

The hidden stories within Sunak's tax predictions sugge...

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I have been playing with some of the figures in projected tax receipts published by the Office for Budget Responsibility yesterday ([table 3.4 for the geeks](#)).

What I noticed, first of all, was a strange trend in growth that differed markedly in the case of income tax for employees from that for the self-employed and other sources of income:

	£ billion							Increase 2019/20 to 2025/26
	Outturn 2019-20	2020-21	2021-22	Forecast			2025-26	
Income tax	193.6	194.8	198.2	208.7	220.0	233.2	248.2	28.2%
of which: Pay as you earn	165.2	167.3	170.8	181.6	190.1	201.1	213.9	29.4%
Self assessment	32.2	30.8	30.7	30.3	33.0	35.4	37.7	17.1%
Self assessment as a % of PAYE	19.5%	18.4%	18.0%	16.7%	17.4%	17.6%	17.6%	
Self assessment as a % of total income tax	16.6%	15.8%	15.5%	14.5%	15.0%	15.2%	15.2%	
PAY as a % of total income tax	85.3%	85.9%	86.2%	87.0%	86.4%	86.2%	86.1%	
National insurance contributions	145.0	143.8	146.8	152.6	157.4	163.6	170.2	17.4%
Value added tax	133.8	119.9	127.9	145.6	149.7	155.1	159.2	19.0%
Corporation tax	48.4	45.5	40.3	48.8	71.3	81.7	85.3	76.4%
Fuel duties	27.6	21.5	26.0	29.2	30.1	30.6	31.2	13.1%
Business rates	31.0	18.1	23.8	31.6	33.8	34.5	35.0	13.0%
Council tax	36.3	38.1	39.9	41.2	42.6	44.1	45.6	25.4%
Capital gains tax	9.8	10.1	8.7	10.7	12.2	13.2	14.4	46.4%

The grey highlight area shows that the ratio of self-employed tax to PAYE and the total declines. The right-hand column shows a marked difference over the period. Either self-employed profits are going to decline (likely), and the Covid impact on them is going to be significant (likely) or the earnings of savers are going to fall heavily (unlikely, unless rates become negative). Since I do not see the return to saving falling much further I think the expectation is that the self employed are heading for tough times.

Having done this I extended the right-hand column. analysis to some other taxes. I stress, there is nothing terribly scientific about this. All I am looking for is trends in government thinking. The findings range from the predictable to the shocking.

First, although PAYE is going up NIC is not in. equal proportion. The only explanation for that is that all the PAYE gains are to the very wealthy, who pay lower rates of national insurance. It's that, or this forecast is wrong.

Second, VAT goes up by nothing like as much as PAYE. I have to say that this can only imply significant tax increases are pencilled in, as they seem to be post the next election (assume 2023, or maybe early 2024, by the way, and look how income tax increases after that).

The corporation tax forecasts are just absurd: apparently increasing the tax rate by 25% will almost double yield. It's good to see the Tories have abandoned the Laffer curve, but I did not realise we were so far below the optimal tax rate that an increase could be quite this good. It's that, or someone is really playing very strange games.

Fuel duty is low: green taxes are not going to happen.

The capital gains figure is interesting: are rate raises scheduled?

But note overall c Council tax and PAYE and note both are above average: households on average earnings are going to be keeping Sunak going.

There's a lot to watch here.