

## There is no reason for in-work benefit cuts. They are j...

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After each budget I have a habit of looking at the Office for Budget Responsibility's [analysis of tax forecasts in table 4.5 of their report](#), which I then compare with what the revenues of each noted tax would be if they only moved in line with nominal GDP. The resulting [analysis from this July](#) was as follows:

To be clear, the first part of the table is the OBR data. The second part shows what revenues would be if the 2014-15 estimate grew on the basis of forecast nominal GDP changes alone, which means both tables allow for inflation. And the third shows the difference between the two tables which then indicates where the government expects to take more or less from the economy over the forecast period.

The relevance of this analysis at present is to show whether or not there is scope in the budget decisions on tax to recover the estimated cost of in work benefit cuts of £4.4 billion per annum from other sources.

The answer is very clear: that possibility does exist. Firstly, it is clear that there is exceptional generosity to business in this projection. When the economy is expected to grow corporation tax revenues are expected to fall significantly in real terms. Over the period the cut in corporation tax rates to 18% as well as the anticipated take up of additional allowances, such as those on R & D and offshore finance, are expected to cut the real corporation tax take by some £27.8 billion. By itself that is enough to cover the cost of the in-work tax credits.

Add to this the impact of cuts in fuel duty, which go to all families and businesses with disproportionate likely benefit to the best off, and it is obvious that just these two decisions to provide benefit to those best off in society do, by themselves, cost more than double the saving from cuts in in-work tax credits.

Now of course there are consequences to corporation tax and fuel duty changes, as there are to in-work benefits, but as yet no one has been able to provide any obvious reason bar a desire to encourage international tax competition for more corporation tax

cuts in the UK whilst freezing fuel duties simply undermines the UK's programme of beating carbon emissions. Both these moves are, in other words, fundamentally counter-productive to our future well-being. In contrast, cuts in in-work benefits are profoundly damaging to individual well-being now whilst the consequent multiplier effects will be bad news for the economy as a whole in the short and long term.

The evidence is, then, rather blunt. First these cuts in benefits are not needed but are instead a matter of choice because other options are available.

Second, these cuts are deliberately targeted at those on low pay because it is clear that those on higher pay have been chosen to win instead.

Third, at the same time as these cuts are being made those who are on higher pay or who have greater wealth who see the benefits of corporation tax cuts will be enjoying largesse from the Chancellor of greater amount than these benefit cuts cost.

There is then, fourthly, a deliberate policy of upward redistribution via the tax and benefits system in play here.

Fifth, this could be reversed. Corporation tax cuts could not just be cancelled; the rate could actually be increased to ensure these cuts in in-work benefits did not need to take place. And fuel duties could be maintained or increased, especially as sustained low fuel prices are now likely.

There is no reason for in-work benefit cuts therefore. They are just a matter of choice. And it is the corporate sector's welfare bill that really needs cutting.