially an all-important productivity growth forecast downgrade suggest that the outlook for the public finances has deteriorated significantly since the Spring Statement in March. There may well be some factors that move in favourable ways, but it seems clear that the net result in November will be negative.

Some have suggested that the Chancellor should ignore any deterioration and simply let borrowing rise to take the strain. But this would come with significant risks.[2] As shown in Figure 1, UK Government benchmark borrowing costs (10-year gilt yields) have risen sharply in recent years and are now the highest among OECD rich countries, driven by sticky inflation and our reliance on borrowing from international financial markets in the face of worries about government debt globally.[3] While these costs aren't a direct verdict on the UK public finances, this is clearly a precarious position to which a decisive and credible fiscal policy must be part of the response. Further borrowing risks exacerbating borrowing costs, with unpleasant feedback effects; on the other hand, it is conceivable that improving outturn borrowing levels and the credibility of forecasts, alongside falling inflation, could help bring borrowing costs down in future, with beneficial feedback effects.

1 J Smith, The Macroeconomic Policy Outlook: Q3 2025, Resolution Foundation, September 2025. https://doi.org/10.63492/rxn9076
2 There is a separate question about the rules for Spring Statements and particularly next year's.
3 J Smith, The Macroeconomic Policy Outlook: Q3 2025, Resolution Foundation, September 2025. https://doi.org/10.63492/rxn9076

FIGURE 1: **The UK has recently had the highest borrowing costs among rich OECD countries**

10-year government bond yields: OECD rich countries



NOTES: OECD rich countries comprise Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and US.
SOURCE: OECD, Financial markets data. Originally published in J Smith, The Macroeconomic Policy Outlook: Q3 2025, Resolution Foundation, September 2025.

So, to avoid an increase in borrowing, it is likely the Chancellor will need to find significant savings or tax rises. But most Chancellors also want some giveaways at a fiscal event. This autumn, these should include the Government's delayed Child Poverty Strategy. The Prime Minister has said he wants child poverty to fall, and doing that – in the face of a range of poverty-increasing trends – will require some serious new commitments.[4]

It's therefore easy to see how total savings of the order of £20-40 billion will be needed. And with the Spending Review behind us, and Personal Independence Payment reform failed, spending cuts are not realistically going to play the leading role at this Budget. This report therefore grapples with how best to close that gap through tax policy.

This can be a reforming as well as a revenue-raising Budget, helping support growth and other goals

In this context, it is crucial that the Government responds decisively. So how might such a potential gap be filled through tax changes, while being wary of the outlook for growth, living standards, inflation and jobs? It is not an easy challenge, but this report sets out what we think are the best options.

4 A Clegg & A Corlett, Turning the tide: What it will take to reduce child poverty in the UK, Resolution Foundation, February 2025. https://doi.org/10.63492/yfdd558

Above all else, the Chancellor needs to take a strategic approach to reforming our £1 trillion tax system. Such a strategy should reflect wider priorities and not simply be designed to fill a fiscal hole. Our suggested approach is to look for opportunities for tax changes to align with other desirable goals or Government policy aims. This means choosing options that will, where possible, minimise the impact on the economy – by broadly supporting productivity growth rather than hampering it – and to not complicate the desirable path towards lower inflation and a lower Bank Rate over the next year (which should, in turn, put downward pressure on Government borrowing costs). Given this year's large employer NI rise, and the Government's goals of higher employment and stronger workers' rights, we also seek to protect salaried employment where possible. Meanwhile, there are a range of ways in which tax changes can help achieve goals on decarbonisation, health and road quality – to also build a more prosperous country.

The job of looking for tax raising options that are relatively economically benign is helped by the fact that there are a wide range of longstanding problems with the UK tax system. Our suggestions therefore build on the visions of the tax system set out in our Economy 2030 Inquiry, as well as the Mirrlees Review, and try to make progress towards a more efficient and simpler system. A particularly important component is the idea that tax rates vary too much between different forms of working or investing – often caused by the confusing mix of Income Tax, employee National Insurance and employer National Insurance (plus other taxes).

With this overall picture in mind, we focus on reforms across three main objectives. Given that we do not propose trying to achieve the perfect tax system in one go, these are also long-term directions of travel, to give greater shape to the Government's tax strategy and provide bond markets with reassurance that the UK has a plan to deal with any further fiscal deterioration (while we also explore some pro-growth tax cutting priorities should the fiscal outlook improve). They are:

- First, reducing arbitrary tax differences across businesses to support productivity growth via fair competition, as explored in Section 2.
- Second, raising personal taxes while largely protecting employees given existing unfair and distortionary tax differences. This approach also fits naturally with the Labour manifesto's goal of protecting workers (or rather employees), though that is not to say they would be entirely unaffected. This is explored in Section 3.
- Third, raising revenue from reasonable taxes on harms where possible – while avoiding sustaining high inflation in the short-term – for a greener and healthier country, as covered in Section 4.
- Section 5 concludes, including a summary table of estimated costings.

Section 2

Tax changes that reduce barriers to competition between firms

While business taxes should not be the main lever the Government pulls to raise revenue – the big increases in employer NI and Corporation Tax should not be repeated – changes here can be designed to minimise the impact on growth. The aim should be reducing arbitrary tax differences across businesses to bolster competition, supporting increases in productivity. One way to do this is to make sure businesses pay existing taxes correctly. Small businesses are estimated to have underpaid Corporation Tax by around £15 billion in 2023-24, up from just £5 billion in 2018-19. Mandatory 'e-invoicing' could be among the measures to simplify and solidify tax reporting to roll back this trend. Likewise, the Government should also act to reduce policy biases that incentivise businesses to hold back growth. The UK's high £90,000 VAT registration threshold – double the OECD average – leads to observable 'bunching' in turnover, holding back growth. Instead, most business should be above this threshold – so we suggest reducing it to £30,000, raising £2 billion.

There are also tax biases that favour larger businesses. Higher employer NI announced at the Autumn Budget last year has had a big effect on the low paid but does not affect partnership income, for example in top law firms. This distorts business structure, and it is fundamentally unfair that that a receptionist at such a firm would attract employer NI but a partner on £2 million a year would not. A version of employer NI should be applied to some partnerships, raising around £1 billion a year, primarily from very high earners. Another way to make employer NI more even-handed would be to extend it to more pension contributions, given the £22 billion a year cost of exempting employer contributions. Measures should include reducing the generosity of relief within pension salary-sacrifice arrangements which lead to different tax treatments for no good reason. Applying employer NI to these salary-sacrificed contributions, at half the usual rate, would raise another estimated £1 billion without being a major new burden for employers as a whole.

In recent years the corporate sector has been subject to significant increases in employer National Insurance (NI) and Corporation Tax rates. These should not be repeated in the same ways in the upcoming Budget. Raising the employer NI rate or further cutting its threshold would worsen existing tax biases. Meanwhile, stability in Corporation Tax will provide certainty and so reduce headwinds to investment as well as job creation, both of which are badly needed to deliver on the Government's growth ambitions.[5] In fact, there are areas of business taxation (explored in Box 1) where tax cuts would help those ambitions.

But there are business-facing tax options that would raise revenue while also supporting competition, which is too often distorted by unjustified differences in taxes. Competition is a necessary part of a dynamic and productive corporate sector and so has an important role to play in driving economic growth. In this section, then, we discuss a range of options that raise revenue but also seek to level the playing field and promote competition.

The growing small business tax gap should be tackled

Before raising any taxes or introducing new ones, the Treasury should look hard at those who aren't paying the correct amount of tax. Autumn Budget 2024 scored an impressive £6.5 billion in extra annual revenue from new compliance measures, and previous Budgets have also often featured multi-billion-pound estimates.

Of course, this does not necessarily mean that this can be repeated. However, there is a glaring problem of unpaid small business Corporation Tax, where the estimated tax gap has trebled in real terms from £5 billion in 2018-19 to £15 billion in 2023-24 (Figure 1), with a massive 40 per cent of theoretical liabilities uncollected.[6] So there is significant potential to raise revenue if the Government is able to bring this gap down to previous levels.[7] For the sake of exploring illustrative Budget totals, we hazard that the Government could plausibly raise £2 billion a year through measures to roll back this trend.[8]

5 P Brandily et al., Beyond Boosterism: Realigning the policy ecosystem to unleash private investment for sustainable growth, Resolution Foundation, June 2023. A stable Corporation Tax rate is included in HM Treasury, Corporate Tax Roadmap 2024, October 2024.

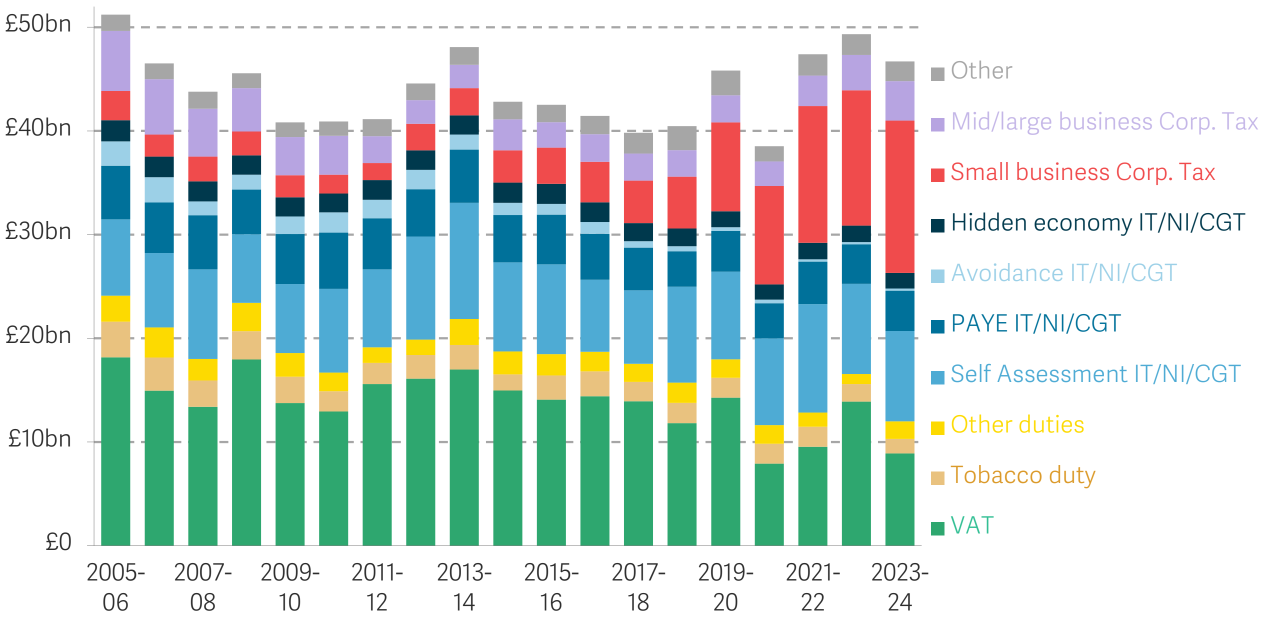
6 HMRC, Measuring tax gaps 2025 edition, June 2025.

7 It is possible that some of this trend is influenced by the pandemic, given lags in how the tax gap is estimated, but this should not be banked on and the start of the trend pre-dates the pandemic.

8 To aid with comparison to the 2029-30 fiscal position, all costings are in 2029-30 nominal terms, and are rounded to the nearest £0.5 billion.

FIGURE 2: **According to HMRC estimates, the small business Corporation Tax gap has ballooned from £5 billion to £15 billion**

Estimated real 'tax gap': UK



NOTES: Adjusted to 2023-24 prices using the GDP deflator.
SOURCE: RF analysis of HMRC, Measuring tax gaps 2025 edition; OBR, Economic and Fiscal Outlook, March 2025.

One example of such a measure is mandatory 'e-invoicing', which the Government has consulted on, which could standardise digital invoicing between businesses and with the public sector, while also forwarding that information to HMRC in real time.[9] (The EU is also putting in place a cross-border system by 2030.[10]) This would be a significant undertaking, but possible benefits include higher productivity through reduced administration and fewer tax errors. In Italy, for example, the VAT gap was halved after the introduction of mandatory e-invoicing – albeit from a higher starting point than in the UK.[11]

The VAT threshold should be cut

As we have previously argued, there is a strong case that the UK's high, £90,000 VAT registration threshold creates a two-tier business environment.[12] This holds back growth, with observable 'bunching' below the registration threshold as firms deliberately hold down their turnover, leading to a projected £350 million of lost turnover in 2025-26.[13] It's

9 HMRC and DBT, Electronic invoicing: promoting e-invoicing across UK businesses and the public sector, February 2025.
10 ICAEW, E-invoicing to be mandatory for EU VAT by 2030, November 2024.
11 J Browne et al., A Pro-Growth Roadmap for Business-Tax Reform, Tony Blair Institute for Global Change, April 2025.
12 Resolution Foundation & Centre for Economic Performance, LSE, Ending stagnation: A New Economic Strategy for Britain, Resolution Foundation, December 2023.
13 OBR, The impact of the frozen VAT registration threshold, March 2023; L Liu, B Lockwood & E Tam, Small Firm Growth and the VAT Threshold Evidence for the UK, IMF, February 2024.

not good for competition (for example, hair and beauty salon employers who struggle to compete with set-ups that avoid VAT and employer NI).[14] And it's not good for the tax gap, if many of the most effective measures for supporting compliance only apply to those that are VAT-registered.

The UK had the third highest such threshold in the OECD in 2024, at around twice the average level.[15] Many countries have far lower thresholds. In Spain there is no threshold. And in the Netherlands, for example, only businesses under €20,000 (£17,000) can take part in a scheme that exempts them.

