

Funding the Future

Article URL

Published: January 12, 2026, 6:27 pm

The current Office for Budget Responsibility forecast is that the budget deficit will be cleared by 2019. The basis on which they make this rash assumption is growing tax receipts. [I have offered this table analysing those receipts before](#), but it remains relevant and is based on the March 2014 forecasts:

Table 4.5: Current receipts

	£ billion							
	Outturn 2012-13	2013-14	2014-15	Forecast 2015-16	2016-17	2017-18	2018-19	
Income tax (gross of tax credits) ¹	152.3	155.6	166.5	176.8	189.2	201.3	213.2	
of which Pay as you earn	132.0	135.5	140.2	148.2	158.1	168.6	179.1	
Self assessment	20.6	20.9	27.2	29.0	31.2	32.8	34.0	
National insurance contributions	104.5	107.3	110.0	115.0	126.1	132.0	138.2	
Value added tax	100.7	106.5	110.7	115.0	119.2	123.3	127.7	
Corporation tax ²	40.4	40.1	41.4	42.3	42.6	44.5	45.9	
GDP	1573.5	1642.0	1712.0	1777.0	1857.0	1940.0	2026.0	
								Growth rate Overall comparison
Income tax growth	2.2	7.0	6.2	7.0	6.4	5.9	40.0	39.0
PAYE growth	2.7	3.5	5.7	6.7	6.6	6.2	35.7	24.1
Self employment growth	1.5	30.1	6.6	7.6	5.1	3.7	65.0	126.2
National insurance growth	2.7	2.5	4.5	9.7	4.7	4.7	32.2	12.1
VAT growth	5.8	3.9	3.9	3.7	3.4	3.6	26.8	-6.8
Corporation tax growth	-0.7	3.2	2.2	0.7	4.5	3.1	13.6	-52.7
GDP	4.4	4.3	3.8	4.5	4.5	4.4	28.8	0.0

It is, of course, good news that employment is rising now.

It is bad news that almost half of employment growth is in marginal self employed activity. I do not have the confidence of some that self employed earnings rise faster than wages in a recovery: that may have once held true but [the underlying trend of self employed earnings is now inexorably down just as the trend in real earnings for most is down](#).

In that case I cannot see how tax revenue growth is going to significantly exceed the growth rate of the economy. It is obviously good news that more people are paying tax, but the danger is that the long term Treasury forecast has been built on long term trend data where overall income growth (largely fuelled by financial services) exceeded economic growth. That's no longer true - especially as financial services employment is now falling.

And if my suspicion is right then there is no way tax revenue will balance the government's books by 2019 even if it could deliver the cuts it is promising. It just won't

happen.

Someone needs to say it, and more than just me.