

The big issue for the Sunday papers should not be that ...

Published: January 12, 2026, 11:33 pm

Tax is dominating the front pages of the Sunday Times and Sunday Telegraph this morning. [As the latter says](#):

Treasury officials are pushing for the [largest tax rises in a generation to plug the gaping holes in the public finances](#), in a move being resisted by Downing Street, The Telegraph can disclose.

The [proposed quintuple whammy of tax increases](#) would enable the Exchequer to raise at least £20â€%billion a year, and some could be introduced as early as in the Budget.

While no decisions have been made, multiple sources have told this newspaper that proposals under active consideration include aligning capital gains tax (CGT) with income tax, slashing pension tax relief, raising fuel and other duties, [the introduction of an online sales tax](#) and a simplification of the inheritance tax system.

Let's put all this in context before discussing the detail, because it is the context that matters.

Current best estimates of the deficit this year are £370bn.

The Office for Budget Responsibility thinks that the deficit will exceed £100 billion (with ease) for the next three years.

They also, in my opinion, seriously underestimate unemployment, believing it will not go much over 3 million for long when I think it could be much higher than that, meaning that the deficit from lost tax revenues and increased benefit payments will be higher than they suggest.

The real economic crisis in this country is, then, lost unemployment and the well being of millions of people. But the Treasury, and in turn the Sunday Times and Telegraph, think the big issue will be utterly inconsequential shifts in tax revenues.

I have summarised my opinion on tax after coronavirus [in a submission to the Treasury Committee of the House of Commons](#)

. In that submission I say that:

The greatest misunderstanding around tax at present, arising as a direct consequence of the coronavirus crisis, is that there will at some time be an obligation on government to somehow raise tax to cover the deficit of £300 billion or that will arise in 2020/21 and the £100 billion plus deficits that will arise in each of the following three years, as currently forecast. This is not true. There are a number of reasons for this:

** To seek to do this at a time when demand is already suppressed due to the impact of the coronavirus on both household and business confidence, which means that demand (and so GDP) is likely to be severely impaired for some time, would have the net effect of further reducing the funds available to fuel that demand, and so would exacerbate the scale of the recession (or even depression) that we are now facing. As such there is likely to be no scope for increases in overall tax revenue for some years to come if the government wishes to see the economy recover to anything like its former level of activity;*

** As a matter of fact, there is no reason to raise funds for this purpose. Quantitative easing will cover most of the 2020/21 deficit, and will probably do likewise in each of the following years. There is no reason at all to reverse these QE arrangements and absolutely no pressure on the government to do so. Nor is there any obvious risk of inflation that suggests that QE might need be reversed. Indeed for more than a decade now inflationary pressure has almost disappeared from the world economy and there is no sign of it returning, anywhere. The chance that this happens to coincide with the period when QE has been in use is likely to not be coincidental at all.*

** There is ample demand for government saving accounts and bonds at present and since the government now has effective near total control of short term interest rates (as a consequence of the size of central bank reserve balances) and long term interest rates (through QE) the government has every opportunity to continue to engineer this valuable position that means that the net cost of interest on national savings deposits and gilts will remain exceptionally small in historic terms for some considerable time to come.*

** Any threat from money markets to destabilise this situation can always be neutered using either short or long term QE: the government can now always out-gun the markets, which was a fact not appreciated before 2009.*

It follows that the rational objective for the tax take within fiscal policy is, in this environment, to keep that yield as low as possible in order to stimulate demand, and so encourage economic recovery, leaving QE, the Bank of England and the government savings markets to fulfil the task of balancing the government's funding equation.

It is, to be blunt, crass in the extreme to think that tax increases on the wealth, without compensating tax cuts for those least off, are appropriate. Every pound in tax taken out of the economy now reduces demand and will make the coming economic crisis worse.

And yet that is the Treasury logic.

That said, as I noted in my submission, based on [the research I did earlier this year on the under-taxation of wealth](#) in the UK:

It is, as a result, suggested that there is considerable additional capacity for tax to be raised from those who own most of the wealth in the UK, many of whom are in that top ten per cent of income earners.

In principle I support all the suggestions that the Treasury is making, subject to one most massive caveat, also noted in my submission:

At the same time, it is also noted that those with the lowest levels of income in the UK have the least capacity to pay any additional taxes, and that there might be considerable advantage from reducing the tax rates that they pay. This is not just for social reasons resulting from the reduction of the impact of inequality in the UK: the benefit would also be to the economy as a whole because those with the lowest levels of income have the highest marginal propensity to consume in society and when there is a shortage of demand in the economy (as is likely to be the case for a number of years) providing those with that highest propensity to consume with additional income is one of the most effective measures for stimulating economic activity that can be taken.

We need economic stimulus in our economy right now. It follows that we need more tax cuts.

And there is one, over-riding point to make, which is that we do not need to pay for coronavirus. It's already been paid for.

No one is demanding their gilts back. There is no reason to reverse quantitative easing. There is no harm of any sort from not doing so. More can, in fact, be done (and I guarantee you, it will be, almost precisely because Andrew Bailey at the Bank of England thinks otherwise, and it is a certain mantra for the next few years that whatever Andrew Bailey thinks should not happen will, in fact, occur).

So there is no black hole. There is no problem. There is no funding crisis to avoid. There is no deficit to fill. There is no punishment to impose.

There is simply the job of full employment to deliver. Because that, and that alone (within the constraint of our environmental capacity) is all we really need worry about now.

But the Treasury is playing in the margins, peeing in the wind, and proving itself as incompetent as ever at this moment of crisis.

That's what the papers should be talking about. But they're not. And that's a scandal.