While it will feel like tough love, the most pro-growth solution is to significantly cut the turnover threshold so that almost all businesses are above it. £30,000 in 2029-30 may be sufficiently low, and would – conservatively – raise £2 billion.[16] This might best be phased-in, for example with a £70,000 threshold in 2027-28 and £50,000 in 2028-29 (and even a £10,000 cut would be useful progress while affecting relatively small numbers of businesses). Administrative changes such as e-invoicing and the rollout of Making Tax Digital for Income Tax (which will extend to sole traders with incomes above £20,000) should make it easier to deal with VAT-reporting requirements.

Although some businesses would need to put up prices in response (as part of the process of fairer competition), the impact of this on overall inflation should be very minor, given the limited scale, suggested phasing and increased supply effect.[17]

BOX 1: **There are multiple options for pro-growth business tax cuts when conditions allow**

Given the immediate fiscal challenge, this paper focuses on revenue raising options. But we have previously set out business tax cut options that would be very welcome.[18] These include:

- Further increasing the generosity of how investment is treated in Corporation Tax, following on from the introduction of full expensing (which covers plant and machinery) and potentially funded by further limiting debt-interest deductibility. In particular, the treatment of buildings and structures, as well as potentially intangibles, could be improved, while the Government has already said it "will explore extending full expensing

14 https://www.salonemployersassociation.co.uk/
15 A Mengden, The UK Should Lower or Abolish, Not Raise, Its VAT Registration Threshold, Tax Foundation, September 2025.
16 HMRC estimate the value of the registration threshold overall was £3 billion in 2024-25. HMRC, Tax relief statistics, December 2024.
17 Note that if the £2 billion were passed on in full to prices, with no offsetting benefits, the impact would be around a total 0.1 per cent consumer price rise spread over the next four years.
18 M Broome, A Corlett & G Thwaites, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023.

to assets bought for leasing or hiring, when fiscal conditions allow".[19] Beyond Corporation Tax, given our proposals below for Limited Liability Partnerships (see below), there may also be a case for careful consideration of increasing the maximum generosity of their investment allowances.

- Overhauling business rates so that all new structures and improvements are exempted and the tax gradually becomes a site value tax rather than a building and infrastructure tax.
- Cutting non-residential Stamp Duty Land Tax to boost dynamism and cut another tax on improving properties. (See Box 2 for discussion of residential Stamp Duty, which would also ideally be cut.)

These options could be expensive in the short-run, particularly the Corporation Tax options which could (temporarily) cost £14 billion a year if not offset by debt interest changes.[20] And the Treasury is already footing the bill for the short-term cost of full expensing, which is projected to be 0.35 per cent of GDP in 2028-29, but decline rapidly thereafter.[21] But the growth impacts could be considerable, with previous research pointing to a 0.75 per cent long-run GDP boost from similar Corporation Tax and business rates policies, and some calculations giving even larger figures.[22] They may also be powerful ways to boost investment in the near term.[23]

The fact that there are substantial growth gains available from cutting some taxes also highlights the opportunity cost of maintaining tax breaks that may sound superficially pro-growth but that have far weaker economic rationales, as we explore in many parts of this report.

Employer NI should be extended to (at least) Limited Liability Partnerships

The measures above focus on smaller businesses, but there are also parts of the tax system that can favour much bigger firms.

The recent employer NI rise was particularly large for the lowest-paid jobs. But self-employment income was unaffected, and this includes partnership income – a legal form used by a wide range of businesses – despite over 70 per cent of this income going to the top 1 per cent of taxpayers. We will return later to the topic of self-employment

19 HM Treasury, Autumn Budget 2024, October 2024.
20 J Browne et al., A Pro-Growth Roadmap for Business-Tax Reform, Tony Blair Institute for Global Change, April 2025.
21 Chart 3.4, OBR, Economic and Fiscal Outlook, November 2023.
22 J Browne et al., A Pro-Growth Roadmap for Business-Tax Reform, Tony Blair Institute for Global Change, April 2025; M Broome, A Corlett & G Thwaites, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023.
23 R Barro & J Furman, Macroeconomic Effects of the 2017 Tax Reform, Brookings Papers on Economic Activity, March 2018.

taxation in general, but for now we focus on the employer NI exemption for partnerships, and especially Limited Liability Partnerships (LLP) – which are often particularly close competitors to companies.

Such LLPs include many big law, accountancy and consulting firms. They will very often have many employees – including 'salaried members' – who will attract employer NI. But the full partners (technically 'members'), whose incomes in these cases can even be in the millions of pounds per year, do not attract employer NI.[24] This leads to a bias as to how businesses should be structured, with LLPs being favoured over companies – and to how workers are classified. This is bad for competition, has led to complicated and contestable rules surrounding salaried members, and is potentially bad for investment given inherently higher investment costs in LLPs compared to companies because of their structure.[25]

A version of employer NI should therefore be extended to LLPs. Ideally this 'membership NI' or 'LLP NI' would be operated at the LLP level in a similar way to employer NI, with a tax of 13.04 per cent on profits (slightly lower than employer NI's 15 per cent due to differences in how they should each be calculated).[26] However, for practical reasons this NI might need to be applied at the individual, partner level. In-depth research in this area sets out in great detail how such a policy would operate, but the key point – bearing in mind that employer NI reduces taxable income and therefore personal taxes – is that additional-rate payers would pay an extra 6.9 per cent marginal tax.[27] So whereas high-earning partners currently have a top marginal rate of 47 per cent (45p Income Tax plus 2p NI), they would then pay 53.9 per cent – which matches the tax rate of employees once employer NI is accounted for (and approximately also matches dividend taxes). In other words, high-earning partners in law firms and high-earning banking employees would then be similarly taxed.

Just as small employers do not have to pay any employer NI due to the Employment Allowance, a similar £10,500 per-firm allowance against the new tax should be introduced, and would leave many smaller LLPs with no bills.[28]

We conservatively estimate that this would raise £1 billion a year.[29] There is certainly a

24 They are also taxed less than if they were receiving dividends – see Figure 3.
25 A Advani et al., Equalising National Insurance on Partnership Income: Revenue and Distributional Effects, CenTax, September 2025.
26 Employer NI of 15 per cent is a 13.04 per cent tax on the sum of wages and employer NI (0.15/1.15=0.1304).
27 A Advani et al., Equalising National Insurance on Partnership Income: Revenue and Distributional Effects, CenTax, September 2025.
28 A Advani et al., Equalising National Insurance on Partnership Income: Revenue and Distributional Effects, CenTax, September 2025. We do not think that the Employment Allowance is itself a good policy, but the goal here is parity with employer NI.
29 CenTax estimate a central post-behavioural costing of £1.9 billion in 2026-27 for all partnerships. We uprate this to £2.1 billion in 2029-30. No data is available on the breakdown of partnership income between traditional partnerships and LLPs, but given the reported profits of big LLPs it appears likely that LLPs may well account for the majority, despite being fewer in number. So long as LLPs account for more than 35 per cent of partnership profits, net of proposed allowances in the CenTax work, the costing would be at least £1 billion (rounded to the nearest £0.5 billion) – and we consider that to be very likely, particularly given that the proposed allowances would be of proportionally less benefit to higher-income LLPs.

good theoretical case for expanding this to all partnerships, raising around £2 billion a year in total, as per CenTax proposals, or indeed to all self-employment income (where HMRC estimated a tax break of £7.6 billion in 2024-25).[30] But smoothing the boundary between LLPs and companies would be a reasonable priority, and this would limit the number of potentially-affected businesses to around 60,000 rather than including 360,000 ordinary partnerships (which on average will have much lower profits) – although these numbers would be smaller in practice given the per-firm tax allowance.[31] The trade-off is that a new tax difference would open up between traditional partnerships and LLPs (and this has some geographic implications, with LLPs being more common in Scotland), but large LLPs will be unlikely to switch in that direction given the benefit of limited liability, while the smallest LLPs would be unaffected in any case given the per-firm allowance.[32]

The pension salary sacrifice tax break for employers should be dialled down

In addition to not covering self-employment income, another distortionary issue with employer NI is that it does not apply to employer pension contributions. This narrower base means that marginal rates need to be higher to achieve a given level of revenue. While this pension tax break is arguably one way to subsidise and incentivise pension saving, it is a very generous and under-scrutinised one at a static cost of around £22 billion in 2029-30.[33] It also contributes to a significant tax difference between personal pension contributions (where employer NI does apply) and employer pension contributions, meaning that the tax efficiency of people's pension saving varies depending on their employer's precise choices. The default auto-enrolment rates, for example, are not tax efficient.

We have previously suggested making significant changes here, broadening the scope of employer NI to include all employer pension contributions (while also providing new personal NI relief on personal pension contributions to level the playing field – which we return to in Section 3).[34] This radical move would still be a welcome long-term rationalisation of the tax system, at least if accompanied by other measures to close the gap between employment and other forms of income (see above and Section 3).

30 A Advani et al., Equalising National Insurance on Partnership Income: Revenue and Distributional Effects, CenTax, September 2025; HMRC, Tax relief statistics, December 2024.
31 Companies House, Companies register activities: statistical release April 2023 to March 2024, November 2024; Department for Business and Trade, Business population estimates for the UK and regions 2024: statistical release, October 2024.
32 Companies House, Companies register activities: statistical release April 2023 to March 2024, November 2024; A Advani et al., Equalising National Insurance on Partnership Income: Revenue and Distributional Effects, CenTax, September 2025.
33 HMRC, Private pension statistics, July 2025, and RF uprating. The Mirrlees Review called for "the removal of the excessively generous, and distorting, treatment of employer contributions to pensions for NICs purposes": S Adam et al., Tax by design, IFS, September 2011.
34 A Corlett, Revenue and reform: What tax changes could – and should – we see in Autumn Budget 2024?, Resolution Foundation, September 2024.

But, given the recent employer NI rise, and concerns about the impact on jobs, wages and prices, it is not wise to immediately add a major new employer NI rise. But it is reasonable to make smaller changes as part of an overall tax package. For example, given that the employer NI rate has just risen from 13.8 per cent to 15 per cent, and that this has further increased the incentive towards employer pension contributions, a small change would be a matching 1.2 per cent rise on these contributions to reduce the saving back to pre-2025 values.[35] This could raise around £1 billion, while boosting future tax policy flexibility.[36]

But an alternative, which we focus on here, is to look just at pension salary sacrifice arrangements: these are arrangements where employees agree that their employers can actively lower their salary in return for a higher employer pension contribution, creating NI savings that can be shared between both parties. This is a perfectly legitimate thing for employers to offer, but is a complicated arrangement that results in differing tax treatments for different businesses and workers, and so represents an even more uneven benefit than the employer NI relief as a whole. The administrative cost and knowledge required to offer this can be a barrier to entry for smaller businesses (and their employees), and the lowest-paid workers are unable to benefit at all, due to minimum wage rules.

Employer NI relief on salary-sacrificed contributions is expected to cost an estimated £4 billion by 2029-30.[37] A limited step towards levelling out tax treatment here, without removing the tax break completely, would be to apply employer NI at half the usual rate.[38] (There are also options here to target only larger contributions, with some HMRC-commissioned research exploring a £2,000 cap on salary-sacrificed contributions.[39]) If we assume that extra taxes for employers would lead to lower wages, this policy could – conservatively – raise a net £1 billion a year. But pension salary sacrifice would still be worthwhile, and the change should not present large administrative challenges, with only minimal extra information required to be shared with HMRC.[40]

Limited change along these lines – potentially for later than 2026 – would not be a major new burden for employers as a whole. But it would be a useful step in broadening the base of employer NI and removing arbitrary tax differences between businesses that can distort competition. Section 3 continues along related lines and explores personal tax changes that would similarly level out the tax treatment of different income sources.

35 A feature of this employer NI proposal is that it simply applies one tax rate to all employer pension contributions and deficit payments and so side-steps the difficulty of making individual-level assessments in defined benefit schemes.
36 This policy – but largely not the salary sacrifice proposal – would have impacts on the public sector too, raising the question of how much money, if any, should be spent to offset its tax rise.
37 £3 billion in 2023-24 (HMRC, Private pension statistics, July 2025), adjusted to account for employer NI increase, population and wage growth.
38 Or at the full rate but to only half of contributions, if that is administratively easier.
39 IFF Research for HMRC, Understanding the attitudes and behaviours of employers towards salary sacrifice for pensions, May 2025.
40 Unlike some pension tax relief reform proposals, there is no problem of unclear valuations here, as salary sacrifice arrangements by their nature involve an explicit amount.

Section 3

Tax changes that reduce the current bias against employees

In order to raise larger sums, the reality is that personal taxes will have to rise. The key to minimising the economic impact of raising personal taxes is to protect employees' pay packets in the face of unfair and distortionary tax differences with other forms of income. The previous Government highlighted an unfair 'double tax' on work from a combination of Income Tax and National Insurance, with other income sources often taxed at much lower marginal rates. This distorts decisions about self-employment, what assets to invest in, and actively encourages entrepreneurs to leave the UK. While some progress has been made in recent years, the Government should go much further, focusing on non-employee tax rates, and on continued movement towards abolishing employee National Insurance.

The first step is to reform dividend taxes by raising the basic rate. A consistent approach here would raise around £1.5 billion. Moving beyond that, there are a number of ways to better align tax rates on other income sources. We propose a 'tax switch' whereby the rates of Income Tax rise by 2p, but employee NI rates are cut by 2p. Such an approach would leave employee tax rates unchanged, but it would be a significant step in reducing disincentive to employment. With this 2p switch, the higher and additional tax rates would be aligned across different income sources at 42 and 47 per cent respectively, and the new basic rate of 22 per cent would get closer to the 28 per cent paid by employees. This approach would raise around £6 billion a year and move towards major simplification, but would ask more of groups that currently face lower tax rates than employees, such as the self-employed and pensioners.

