

Public warning: George Osborne intends to tax you a lot...

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Luca Paolini [says in the FT this morning](#) that the 'corporate tax escape trick [is] set to backfire'. As he puts it:

Households have borne brunt of austerity but pressure is growing for companies to share

It is a feat worthy of Houdini. Even as public debts mount, the world's corporations have managed to break free from the grip of austerity.

Paolini can't see that lasting forever. He may be right, but George Osborne does not think so and nor does the Office for Budget Responsibility (OBR). The following table is adapted from table 4.5 of the main OBR report for the March 2014 budget:

The table shows forecast increases in revenues from the major taxes over six years. I added forecast money GDP growth from the Treasury's GDP forecast from last December. Then I have compared forecast tax yield growth with GDP in the bottom half of the table, where all numbers are expressed as percentages, unlike the top half which is in £billions. Finally I have prepared a figure for overall percentage growth and then I have compared that percentage growth with percentage GDP growth.

Two taxes stand out for having lower than GDP forecast growth. One is VAT, where growth is expected to be slightly less than that for GDP as a whole. This is reasonable only if rates fall or the proportion of non VATable activity in GDP grows. It is alternatively explained by increased saving out of GDP i.e. people not spending what they earn. Since the OBR is not allowed to forecast tax changes the last is the most likely explanation. So, the OBR thinks savings will increase, which means the wealthiest will get wealthier.

The other tax where receipts will fall in proportion to income is corporation tax. As [I have already explained, this is because of a £10bn a year tax giveaway to big business](#)

[by George Osborne](#). No wonder some will get richer.

And what of the rest of us? Without exception more income tax is going to be paid than GDP growth would suggest appropriate over the next few years. That is partly because of PAYE growth and partly because the self employed are apparently going to pay 30% more tax in the current year than they have ever done before. This, presumably, is the impact of all those being forced into self employment to get them off benefits. That figure is, of course, totally implausible. But then so are most of these numbers. The lack of correlation in PAYE growth and national insurance is, for example, noticeable, and why national insurance grows in one year by 9.7% but income taxes does not is very hard to explain. But let's, for a moment presume the numbers are right. What, then, does that mean?

Firstly, it means that very obviously people are going to pay more tax in proportion to their income over the next few years than they have to date. This contrasts their position with that of companies.

Secondly, it means that either we are to see a growth in self-employment profits, or the tax gap is going to disappear just at the moment when HMRC are sacking 10,000 staff over the next two years. I do not think either are likely.

Alternatively, more of us are going to work. This data could imply that unemployment is tumbling, with people moving into well paid jobs paying significant amounts of tax but there is no real sign of that as yet.

And there is, maybe, one other option. It could be that there will be a lot more immigrants, and we have to recall that most immigrants work and therefore the proportion paying tax is higher than that for the population as a whole.

The other option is that, of course, these forecasts are completely wrong. That is, quite properly, the most realistic option to consider.

But the message is, whatever happens, that whilst in George Osborne's plans big business is going to pay less tax, and we're, overall, going to be saving more of our incomes over the next few years despite those incomes growing we will also, apparently, nonetheless, be paying a lot more income tax and national insurance. It's a bizarre economic outlook, that suggests we are creating a perfect environment for big business and savers in the UK, but that the rest of us will be bearing the cost.

You have been warned: unless you are a big business, or a big saver, George Osborne is planning to tax you more.