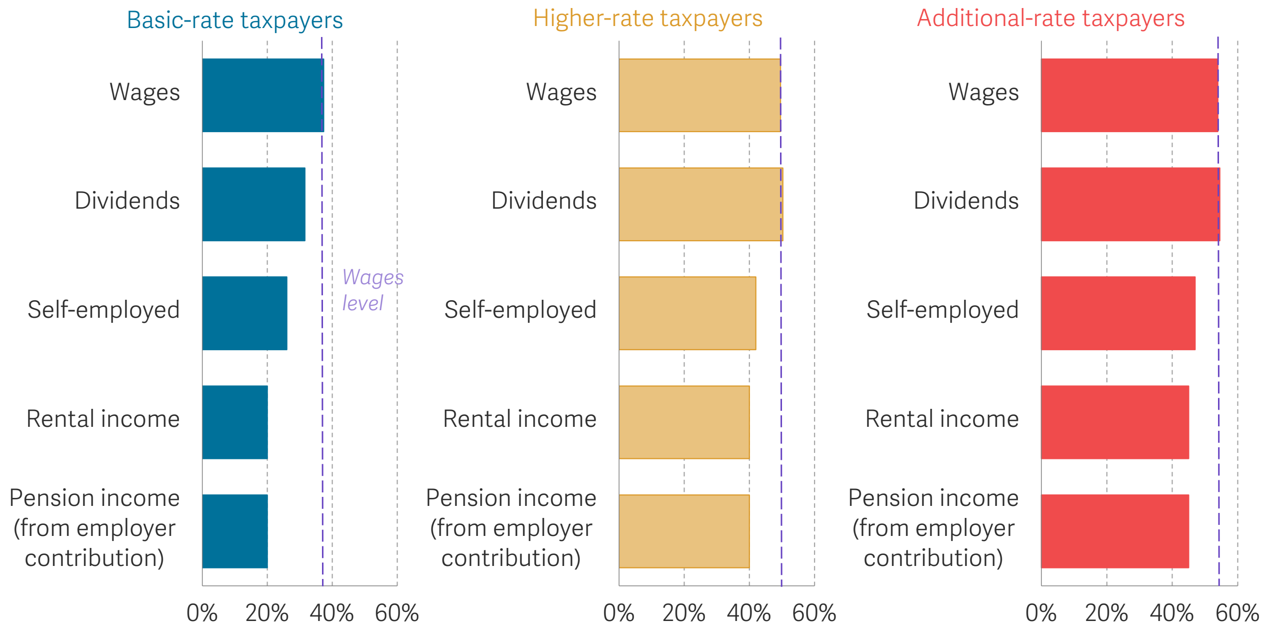
Given the precarity of the public finances, there may also be a need for broader tax rises. Extending the personal tax threshold freezes into 2028 and 2029 to raise £7.5 billion would be sensible. This would, however, ask very little of those on the highest incomes. In that context, removing distortionary Capital Gains Tax loopholes when people leave the UK, and when assets are held until death, would raise an estimated £4 billion a year and fix some of the weakest links in the system for taxing wealth in the UK.

Employees currently pay higher tax rates than those with other sources of income

A crucial starting point for thinking about whose taxes should go up is to acknowledge the existing range of tax rates that are applied. Figure 3 shows what marginal rates apply to different forms of income, once we account for not only Income Tax but also personal NI, employer NI (which should lead to lower wages for a given level of output) and – in the case of dividends – Corporation Tax. For example: for some sources of income, only Income Tax will apply, giving a top tax rate of 45 per cent, but working-age self-employment income is taxed at a top tax rate of 47 per cent, wages at around 54 per cent and dividends at up to 54.5 per cent. The previous Government, then, was right to note that there is an "unfair double tax on work".[41]

FIGURE 3: **Wages (and some dividends) are taxed more heavily than many other sources of income**

Marginal tax rates 2025-26, including employer NI / Corporation Tax where appropriate



NOTES: For dividends, assumes Corporation Tax has been paid at the main UK rate of 25%.
SOURCE: RF analysis.

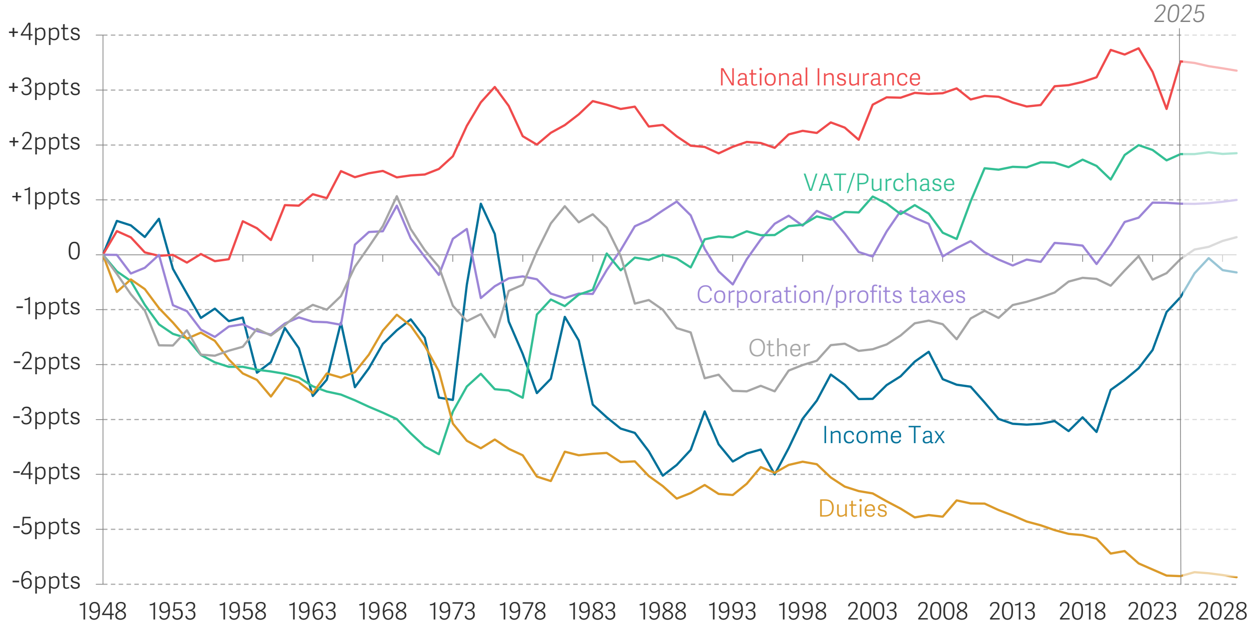
Distortions caused by NI are a big part of the problem here. As Figure 4 shows, while the tax-to-GDP ratio has been rising to record levels, duty revenue for example has been declining steadily (for both good and bad reasons – some of which we return to in Section 4). Income Tax revenue has risen recently due to prolonged threshold freezes but is not at a historic peak. But National Insurance receipts are near record highs as a share of GDP, particularly as employer NI has often been seen as a politically easier option for

41 HM Treasury, Government rewards workers with record tax cut for 29 million, April 2024.

tax increases. This has made NI distortions more important than ever, and means the disincentive to employment in the tax system has in general grown over time.

FIGURE 4: **The growth of National Insurance over time makes it more important than ever to worry about its design**

Changes in tax revenue as a share of GDP, relative to 1948: UK



NOTES: Duties covers customs and excise duties. Stamp duties are included under Other.
SOURCE: OBR, Economic and Fiscal Outlook, March 2025; OBR, Historical public finances database.

It is important to acknowledge that there have been changes that have reduced gaps in tax treatment in recent years, including: the alignment of the starting points for paying NI and Income Tax; cuts to the employee NI rate; cuts in separate allowances for different income sources; and the last Budget's Capital Gains Tax (CGT) rate rises. But even after these, major distortions remained, and then this April's employer NI rise widened some of the biases against employees.

Ultimately, the fact that employees face higher tax rates than others raises not only a basic problem of fairness but also leads to a range of specific economic problems:

- Choices about how to structure work are distorted, with differing tax rates across employment, self-employment and dividend income.[42]
- Even within employment, there are currently inefficient incentives to spread work across multiple jobs, and to receive remuneration in particular ways, while low-income workers with volatile earnings are punished by NI's non-annual assessment period.[43]

42 S Adam & H Miller, Taxing work and investment across legal forms: pathways to well-designed taxes, IFS, January 2021.
43 A Corlett & D Finch, Double take: workers with multiple jobs and reforms to National Insurance, Resolution Foundation, October 2016.

- Choices about what assets to invest in and how to extract returns are distorted.
- The pension tax system is more incoherent than it needs to be, with personal NI not following an economically-ideal approach of being applied at the point of pension withdrawals,[44] and it arguably does an unnecessarily bad job of smoothing living standards across people's lifetimes. Relatedly, this does not align sufficiently well with fluctuations in pension tax receipts when the UK has particularly large pensioner numbers.
- The existence of employee NI itself, as a parallel tax to Income Tax but with a range of different rules, makes the tax system much more complicated.[45]

Greater tax rate alignment could help with all of these, so below we discuss how to tackle some of these biases. As well as generating much-needed revenue, levelling up various tax rates to get closer to what employees are charged would – in conjunction with the measures set out in Section 2 – provide a long-term direction for the tax system of a broadening of employer NI and a shift away from employee NI – in its current form at least – and towards broader income taxes. There's no hiding the fact that raising taxes will provide an unwelcome headwind to growth. But, by taking the opportunity to reform the tax system in a way that protects workers' pay packets, as well as reducing unnecessary distortions, these rises will minimise the broader economic damage.

The basic rate of dividend tax is low compared to taxes on wages

Before we discuss the taxation of wages, it is important to recognise that our complicated system of taxes does not create biases only against wages. Indeed, as shown in Figure 3, the higher and additional rates of dividend tax, when combined with Corporation Tax already paid, are similar to overall wage taxes. This means that this form of income can be taxed more heavily than rental income, for example.

However, the basic rate of dividend tax of 8.75 per cent is low compared to taxes on wages and to CGT (where the basic rate is 18 per cent). It is also low when we compare it to our international peers: there is a 30 per cent rate in France, and 26 per cent rate in Germany and Italy, for example. The low rate also encourages artificial arrangements whereby the timing and amount of dividends is carefully managed each year to stay just below the higher rate threshold, or where shares are split between spouses for tax purposes.[46] Although the popular impression may be that dividend taxes are levied on people's savings (if they are for some reason held outside of ISAs and pensions), the rates

44 A Armstrong, P Davis & M Ebell, An economic analysis of pension tax proposals, NIESR, September 2015.
45 Office of Tax Simplification, Closer alignment of income tax and national insurance: a further review, November 2016.
46 S Adam et al., Frictions and taxpayer responses: evidence from bunching at personal tax thresholds, International Tax and Public Finance, August 2020. https://doi.org/10.1007/s10797-020-09619-0.

of dividend taxes and their relationship to other forms of income are also important, and can lead to major distortions, because they affect how company owner-managers receive what is in effect their labour income.[47] A consistent approach would be to increase the basic rate of dividend tax to 16.5 per cent, raising £1.5 billion.[48] Such a rate would be fair if Corporation Tax had already been paid on the profits at the main UK rate of 25 per cent, but would still be too low if a lower rate of Corporation Tax had been applied. It would be much more complicated to account for different rates paid, but – for reference – an appropriate basic dividend tax rate would be 20.9 per cent for companies paying the 19 per cent Small Profits Rate. A 16.5 per cent rate would therefore be reasonable, even if a significant change from the current regime.

A tax switch away from employee NI towards Income Tax would better align tax rates, and facilitate future simplification

There are a range of possible ways to better align tax rates on other income sources, but there's one approach that would help reduce all of the problems set out above, namely: to undertake a 'tax switch' between employee NI and Income Tax. Specifically, we propose that the rate of Income Tax should rise by 2p, with employee NI rates cut by 2p.[49] This would leave tax rates on working-age employees unchanged, while reducing the gaps with various other income sources and taking a significant step on the road towards potentially ending employee NI.

With this 2p switch, the higher and additional tax rates would be aligned across different income sources at 42 and 47 per cent respectively (rather than only workers paying these rates), with the 47p rate remaining lower than the 50p that applied in the early 2010s and lower than Scotland's current top rate of 48p. And because higher rate employees only pay a 2 per cent marginal employee NI rate, this 2p cut would abolish marginal NI for them (returning to the capped approach that used to exist). Meanwhile, the new Income Tax basic rate of 22 per cent would get closer to the 28 per cent total paid by employees. This is set out in Table 1.

47 S Adam & H Miller, Taxing work and investment across legal forms: pathways to well-designed taxes, IFS, January 2021.
48 RF calculations using HMRC, Table 3.7 Property, interest, dividend and other income, March 2025.
49 Note that Scotland would be able to choose its own response, which could differ from this Income Tax proposal for the rest of the UK, but it would need to make up the short-fall if it did not follow suit.

TABLE 1: **A welcome tax switch would raise Income Tax rates while cutting employee NI**

Marginal tax rates, excluding employer NI, existing and after proposed 2p cut in National Insurance and 2p rise in Income Tax: UK excluding Scotland

		Employee	Self-employed (exc. LLPs)	Pensioner and rental	Personal pension contributions
Existing	Basic	20+8%	20+6%	20%	8%/6%
	Higher	40+2%	40+2%	40%	2%
	Additional	45+2%	45+2%	45%	2%
Proposed 2p tax switch	Basic	22+6%	22+6%	22%	6%
	Higher	42%	42+2%*	42%	0%
	Additional	47%	47+2%*	47%	0%

NOTES: Employee and self-employed figures are for those below State Pension Age. LLP = Limited Liability Partnership. * Self-employment income should attract higher NI than wages, to account for the role of employer NI (which is not included here for simplicity).

Despite not raising taxes for working-age employees, this 2p tax switch would raise £6 billion a year and move towards major simplification, at the cost of asking more of those groups that currently face lower tax rates than employees.[50] In particular:

- Rental income, taxable savings income and some other minor forms of capital income – which do not attract NI – would face a 2 per cent tax rate rise. Rental income is the most significant element here, but there is no obvious reason why landlords should face lower tax rates than their tenants.[51] The main expected economic impact of this particular change (which would also include the mortgage tax relief rate rising by 2 points), would be slightly lower house prices and slightly higher home ownership, with any impact on rents being small.[52]

- The self-employed (excluding LLPs) would face a 2 per cent tax rate rise, meaning they would pay the same basic rate as employees (given the existing 2p difference in NI rates). This would reverse two-thirds of the 3p tax cut that happened before last year's General Election (while also leaving in place the effective abolition of the flat Class 2 charge). As shown in Figure 5, the resulting 28 per cent basic rate for the self-employed would be the lowest in decades except for the past two years. And this could also be accompanied by mooted expansions of benefit eligibility

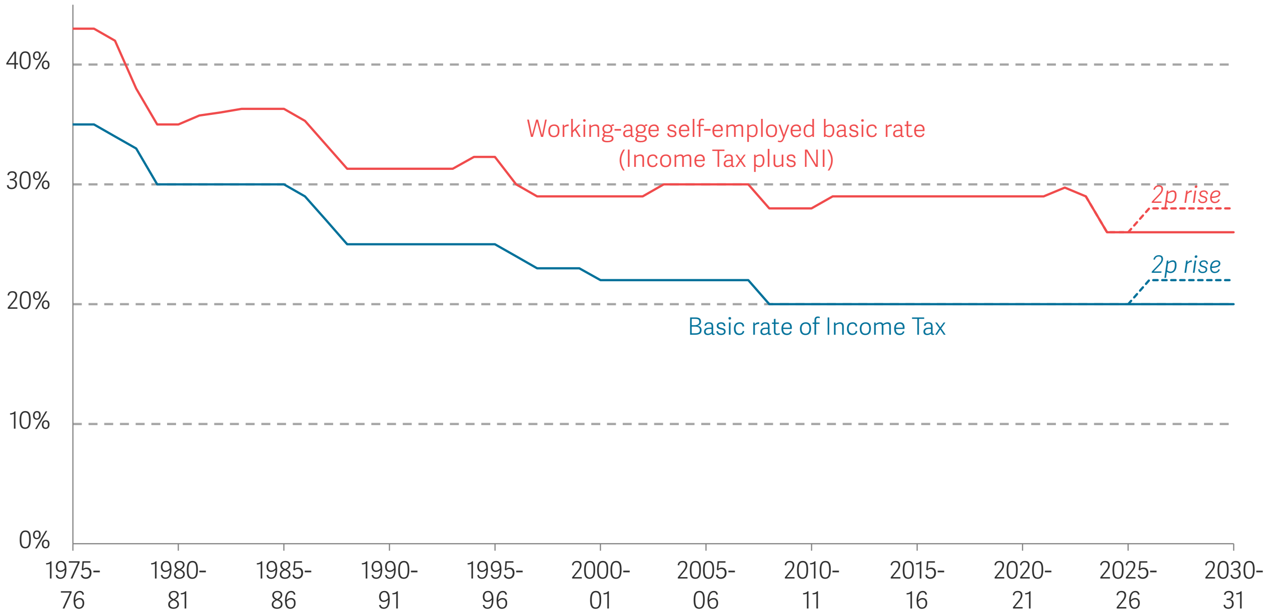
50 Costing derived from HMRC, Direct effects of illustrative tax changes, June 2025; and mirrored by RF analysis using the IPPR tax-benefit model. An adjustment is included to remove double counting with our LLP proposal.
51 Only unincorporated rental income would be affected here. In isolation, this would encourage incorporation, but this would be counteracted by our proposal to raise the basic rate of dividend taxation.
52 Lower post-tax profits might lead to some landlords selling up, but they can primarily only ultimately sell to tenants – meaning offsetting demand and supply effects within the private rented sector. The ongoing freeze of Local Housing Allowances is a far more relevant consideration for low-income tenants than small changes in landlord taxation.

(on Unemployment Insurance and parental pay) for the self-employed.[53] Beyond the higher rate threshold, self-employed personal tax rates would be higher than employees', so as to begin – alongside our LLP proposal – to apply a form of employer NI to the self-employed. This would be something of a return to the original mid-1970s situation when Class 4 NI was created, when it deliberately had higher rates than employees personally paid. The US, Canada and Germany, as examples, all require the self-employed to pay some social security contributions equivalent to employees and employers combined.[54]

- People above the state pension age would see a 2 per cent tax rate rise on earned and unearned income above the personal allowance. (Although future pensioners would benefit from increased up-front tax relief on employee pension contributions, where employee NI currently applies). While controversial, there is clearly a fairness case that people on the same income should pay the same tax rates regardless of age (indeed, pensioner living standards will in general be disproportionately high compared to their annual taxable income, given the higher working-age costs of housing, commuting and children).

FIGURE 5: **A 2p rate rise would still leave the basic tax rate for the self-employed lower than in at any point in decades except the last two years**

Marginal tax rates: UK excluding Scotland



NOTES: Chart does not include the flat Class 2 NI charge for the self-employed, which was abolished in 2024-25, giving another tax cut.
SOURCE: RF analysis of IFS, Fiscal Facts, plus RF proposal.

53 DWP, Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper, July 2025; DBT and DWP, Government review of the parental leave and pay system terms of reference, July 2025.
54 See the US self-employment tax (Social Security and Medicare taxes), Canada Pension Plan and German Statutory Health Insurance (GKV).

This proposal would break the Labour manifesto policy of not raising the existing rates of Income Tax, but, importantly, this policy would not increase tax rates on working-age employees.[55] We are focused on proposals that are pragmatic to deliver in one event and which can successfully navigate a difficult economic outlook, while raising revenue. If political constraints ultimately trump, Box 2 discusses some alternative ways in which some similar ends could be achieved without a change to the rates of Income Tax.

BOX 2: **There are some smaller alternatives to raising Income Tax rates**

Raising Income Tax rates by 2p while cutting employee NI by 2p would deliver a range of benefits at the same time, while raising around £6 billion. But there are alternative ways to try and deliver some of the same ends.

A tax rise for rental income specifically, e.g. a new class of rental income NI as we have previously suggested, or special tax rates within Income Tax.[56] For parity with employees, this might include an 8 per cent basic rate (higher than in our main proposal), although there could also be a specific tax-free rental income allowance. This could raise around £1-2 billion, so long as the allowance were not too large.[57] There is a case for also including other unearned income (e.g. any taxable savings interest) within the same policy but this is smaller in scale.

Simply raising self-employed NI rates, e.g. from 6 per cent to 8 per cent to match employees (and raise £1 billion) or raising the 2 per cent rate for higher earners. As referenced above, as recently as 2023-24 the basic self-employed NI rate was 9 per cent,[58] and we noted above that the Government has indicated it might be willing to extend some new benefits to the self-employed.

Reforming personal NI to be annual, cumulative across the year, and aggregated across jobs (i.e. to function more like Income Tax). This would be a significant change and has been estimated to be roughly revenue-neutral, but would be a further alignment and important simplification.[59] Potentially such a reform could include a broadening to unearned income (as discussed above), making personal NI a close but separate parallel of Income Tax. But the design of such a reform would still need to grapple with how to treat pensioners,

55 The main exception would be employees with multiple jobs, who currently benefit from multiple NI allowances, though as noted the existing incentive to spread work across jobs is not a desirable feature of the tax system – and the 2p tax switch would be a way of dampening this without delivering a complete change of regime overnight.

56 M Broome, A Corlett & G Thwaites, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023.

57 RF calculations using HMRC, Table 3.7 Property, interest, dividend and other income, March 2025.

58 In 2017 the Government had to backtrack on plans to raise the main rate of self-employed NI from 9 per cent (plus Class 2) to 11 per cent (plus Class 2). Now, a 2p rise would take it to 8 per cent (and no Class 2).

59 Office of Tax Simplification, Closer alignment of income tax and national insurance: a further review, November 2016.

and – unlike the 2p 'tax switch' proposal – would be a serious administrative undertaking for the Government and employers, and a bigger tax jump for those with multiple jobs.

Requiring working pensioners to pay some NI. At present, personal NI (but not employer NI) ends at the State Pension Age, meaning big tax differences between employees based solely on their age.[60] HMRC estimate this rule cost £1.1 billion in 2024-25.[61] There is some case here for tax breaks to try and support labour supply in older age, but that might better be done through some targeted policy deliberately designed to achieve that, rather than a blanket exemption that comes from an unrelated historical legacy. If NI were applied, the possible ability to continue building up 'qualifying years' in one's NI record may also be a work incentive for some.

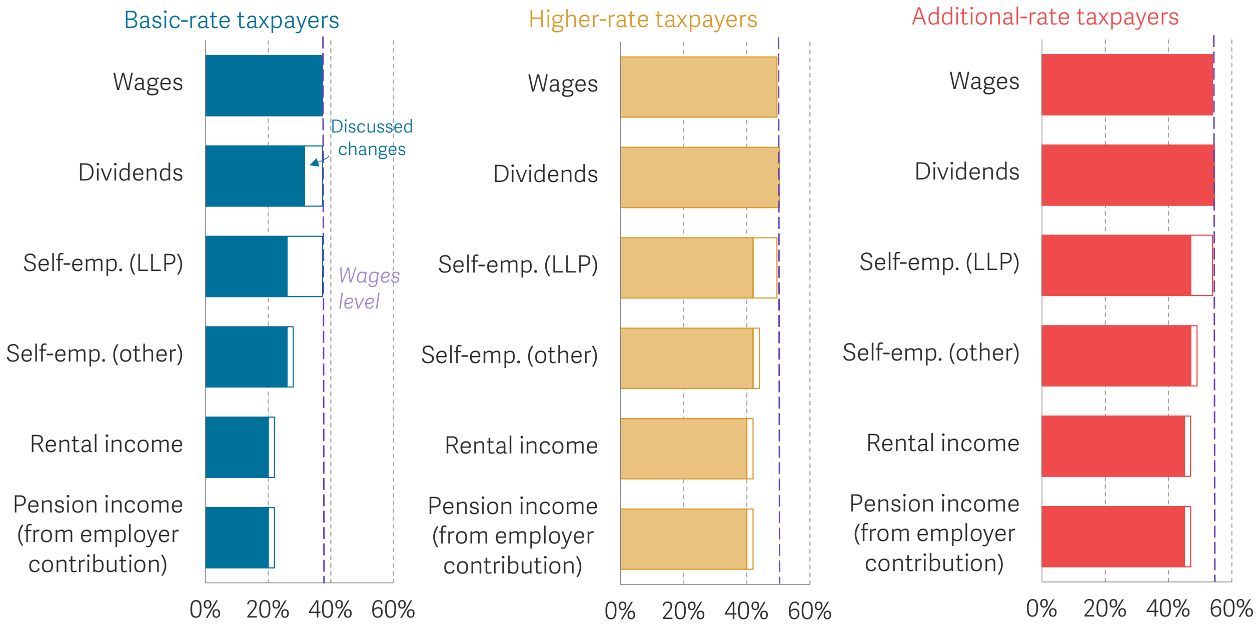
If changing tax rates on private-pension income is considered undesirable, then there is an added case for looking at the tax-free pension element. A quarter of pension pots can be taken tax-free, up to £268,275. We have previously suggested significantly lowering this cap, with big long-term revenue benefits, but there is an unavoidable trade-off here between how rapidly changes are made (given that large and rapid changes could be seen as potentially unfair or retrospective) and how much can be raised within the fiscal projection window.[62]

Figure 6 shows how this 2p tax switch, together with dividend and LLP changes, would close the tax rate gaps between groups (set out earlier in Figure 3). It should be noted that these changes – intended to be relatively plausible near-term changes – do not close every gap: an even larger tax switch and higher basic rate of Income Tax could be chosen, for example, but that would mean even larger pensioner tax rises.[63] But our specific suggestions would reduce all the distortions set out earlier while raising revenue and moving significantly closer towards the potential abolition of employee NI.

60 Resolution Foundation, A New Generational Contract: The final report of the Intergenerational Commission, May 2018.
61 HMRC, Tax relief statistics, December 2024.
62 M Broome, A Corlett & G Thwaites, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023.
63 More ambitious changes in some areas are explored in M Broome, A Corlett & G Thwaites, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023.

FIGURE 6: **A 2p tax switch, basic dividend rate rise and LLP NI would make significant progress in aligning tax treatments**

Marginal tax rates 2025-26, including employer NI / Corporation Tax where appropriate



NOTES: For dividends, assumes Corporation Tax has been paid at the main UK rate of 25%.
SOURCE: RF analysis.

Given the state of the public finances, extending the personal tax threshold freeze would be sensible

Given where different forms of income start in terms of tax rates, the prioritisation of tax rises for some, as set out above, would be fair and would reduce the bias against employment. But given the precarity of the public finances, and limits to how far some groups' taxes could realistically be changed in one parliament, there may also be a need for some broader tax rises that affect working-age employees too.

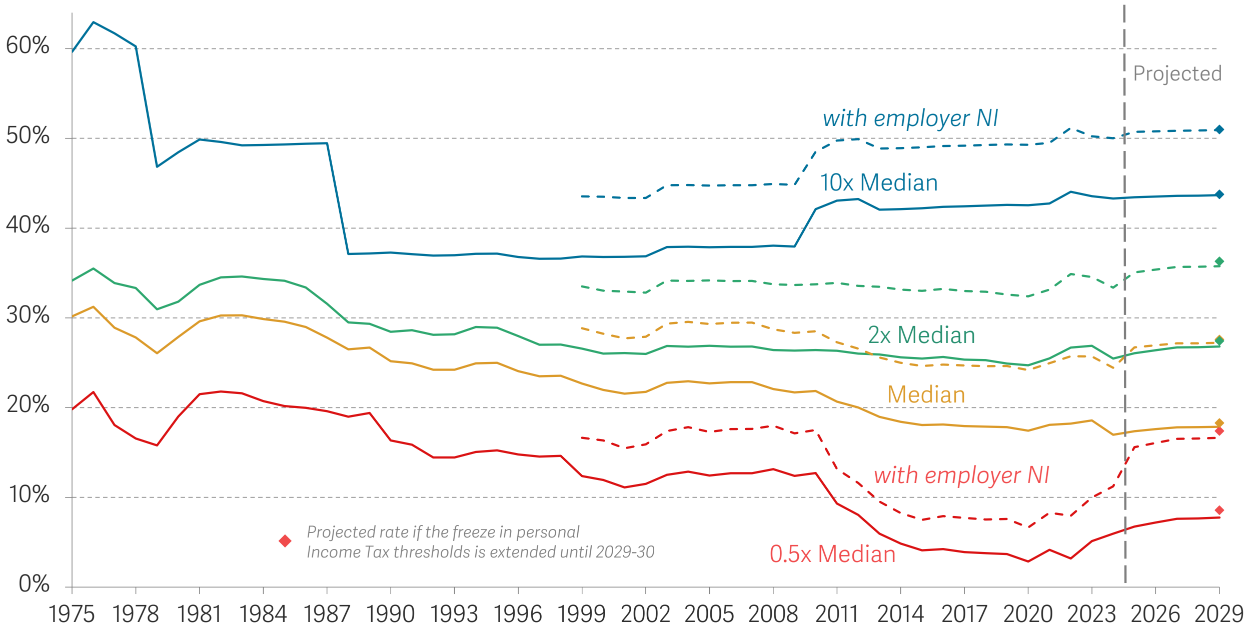
In particular, extending the long-running personal tax threshold freezes by a further two years, into 2028-29 and 2029-30, would raise around £7.5 billion (with £3 billion from the £50,270 threshold and £4.5 billion from the £12,570 threshold).[64] This would significantly improve the fiscal outlook at a stroke, without affecting living standards until April 2028, and the experience of recent years shows that such changes are not too controversial. It is also not explicitly ruled out in the Labour manifesto. (It would also be possible to choose options in between a freeze and full inflation uprating: for example, 1 per cent a year uprating would give half the revenue gain.) A small additional bonus is that freezes would contribute to further shrinking of effective tax rate gaps between different income sources, given smaller gaps for higher rate payers and the low threshold for employer NI, but this is not a driving consideration.

64 We do not think the employer NI threshold freeze – at £5,000 – should be extended, and so have not included that here.

An extended freeze would raise taxes on basic-rate employees by £140 relative to uprating in line with inflation (if that is 2 per cent a year), and most higher-rate workers by £280. However, Figure 7 shows that even this (relatively small) change, plus the current freeze and employer NI rise, would still leave effective tax rates for the typical earner slightly lower than pre-financial-crisis after accounting for employer NI (29 per cent in 2007-08 and a projected 28 per cent in 2029-30 with an extended freeze). Excluding employer NI, rates would remain much lower.

FIGURE 7: **A further freeze extension would contribute to rising effective tax rates, but these would still not be high by historic standards**

Effective tax rates for employees on multiples of the median salary: UK excluding Scotland



NOTES: For consistency, tax rates are for unmarried employees under 65 with non-volatile earnings, and ignore mortgage interest and pension tax relief. Based on financial years. 2022 and 2023 use the tax parameters that applied in October of those years. Employer NI figures only calculated from 1999 onwards, and non-structural employer NI tax reliefs not included.
SOURCE: RF analysis using median earnings figures from ASHE/NESPD and tax history from HMRC and IFS. Earnings projected using OBR, Economic and Fiscal Outlook, March 2025.

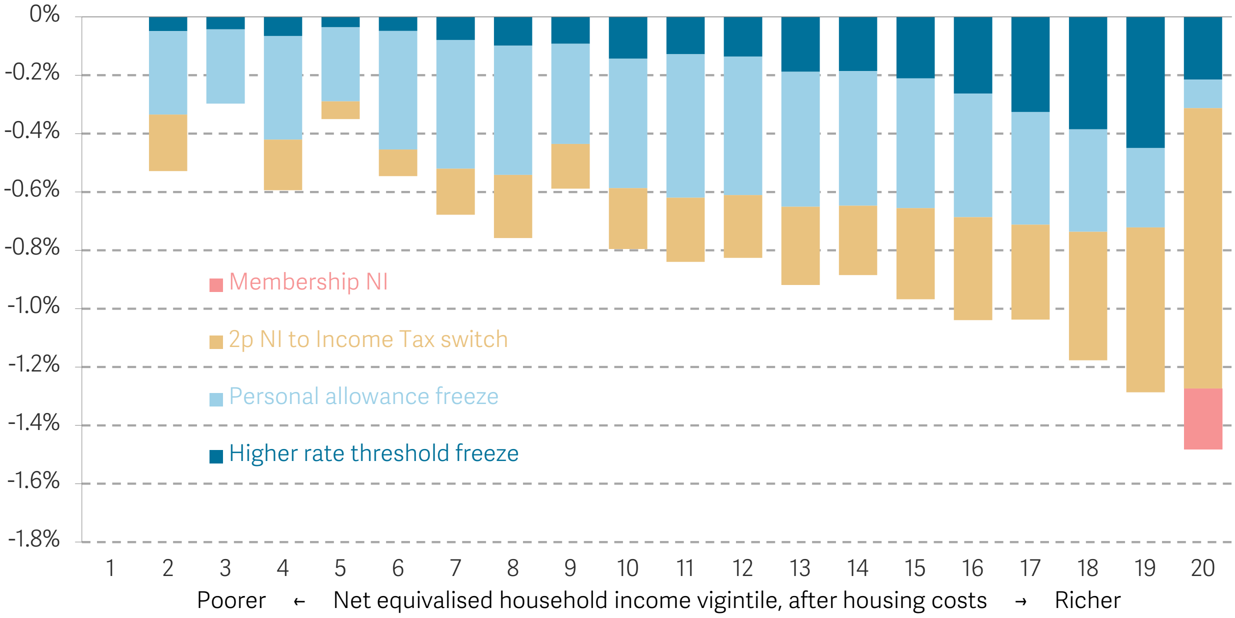
One argument against relying on a freeze in isolation (beyond the simple fact that much more revenue may be needed) is that it would ask relatively little of the highest-income households. This is partly because the impacts do not continue to scale with income, and partly because the over 1 million additional-rate payers are unaffected by personal allowance changes – given its withdrawal at high incomes – and would therefore see a smaller impact even in cash terms than higher-rate payers.[65] This adds to the case for including more top-heavy measures in a package, such as the tax switch

65 HMRC, Income Tax liabilities statistics: tax year 2022 to 2023 to tax year 2025 to 2026, June 2025.

and membership NI proposals we have set out – with the combined distributional impact of these shown in Figure 8.

FIGURE 8: **Threshold freezes in isolation would ask relatively little of top-income households, but the package of Income Tax and NI changes as a whole is progressive**

Impact on average incomes of proposed policy changes in 2029-30, by income vigintile: UK



NOTES: Membership NI's impact cannot be modelled but, as an approximation, revenue is assigned only to the top vigintile (minus the overlap between this and the 2p switch), given A Advani et al., Equalising National Insurance on Partnership Income: Revenue and Distributional Effects, CenTax, September 2025. We exclude the bottom 5 per cent, due to concerns about the reliability of data for this group.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

Two big gaps in the Capital Gains Tax system must be filled

This section's discussion of rate alignment has steered clear of Capital Gains Tax (CGT) policy. This is largely because Autumn Budget 2024 made a range of changes to these rates, and because the ideal CGT policy would not only feature higher rates but also some inflation or rate of return allowance, which complicates the story.[66] However, there are two CGT changes that should be made as soon as possible. These would close two loopholes by which CGT bills for the very wealthy can be completely side-stepped, and which significantly distort taxpayers' decisions.

To start, the UK is a relative international outlier in not applying CGT on built-up gains when people leave the UK (without returning within the next six years), except for real

66 A Corlett, Revenue and reform: What tax changes could – and should – we see in Autumn Budget 2024?, Resolution Foundation, September 2024.

estate. This means that someone who moves to Spain or Ireland, or any one of many other countries, before selling or winding up a company would make very large tax savings from gains generated in the UK. This enormous incentive to realise gains outside, rather than within, the UK makes no sense, and indeed all the other G7 countries bar Italy require emigrants to settle up their CGT.[67]

The Government needs to adopt an approach from other countries – for example, an 'Australian-style' 'Rebasing on Arrival, Deemed Disposal on Departure' system. This would end the taxation of gains accrued before people arrived in the UK (with a minor cost attached), but create a settling-up charge when people emigrate. The two main complexities associated with this are the problems of valuation and liquidity (given the lack of an actual sale or liquidation at that point). But these are not insurmountable, as shown by other countries. First, we should expect much lower relevant emigration if it were not tax-advantaged: gains would be realised as normal in UK instead. Second, there are options to allow delayed payment, for several years at least, as many countries do. And third, HMRC will already have processes for company valuation – e.g. for businesses within Inheritance Tax now – and the revenue potential here is so weighted to a small number of individuals that a high filing threshold could be used if worthwhile, with professional valuations for the small number of cases involved. Of UK nationals leaving with substantial shareholdings in 2023-24, it has been estimated that just 10 individuals accounted for almost three-quarters of total shareholding value.[68]

Detailed, but nonetheless uncertain, estimates by CenTax imply a conservative revenue gain of £2 billion a year using current CGT rates, but potentially significantly more.[69] The change in system might lead to realisations being delayed as more people stay in the UK and keep running businesses for longer, pushing revenue into the future, but there may also be fiscal side-benefits from wealthy entrepreneurs remaining in the UK, rather than being encouraged to emigrate.

The other major loophole is that when assets are held until death, any built-up gains are written off for tax purposes. This 'step-up in basis' treatment is both a very inefficient and very regressive feature of the tax system. The Mirrlees Review noted that: "[w]hatever kind of wealth transfer [inheritance] tax one does (or does not) want, there is no case for forgiveness of CGT on death".[70] It encourages asset holders to avoid realising large gains before death, and distorts the composition of their assets.

67 A Advani, C Poux & A Summers, Business owners who emigrate: Evidence from Companies House records, CenTax, October 2024.
68 A Advani, C Poux & A Summers, Business owners who emigrate: Evidence from Companies House records, CenTax, October 2024.
69 No public estimate is available for this change using current CGT rates. But CenTax research gives a figure of £4.5 billion (in 2019/20) for a system in which the top rate were 47 per cent. Given a current top CGT rate of 24 per cent, this would imply potential revenue of over £2 billion. Alongside other conservative methodologies, shareholdings below 25 per cent of a business are not included for UK nationals.
70 S Adam et al., Tax by design, IFS, September 2011.

Unrealised gains are also a disproportionately large share of wealth for the very wealthiest.[71]

Instead of this, a 'carry over' or 'no gain, no loss' approach should be used.[72] This would not require CGT to be paid at death; instead, when beneficiaries later realise gains, the CGT calculation would use the original acquisition cost, not the value when inherited. As noted above, the fact that the UK has Inheritance Tax is no argument against this. If you realise a gain the day before you die, you would pay CGT (just as you pay Income Tax on earnings) and then Inheritance Tax would apply to your wealth that has been generated out of post-tax income: some people think this is unwelcome double taxation, but that is how Inheritance Tax works, and whether gains are realised just before or just after death should not fundamentally change which taxes are applied. However, realising a gain before death does mean that Inheritance Tax only applies to the post-tax gain, and so, for symmetry, gains realised after death should benefit from a credit against any Inheritance Tax already paid on the unrealised gain.[73]

An Office of Tax Simplification report suggested that a 'no gain, no loss' approach could raise £1.6 billion in a steady state, in 2020 values, and with the lower CGT rates of the time, though without an Inheritance Tax interaction).[74] But there are complicated timing effects to consider in estimating the shorter-term revenue. On the one hand, it would take time for realisations to build up under this system. On the other, it is likely that "many of those who inherit assets will want to cash them immediately, as well as executors needing to liquidate assets in order to divide up an estate", as the Office of Tax Simplification noted. And removing the step-up in basis distortion (together with the presence of Inheritance Tax around death) will lead to many transfers being brought forward, as seen in evidence from Norway where a move to a 'no gain, no loss' approach for stocks alone boosted CGT receipts by an estimated 31 per cent in the short term.[75]

Given a lack of data, and important behavioural considerations, costings here are very uncertain. But, based on the available research, we think a reasonable estimate is that the combination of these two measures – a settling-up charge and a 'no gain no loss' approach – could raise £4 billion a year and fix some of the most inefficient, regressive and weakest links in the UK tax system, which allow significant amounts of wealth accrual to go untaxed.

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71 L Msall & O Næss, Never-Realized Capital Gains, June 2025.
72 Though note that without a settling-up charge, an inheritor under the 'no gain no loss' system could subsequently move abroad.
73 i.e. If you had to pay 40 per cent Inheritance Tax on some unrealised gains, then upon realisation you would only be asked to pay CGT on 60 per cent of them. A Advani, A Lonsdale & A Summers, Reforming Capital Gains Tax: Revenue and Distributional Effects, CenTax, October 2024.
74 Office of Tax Simplification, Capital Gains Tax review – first report: Simplifying by design, November 2020.
75 L Msall & O Næss, Never-Realized Capital Gains, June 2025.

BOX 3: There are other wealth-related tax ideas not explored in this report, but CGT and other capital income reform should be revenue-raising priorities

The proposals in this section would significantly change the taxation of accrued business wealth, other non-labour income, and pensions. These would be big changes in how we tax wealth, but there are a number of other tax policy areas related to wealth that we do not explore here:

- There have been calls for an annual net wealth tax.[76] However, we follow the view of the Wealth Tax Commission that "instead of an annual wealth tax, the government should reform existing taxes on wealth… An annual wealth tax would be a poor second best to undertaking these reforms, because it would be less economically efficient and more costly to administer."[77] Similarly, the OECD "concludes that from both an efficiency and equity perspective, there are limited arguments for having a net wealth tax in addition to broad-based personal capital income taxes and well-designed inheritance and gift taxes. While there are important similarities between personal capital income taxes and net wealth taxes, […] net wealth taxes tend to be more distortive and less equitable."[78] Practical international experiences are also not encouraging, and volatile interest rates, as we have had recently, also make stocks of wealth more volatile. Far more defensible policy changes such as ensuring that extremely large capital gains do not go entirely untaxed, as explored above, should therefore be prioritised over net wealth taxes.
- Council Tax and Stamp Duty are badly in need of reform. But the expectation is already for Council Tax to rise by around 5 per cent a year; for bills to rightly rebalance towards more prosperous areas (see the Fair Funding Review); and for effective Stamp Duty rates to rise given fiscal drag (on top of Spring 2025's threshold reduction). More tax could be levied from the most valuable properties but even a £10,000 a year average 'mansion tax' for the top 100,000 most valuable properties for example – all worth over £2 million – would still only raise £1 billion a year, and it is true that these properties face high Stamp Duty charges.[79] It would be very welcome if there was a move away from damaging Stamp Duty and towards recurring taxation (ideally paid by owners), and there have been a range of pre-Budget

76 P Walker, Keir Starmer should be bold and consider a wealth tax, Neil Kinnock says, The Guardian, 6 July 2025.
77 Wealth Tax Commission, A wealth tax for the UK, December 2020.
78 OECD, The Role and Design of Net Wealth Taxes in the OECD, April 2018.
79 A Corlett & L Gardiner, Home affairs: options for reforming property taxation, Resolution Foundation, March 2018.

rumours around this. But any policy in which future, up-front Stamp Duty is transformed into some form of long-term annual payment is likely to cost money in the near-term, and so is not a focus in this report.[80]

- Inheritance Tax could be strengthened. Government may wish to tighten rules about life insurance arrangements via trusts, which are a current avoidance tactic. The ability to make very large transfers tax free earlier in life could be reduced, e.g. through special rules for very large sums or by restricting the spousal exemption in those cases.[81] And the 'normal gifts out of income' regime could perhaps be abolished.[82] But as Inheritance Tax is not a big tax overall, we should not expect small changes to raise lots, and Autumn Budget 2024 already made a range of welcome improvements. There is a very good case for scrapping the residence nil-rate band, but that would be a broad change with many more losers.[83]

80 T Leunig, A Fairer Property Tax, Onward, August 2024.
81 A Advani et al., Inheritance Tax reliefs: time for reform?, CenTax, October 2024.
82 A Corlett, Passing on: options for reforming inheritance taxation, Resolution Foundation, May 2018.
83 A Corlett & J Leslie, Home county: Options for taxing main residence capital gains, Resolution Foundation, December 2021.

Section 4

Tax changes to improve health and environmental outcomes and support a fair EV transition

As well as the reforms to business and personal taxes, it is sensible for the Government to seek to raise revenue from reasonable taxes on harms. Reform here could raise revenue while simultaneously helping to achieve other Government and societal goals such as decarbonisation, better health and a better NHS, and better and less noisy roads.

Motoring taxes are an obvious area for such changes. In this context the 'fiscal fiction' from successive failures to uprate Fuel Duty should be ended, not least given that the cost of petrol at its lowest real value in decades. Electric vehicle tax reform is also needed. One option is to do this through Vehicle Excise Duty reform for all vehicles sold in future that takes into account distance driven and weight. As part of a package, this could raise £2 billion in 2029-30 but go on to raise over £10 billion by 2035.

There is a case for measures that address the nation's ill health. Chief among measures in this area should be take up the National Food Strategy's suggestion of a Sugar and Salt Reformulation Tax. We propose rates of £4/kg for sugar and £8/kg for salt, applied at the industry level, raising around £3.5 billion by 2029-30. It is right to be concerned about recent food-price inflation and living standards, but change would take several years to design and roll out, and even after implementation the total impact on inflation would be relatively small. Revenue should be earmarked for the Child Poverty Strategy, mitigating the regressive impact. This is a relatively simple public health measure that could have major impacts in support of the Government's health mission, with the salt element alone estimated to add 0.6-1.8 months to UK life expectancy.

When generating options for tax reform that minimise damage to the economy, it is sensible to consider addressing some of the broader 'harms' associated with particular activities, ensuring their prices reflect the true costs to society. Reform here can raise revenue – which could allow other taxes to be lowered – while simultaneously helping to achieve other Government and societal goals.

In this section we focus on two interrelated areas. One covers transport, including the delivery of a swift but fair transition to Electric Vehicles (EVs) and improving the country's roads. And the other (also affected by vehicle pollution) is the need to improve the nation's health, especially given the current pressure of ill-health on individuals, the labour market, public finances, and the NHS.

Make Fuel Duty uprate again

As shown earlier in Figure 4, duties as a whole have been falling in importance in the tax system. Central to this is the decline in Fuel Duty as a share of GDP, down from 2 per cent in 2000-01 (around the last time the UK ran a current budget surplus) to 0.8 per cent in 2025-26 – a slightly bigger decline than the rise in NI revenue over this time. Going forwards, continued erosion remains a significant fiscal risk in both the short and long-run. Later in this section, we make suggestions for the long-term, given vehicle electrification, but it is also important to demonstrate now that Fuel Duty can go up in cash terms, as most other taxes do, given that there has been no rise – and some cuts – since 2011.

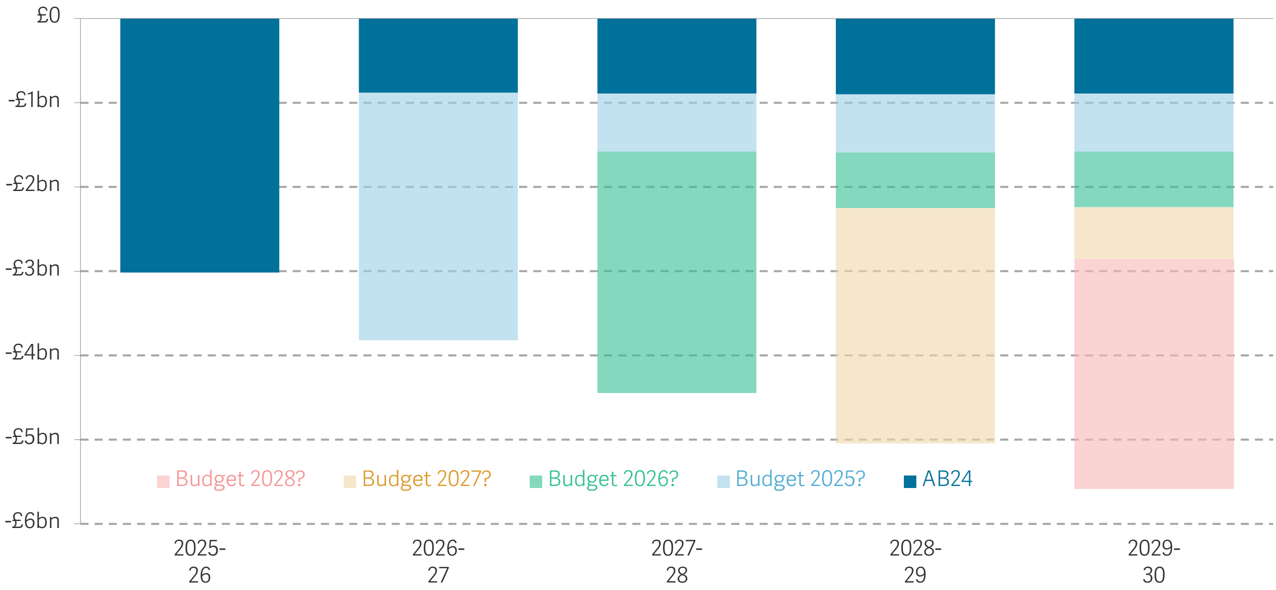
The OBR's fiscal forecasts assume that the 'temporary' 5p Fuel Duty cut in place since 2022 will expire next Spring, and that each year will feature RPI-inflation-linked uprating. Given the historical pattern of annual upratings being cancelled and the temporary 5p cut being extended year after year, there is reason enough to be sceptical that these scheduled increases will happen, with parliamentarians dubbing it a 'fiscal forecast fiction' and the OBR doing what it can to stress that this is a fiscal risk.[84] But a rise of anything less than this would be a tax cut from the Government as far as the OBR is concerned, making public finances worse and meaning higher tax rises are needed elsewhere.

As well as being poor policymaking to flatter the OBR forecast with fiscal fiction (and unhelpful for encouraging electrification) continuing the pattern of delayed and cancelled rises would be very expensive. Autumn Budget 2024 spent £1 billion cancelling one uprating and the cost of continued freezes would be over £5 billion annually by 2029-30 (as shown in Figure 9). This would be a very large sum to spend on any policy.

84 House of Commons Treasury Committee, Fuel Duty: Fiscal forecast fiction, January 2023; OBR, Economic and Fiscal Outlook, March 2025.

FIGURE 9: **If the pattern of never raising Fuel Duty continues, this Government will have spent over £5 billion on lowering Fuel Duty in 2029**

Potential nominal cost of Fuel Duty cuts in this Parliament, by year, if freeze continues



NOTES: This is a scenario in which each future Budget repeats the Fuel Duty decisions made at Autumn Budget 2024.
SOURCE: RF analysis using OBR, Economic and Fiscal Outlook, March 2025; HMRC, Direct effects of illustrative tax changes, June 2025.

Given past cuts, the value of Fuel Duty is now at historic lows, having fallen by 23p per litre (or a third) in real terms over the past decade. Similarly, the real cost of petrol in Q3 2025 has been lower than at any other point since 2003 (where this series begins) – narrowly beating the depths of Covid-19. Even with planned increases, Fuel Duty in real terms would remain below the temporary, emergency level it was cut to in 2022 (let alone previous levels).[85] So it is time to show that Fuel Duty can rise like most other taxes. It would be no bad thing if the current default rules were followed, albeit with a bit of a jump next Spring, but we suggest three potential changes to the uprating regime that might help to credibly deliver increases and to reduce price volatility.

1. Instead of using (forecast) RPI inflation for uprating, which would deliver bigger increases when inflation is expected to be high, a fixed change such as 3 per cent a year could be chosen.[86] This would make Fuel Duty predictable, while avoiding exacerbating too high – or too low – inflation. And because RPI is not seen as a methodologically appropriate inflation measure, it is essentially being abolished in 2030 anyway (becoming identical to CPIH) making this a good time to reconsider RPI linking in any case.[87]

85 A Corlett, Revenue and reform: What tax changes could – and should – we see in Autumn Budget 2024?, Resolution Foundation, September 2024.
86 Other figures could be chosen, but this would be similar to forecast RPI on average.
87 Similar arguments could be applied to other RPI-linked indirect taxes, and to our proposal below for a reformed VED system.

2. Instead of big and salient annual jumps in Fuel Duty each Spring, there could be smaller quarterly changes. In the case of a 3 per cent a year pace, that would mean 0.74 per cent increases each quarter – around 0.4p per litre at present – a change that would not be noticeable when compared to normal fuel price fluctuations. The combination of these two measures would ideally be a world where Fuel Duty rises are simply a small, clockwork, industry-level change that is made each quarter without being dependent on any recurring political decisions, unless there is an active wish to depart from the default.

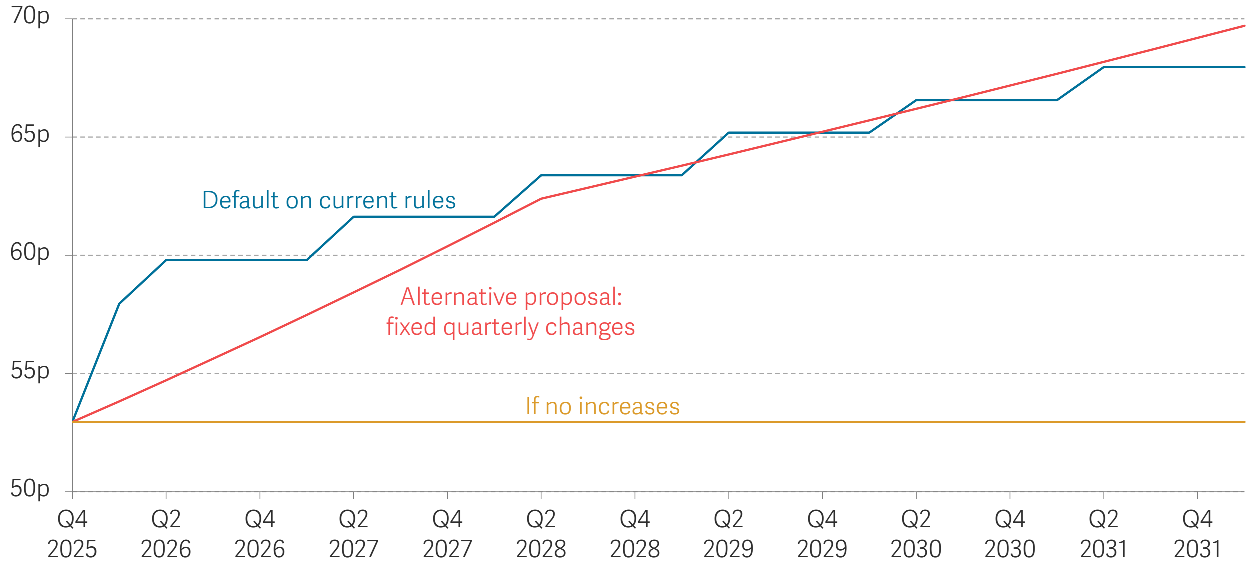
3. Finally, there is the important question of what to do with the 5p cut due to expire in March. Here, there is a potential balance to be struck between short-term concerns about bringing down inflation and avoiding pushing all increases into the future once again.[88] Instead, the 5p rise could be spread over (say) 10 quarters – 0.5p each – on top of the above uprating, but demonstrably beginning this process in Q2 or even Q1 of 2026.

Figure 10 gives an illustration of what these alternative choices would look like, in comparison to what the Government tells the OBR is current policy, and to the very plausible scenario of Fuel Duty never rising again. Compared to the default path that the OBR must use, this package of changes would score as fiscally negative in the short-run, costing around £1.5 billion in 2026-27 and lowering inflation by 0.1 percentage points. (A typical petrol driver would pay around £30 more in 2026-27 than without any rise, but £35 less than currently planned.)[89] But Fuel Duty would have a smoother path, and the net cost by 2029-30 would be negligible – with a slight gain beyond that given that 3 per cent uprating would be above forecasts for CPIH inflation. Crucially, delivering this path would mean a significant tax cut is averted – compared to the perma-freeze scenario – and improved fiscal credibility from a new approach with demonstrated rises.

88 Note also that while inflation may be high, the State Pension is on track to rise by around 4.7 per cent in April and UC standard allowances by over 6 per cent – easing concerns about the impact of small Fuel Duty rises.
89 These figures assume that any Fuel Duty changes are fully passed on to drivers.

FIGURE 10: **Smaller, quarterly, fixed Fuel Duty rises may be more deliverable and less volatile than the current rules**

Nominal main rate of Fuel Duty per litre under different scenarios



NOTES: Based on March EFO RPI.

Vehicle Excise Duty reform could achieve important public goals while significantly improving the long-term fiscal outlook

Fuel Duty remains important for both the public finances and for encouraging the transition to electric vehicles (EVs). But the long-term tax treatment of EVs is just as vital. And whereas Fuel Duty rises are already included in fiscal forecasts, other areas of motoring taxation have the potential to be genuinely additional revenue raisers, at the same time as supporting wider policy goals.

We argue that there are at least three big problems with existing EV taxation, which it would be good to tackle early in the electric transition:

1. A fiscal problem: EVs do not pay Fuel Duty, they pay lower VAT on most energy (5 per cent on electricity consumed at home, compared to 20 per cent on fuel), and they pay lower Vehicle Excise Duty (VED) overall. As a result, drivers of petrol and diesel cars typically pay around £1,000 a year in recurring taxes, but those with EVs pay around £200.
2. A 'harms' problem: current EV VED is a largely flat £195 per year, not linked to externalities such as road use or wear, tyre or brake pollution levels, noise, size or any other public concerns.
3. A distributional problem: EV drivers who can't charge at home pay higher

VAT than those who can (20 per cent versus 5 per cent), and there is a lower VED rate (£10) for brand new cars – overwhelmingly bought by higher-income households. (There is also higher VED for those who can't pay a year's bill up-front.) These are somewhat offset by the Expensive Car Supplement for cars sold for more than £40,000, but this is a clumsy tool and is under review for EVs.[90]

But any changes to tackle these problems must also be balanced with the need to deliver the EV transition. The lower lifetime cost of EVs, together with key policies of the Zero Emission Vehicle mandate, non-hybrid ban from 2030 and full petrol/diesel ban from 2035, put this transition on a good footing, but it is clearly not a fait accompli.

A balanced package might have three components (alongside our Fuel Duty suggestions).[91] First, and most importantly for long-run finances, VED should be completely overhauled for future EV sales – ideally from April 2026.[92] All existing EVs would be unaffected (indeed they would receive a slight valuation boost given lower taxes than newer cars). This would echo how the VED regime has changed for new sales in the past, in 2001 and 2017. There is also a case for applying long-term discounts within a new regime to cars bought over the next few years, to further smooth its introduction and to acknowledge that EV technologies will continue to improve.

Rather than the current flat scheme (£10 in the first year, plus the Expensive Car Supplement, then £195 per year), a new regime might have the same charge in every year and be primarily a function of both vehicle weight and miles driven. Weight is a good basis for a tax because it correlates with a range of other things appropriate to public policy, including road damage, noise, pollution from tyres and brakes, danger to others, road footprint, and car value (and therefore likely also income and wealth) as shown in Figure 11.

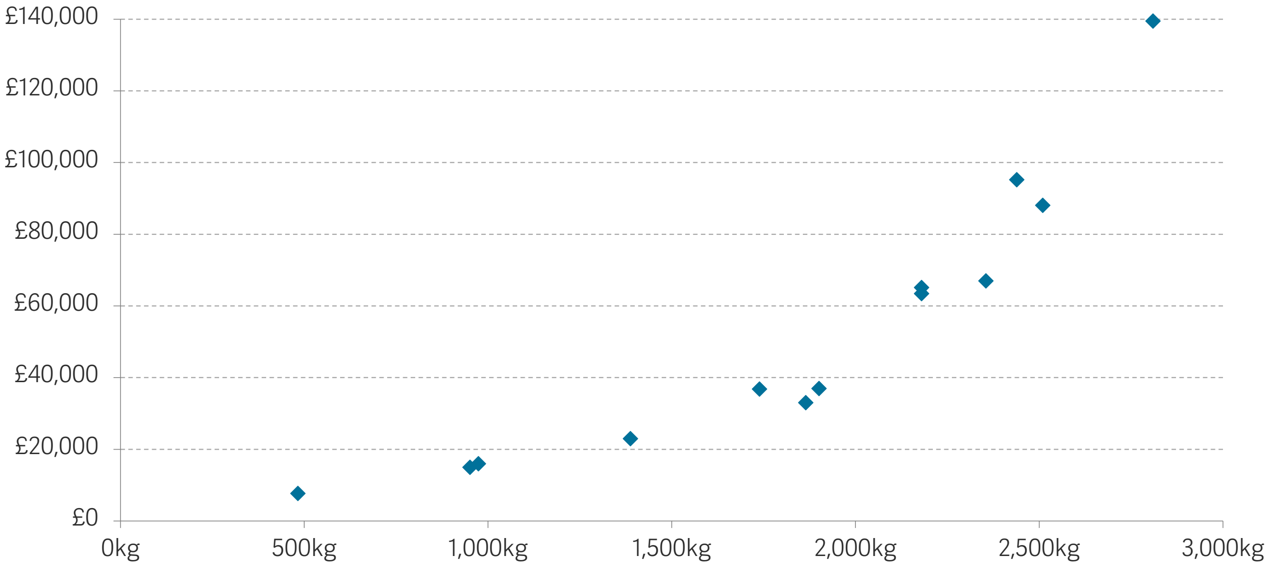
90 HM Treasury, Autumn Budget 2024, October 2024. "The government recognises the disproportionate impact of the current VED Expensive Car Supplement threshold for those purchasing zero emission cars and will consider raising the threshold for zero emission cars only at a future fiscal event, to make it easier to buy electric cars."

91 This builds on J Marshall & A Corlett, Where the rubber hits the road: Reforming vehicle taxes, Resolution Foundation, June 2023.

92 We are referring here to cars and vans. Electric motorbikes could be excluded on the basis of low weight, and to encourage that transition, while we do not consider HGVs here.

FIGURE 11: **The weight of new EVs correlates with their cost**

Retail price of a variety of new EV models versus kerb weight: UK



NOTES: Data from August 2025.
SOURCE: Data taken from www.parkers.co.uk.

EV VED could be reformed without linking to distance travelled, but such a link would make the tax fairer – with the harms above, as well as congestion impact, all correlating with distance. A combined weight and distance link would also give the greatest incentive to buy smaller, lighter vehicles to those who drive the most miles – giving the biggest societal benefit. Distance could be logged via a mixture of MOTs, self-reporting and ideally telematics (with the latter helping to exclude miles driven outside the UK and perhaps facilitating local per-mile additions in future to tackle the worst congestion).[93]

To give some illustrative figures: Fuel Duty equates to around 6p + VAT per mile for a typical car, so EV VED could be applied at (say) 6p per mile (and no VAT) for a car weighing a typical 1,800kg. The charge for a light, 1,000kg EV could then be proportionally lower at around 3p per mile; and a 2,800kg car would be charged around 9p per mile. Given that EVs can be powered for as little as 2p per mile, while a typical-weight petrol car might cost 16p per mile, such a new VED system would be a material change in the cost of EV driving, but also see it remain cheaper than the high carbon alternative – with very low driving costs for light EVs especially.

A second proposal is to abolish the so-called ‘pavement tax’, by cutting public charger VAT to 5 per cent to match at-home charging. This would ensure that those charging publicly – for whom the decision to buy an EV will be harder – would not pay both full

93 J Marshall & A Corlett, Where the rubber hits the road: Reforming vehicle taxes, Resolution Foundation, June 2023. Plug-in hybrids might be charged only on electric miles. Note that Iceland now has a per-km road charge, based on odometer readings.

VAT and higher VED. While the Treasury is right to be sceptical of lobbying for special VAT treatment in every sector, in this case the question is essentially whether different drivers should pay different VAT rates for the same product, which is not tenable. The cost of this tax cut would be around £300 million in 2029-30 (and likely £1-2 billion in the long run) – compared to the £1 billion a year cost of each Fuel Duty uprating cancellation, set out earlier.[94]

Third, VED should also be raised for non-EVs sold in future too, helping achieve sales target set out in the ZEV mandate, and better tackling harms. This could mean reform of the flat £195 charge for non-EVs too (noting that this was not flat for cars registered before 2017), and/or reform of the up-front charge that varies with emissions intensities (though this was tweaked at Autumn Budget 2024). On balance, to parallel our EV suggestion, both up-front and recurring VED rates for non-EVs sold in future could vary with weight.[95] Weight variation is something called for by the London Assembly,[96] and by other think tanks,[97] and for which there is a range of international experiences – with weight-linked annual charges in New South Wales, the Netherlands and Estonia for example.

Despite the policy giveaways and protections suggested above, we still estimate that this package could raise £2 billion in 2029-30. Importantly, this figure would grow significantly over time to over £10 billion by 2035-36 and more beyond that (as shown in Figure 12). This would be a major improvement in the UK's long-term fiscal sustainability, while also contributing to cleaner air, reduced noise pollution and better roads.

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94 Medium-term cost from zapmap, EV charging VAT analysis, March 2025.

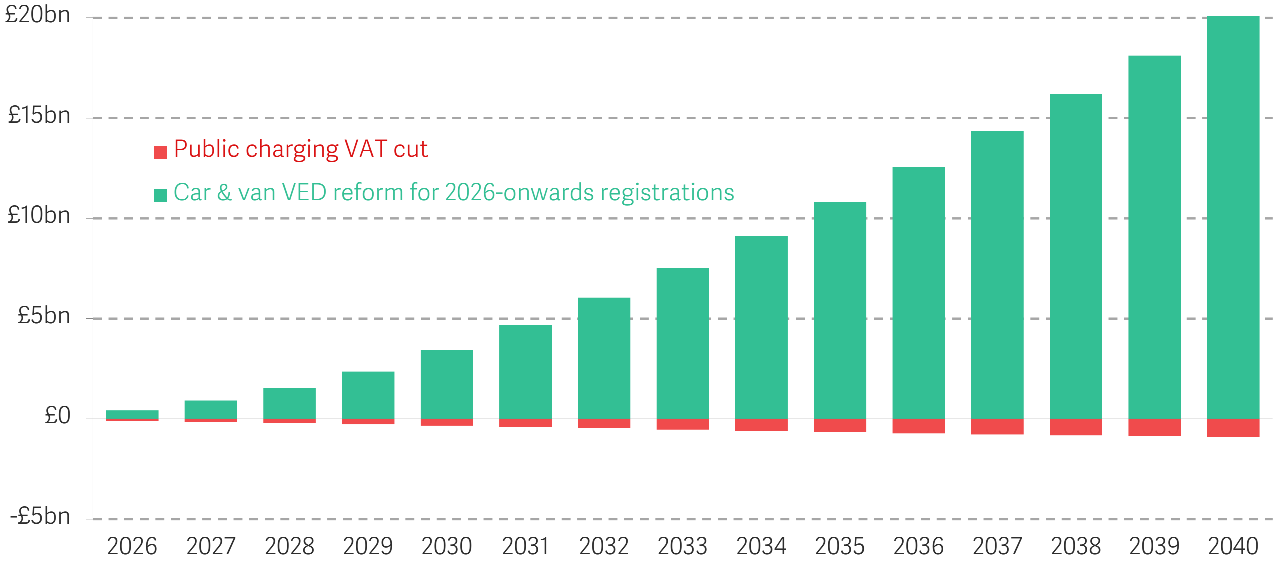
95 For private buyers at least, there is a good argument that up-front taxes will have more of an impact on vehicle choices. However, recurring taxes will also have an effect, particularly because private individuals account for only a minority of new car sales. In addition, in the Motability scheme, up-front VED is irrelevant while recurring VED will impact resale value. And in the case of EVs, up-front cost is a key barrier to adoption, making one argument against disproportionate up-front VED at present.

96 London Assembly, Mayoral support needed to help tackle 'Carspreading', June 2025.

97 Transport & Environment UK, The Large Vehicle Levy, September 2025.

FIGURE 12: **Motoring tax reform would significantly improve the long-term fiscal outlook, helping offset the expected decline in Fuel Duty**

Modelled real change in revenue relative to the existing fiscal outlook: UK



NOTES: Financial years. Modelling includes higher VED (split between battery EVs and others) for all cars and vans sold from 2026 onwards. VED assumed to rise by 3 per cent a year in cash terms.
SOURCE: RF analysis, with Zapmap VAT costing in the near-term.

The UK Emissions Trading Scheme should be broadened

Another carbon-related reform would be to expand the scope of the UK Emissions Trading Scheme (ETS). Specifically, the Budget could consider scoring what the Government has already agreed to do in principle: match the EU's ETS scope for aviation and shipping.[98]

We have written previously about the perverse scope of aviation carbon pricing.[99] At present, the UK and EU schemes cover all flights within Europe, but not beyond. To correct this inconsistent approach, all flights departing the UK should be subject to the same system – as per EU plans.[100] This tax change would raise the price of long-haul flights, but only in a way that aligns with taxes already applied to domestic and European flights (and that holds the industry to its own promise to reduce emissions to net zero).[101]

98 Cabinet Office, UK-EU Summit - Common Understanding, May 2025: "scope should include the sectors of [...] domestic and international maritime transport and domestic and international aviation".

99 A Corlett, Z Leather & J Marshall, Getting the green light: The path to a fair transition for the transport sector, Resolution Foundation, October 2024.

100 The EU is scheduled to do this by default from 2027, with a review by July 2026. EU, Directive (EU) 2023/958 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and the appropriate implementation of a global market-based measure, accessed September 2024.

101 The UK ETS should also begin to monitor aviation's non-CO2 effects (contrail warming especially), as the EU ETS now does. This is another potential area for UK and EU carbon price expansion but is not covered here in part because the dynamic effects could be very large given low costs of averting these harms. A Corlett, Z Leather & J Marshall, Getting the green light: The path to a fair transition for the transport sector, Resolution Foundation, October 2024.

International shipping emissions should also be brought in scope. The UK has set out plans to extend the ETS to cover domestic maritime journeys (as well as in-port emissions). But the EU goes further and will be including half of shipping to and from beyond the EU, which again is an even-handed approach. The UK Government has explicitly said it now intends to do the same.[102] Again, given the pressing need to set out a substantial revenue-raising package, the Budget would seem a good time to pencil in this sensible change.

These changes sound technical but could raise significant revenue. Half of the UK's international shipping emissions would equate to an estimated 6 million tonnes of CO_2 in 2023, and departing extra-European flights total 25 million tonnes, so a carbon price of nearly £60 per tonne would imply a combined total of £2 billion a year, albeit with uncertainties around future carbon prices (likely up),[103] future emissions (likely similar in 2029-30), and potential interactions with other international schemes.[104]

Some reform of gambling duties is likely to be in the Budget

An even more certain bet is that the Budget will contain measures on gambling duty measures. The gambling duty landscape is complex, and the Government has consulted on combining three duties (Remote Gaming Duty, General Betting Duty and Pool Betting Duty) into one.[105] These currently range in rates from 15 to 21 per cent: aligning these at 21 per cent might raise around £300 million. But there have been calls for much larger increases with suggestions, for example, that Remote Gaming Duty should rise to 50 per cent.[106] The idea is that this would reflect some of the mental health and public costs of gambling, with there now being 15 NHS gambling clinics.[107] And this is on top of the fact that these duties should serve at least as a proxy for VAT, which is not applied to gambling. There is also relatively high public support for increasing taxes in this area.[108]

We do not take a strong view on optimal policy design but an illustrative example of a plausible change focused on rate alignment could align those three duties as well as

102 UK Government et al., UK Emissions Trading Scheme Scope Expansion: Maritime – Interim Response, July 2025: "subject to negotiations, we intend to expand the UK ETS to include emissions from international voyages."
103 There are good reasons to think that the UK ETS price might be notably higher by 2029-30 – not least given a mooted linkage with the EU ETS which, at the time of writing, has higher prices – but the OBR's approach has been to use futures prices for only one year ahead and then assume these remain unchanged in cash terms.
104 One uncertainty (which the UK is currently weighing up for within-European flights) is whether the very weak 'CORSIA' system would be disapplied on routes covered the UK ETS (as the EU ETS is doing), or have their payments offset, but the latter option would reduce the yield from expanding the ETS. Department for Transport, Implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), December 2024.
105 HM Treasury, The Tax Treatment of Remote Gambling Consultation, May 2025: "We do not believe that UK gambling tax, as currently structured, is consistent with the government's objective of tax simplification and modernisation… The government is therefore considering moving all remote gambling into a (new) single remote gambling tax to be called Remote Betting & Gaming Duty (RBGD). This would have in its scope betting and gaming activities offered remotely such as online casino, bingo etc., and remote betting including general and pool betting."
106 J Noyes, The Duty to Differentiate: Gambling tax reform, SMF, July 2025; H Parkes, A Kumar & J O'Halloran, Reforming gambling taxation: How to lift half a million children out of poverty, IPPR, August 2025.
107 NHS England, New NHS gambling clinic opens amid growing demand, March 2024.
108 YouGov, Would you support or oppose increasing taxes on online gambling?, August 2025.

(physical) Machine Games Duty – which has main rates of 20 and 25 per cent – at a streamlined 25 per cent rate.[109] We estimate this would raise around £1 billion, including some small dynamic impacts.[110]

A sugar and salt levy could help improve health while tackling child poverty

Like with gambling, a Government consultation on the Soft Drink Industry Levy (SDIL) suggests another measure that may be in the Budget.[111] It proposed lowering the threshold at which the SDIL kicks in, and broadening it to cover milk-based drinks, most obviously milkshakes, from April 2027.

The SDIL is considered to have been a success, but given the scale of the nation's health and fiscal challenges, there is a good case for going further.[112] Indeed, there is a strong rationale for the Government to take up the 2021 National Food Strategy's suggestion of a Sugar and Salt Reformulation Tax, to better align food and drink producers' long-term interests with those of the public.[113] This would be applied at the industry level, affecting both out-of-home and at-home food (though with a possible exemption for ingredients sold direct to the public for home cooking). The Strategy suggested rates of £3/kg for sugar use and £6/kg for salt – and we update these numbers to £4 and £8 respectively given inflation since then. Academic work has estimated that such a levy would meaningfully reduce sugar and salt consumption,[114] but significant revenue would still be raised from the remaining usage. Net of the Strategy's suggestion to abolish the SDIL at the same time, £3.5 billion could be raised in 2029-30.[115]

While soft drink levies have become internationally common, there is less international experience to draw on for food (though many countries have higher VAT on some food than the UK). But Hungary has had a 'Public Health Product Tax', based on sugar, salt and caffeine content; Mexico a tax on non-essential energy-dense foods; and Colombia has recently introduced a tax based on sugar, salt and saturated fat content. So far,

109 We assume the 5 per cent lower rate in Machine Games Duty, for e.g. seaside arcade machines taking 20p or less, would not be changed. Machine Games Duty otherwise has had a standard (20 per cent) and higher rate (25 per cent) distinction since 2015, with a threshold division for stakes of £5, but inflation since then, plus the rise of contactless payments, must raise questions about whether this is still the ideal policy.
110 These potential dynamic effects are complex. The impact on customers will mostly discourage gambling, but the ways in which the tax is passed on to them will also increase the gross gambling yields (stakes minus payouts) that the duties are based on. Intuitively, this should break down at some point when firms can no longer profitably offer customers value that they will accept, but for a 25 per cent rate, at least, it seems reasonable to trust the available estimated elasticities. A further consideration is that higher Duty bills will reduce profits and therefore Corporation Tax receipts (though this has a benefit that the net tax rise would be smaller for gambling companies already paying Corporation Tax in the UK than those based in lower-tax offshore regimes).
111 HMRC and HMT, Strengthening the Soft Drinks Industry Levy consultation, April 2025.
112 T Sasse & S Metcalfe, Sugar tax explainer, Institute for Government, November 2022.
113 National Food Strategy, The Plan, July 2021.
114 R Griffith et al., The impact of a tax on added sugar and salt, IFS, July 2021.
115 The SDIL has been successful and its thresholds particularly encourage manufacturers to get below those points (for better and worse). But although those thresholds would be lost if abolished, the suggested sugar tax would be at a higher rate than the SDIL.

experience with these – as with the SDIL – seems encouraging, including impacts on child obesity.[116]

It is right to be concerned about recent food-price inflation and the outlook for living standards, but there are several reasons why this should not rule out a new levy. First, such a tax would take several years to implement, and a start date of (say) 2028 might be appropriate to give manufacturers time to reformulate as product lines are refreshed – so it is not relevant to the immediate challenge of bringing down inflation. Second, while some products could see noticeable price rises – the Strategy gives examples of salt and vinegar crisps rising in price by 2 per cent, and Dairy Milk chocolate by 13 per cent (if no reformulation took place) – the total impact on inflation would be around an estimated (one-off) 0.2 per cent.[117] There would be new administrative costs, including to apply this tax to imports, but these not have been big problems with the SDIL. Third, while such taxes would have greater proportional impacts on lower-income households, revenue should be earmarked for the Child Poverty Strategy – with abolition of the two-child limit costing an equal £3.5 billion.[118]

And finally, of course, the potential health impacts are very large, at a time when concern about the state of the nation's health and health services is high. The Strategy estimated a fall in sugar consumption of 4-10g per person per day, and 0.2-0.6g salt.[119] The former would contribute to weight reductions, and the latter would reduce rates of hypertension (high blood pressure), coronary heart disease and strokes.[120] The salt tax component alone could add 0.6-1.8 months to UK life expectancy.[121]

For these reasons, such an industry levy also appears to be relatively popular with the public – at least when accompanied by measures to support poorer households.[122] All told, the measures set out in this section, delivering cleaner air and healthier food, would represent a strong public health agenda at the same time as raising revenue.

116 Hungarian National Institute of Pharmacy and Nutrition, The Hungarian Public Health Product Tax, June 2019; I Junquera-Badilla et al., Expected benefits of increasing taxes to nonessential energy-dense foods in Mexico: a modeling study, BMC Public Health, February 2025. https://doi.org/10.1186/s12889-025-21745-0

117 Total consumer spending in 2029-30, excluding imputed rents, is projected to be over £1.5 trillion, so a £3.5 billion tax rise would be around 0.2 per cent of this.

118 A Clegg & A Corlett, Limited ambition? An assessment of the rumoured options for easing the two-child limit, Resolution Foundation, May 2025. https://doi.org/10.63492/zcoc73

119 National Food Strategy, The Plan, July 2021.

120 J Card-Gowers et al., Modelling the potential impact of a reduction in salt consumption on hypertension, coronary heart disease and stroke in the population of the United Kingdom from 2021 to 2035, HealthLumen for the British Heart Foundation, May 2022.

121 R Griffith et al., The impact of a tax on added sugar and salt, IFS, July 2021. A partial quantification of the combined benefits comes to £48-132 billion over 25 years (in 2019 prices, with discounting).

122 YouGov, Britons support higher taxes on foods that are high in sugar and salt, July 2021.

Section 5

Conclusion

This report has set out options for the autumn Budget to address likely shortfalls in the public finances. In all cases, the aim of policies proposed is to minimise economic damage from tax rises while also putting our £1 trillion tax system on a reforming path.

Combined, the measures in this paper would increase tax revenues by over £30 billion in 2029-30, as shown in Table 2. The extent of the fiscal challenge will hinge on forecasts that accompany the Autumn Budget: if the challenge proves less than expected then we would not suggest pursuing them all in one event. But importantly, these suggestions represent one way to set out a direction for the tax system that would provide an indication of where the government would like to make further changes (both cuts and rises) – reducing the uncertainty currently faced each time there is an inevitable move in fiscal forecasts.

One important test for the Autumn is to act decisively and convincingly for the bond markets. A new Fuel Duty uprating regime – and evidence of actual increases – would additionally make that part of the fiscal outlook more credible, and reform of electric vehicle taxes would significantly improve the UK's long-term fiscal outlook.

TABLE 2: **The options in this paper would add up to over £30 billion of additional tax revenues**

	Measure	2029-30, nominal, £bn, rounded
Fairness across businesses	Reduce small business tax gap	2
	Reduce VAT threshold	2
	Introduce Membership NI for LLPs	1
	Reduce salary sacrifice benefit for employers	1
	Subtotal	*6*
Fairness across individuals	End ways to side-step CGT	4
	Raise basic rate of dividend tax	1.5
	Raise IT rates by 2p, but cut employee NI by 2p	6
	Extend higher rate threshold freeze	3
	Extend personal tax allowance freeze	4.5
	Subtotal	*19*
Taxing harms	Deliver planned Fuel Duty increases	0
	Reform VED for future vehicles, but cut charging VAT	2
	Broaden UK Emissions Trading Scheme	2
	Reform gambling duties	1
	Introduce sugar and salt levy, but scrap soft drinks levy	3.5
	Subtotal	*8.5*
	Total	*33.5*

NOTES: All rounded to the nearest £0.5bn. LLP = Limited Liability Partnership.
SOURCE: RF calculations, including use of the IPPR tax-benefit model; HMRC, Direct effects of illustrative tax changes, June 2025; HMRC, Tax relief statistics, December 2024; HMRC, Private pension statistics, July 2025; CenTax; National Food Strategy.

These changes would support productivity growth through fairer competition and greater consistency across tax rates, and without significant tax rises on business investment. They would reduce the tax system's bias against employees, with wages largely protected from tax rises (particularly before April 2028), and make progress towards ending the complexity of employee NI. They would mean a cleaner environment, healthier food, and less-damaged and less-congested roads. And they would give a greater steer about future tax strategy, with those long-term goals of a broadening of employer NI (to the self-employed and to more pension contributions) and a diminishing of employee NI as being distinct from Income Tax.

They would also raise revenue without exacerbating near-term inflation, which remains a key concern for the Bank of England, as well as families struggling with the high cost of living. While a big VAT rate rise, for example, would clearly push up inflation in the short-term, the total direct impact on inflation in 2026 of our suggestions is likely zero or negative, given our Fuel Duty proposals and phasing-in or delay for many other measures.

Clearly there would be vocal losers – particularly among taxpayers that have previously benefited from taxes that are low compared to employees or to the known harms of some products – but that is unavoidable given fair, base-broadening tax rises. Designed well, this Budget could simultaneously provide fiscal reassurance, a meaningful Child Poverty Strategy, and long-lasting beneficial tax reform.

Annex 1 – Data citations

Family Resources Survey:

- Department for Work and Pensions, NatCen Social Research. (2021). Family Resources Survey. [data series]. 4th Release. UK Data Service. SN: 200017, DOI: https://doi.org/10.5255/UKDA-Series-200017

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- Department for Work and Pensions. (2021). Households Below Average Income. [data series]. 3rd Release. UK Data Service. SN: 2000022, DOI: https://doi.org/10.5255/UKDA-SN-5828-17

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