

# If today is all about Tory tax bribes it really will be...

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This is the morning when I know that almost anything I right now will be the equivalent of chip paper by lunchtime. Any speculation on what Jeremy Hunt might say today is, most particularly this year when so many things have been mooted as possibilities, particularly pointless. In that case, I will discuss a general point and not a specific forecast.

The only point on which all commentators appear to agree this morning is that the strongest possible hint has been provided that today's autumn statement (or budget) will include details of tax cuts.

The one thing that I can say for certain is that the last thing that we need today is tax cuts.

A one per cent cut in the income tax rate would cost around £7 billion. The benefits would go to all taxpayers, whatever their income level. The greatest benefit will go to those with the highest levels of income because the higher the income that a person has, the bigger the gain that they get from a percentage fall in the tax rate. That is a simple arithmetic fact. So too is it a simple fact that those who do not pay tax cannot benefit from a tax rate cut. Their gain comes to precisely nothing.

A cut of one per cent in national insurance is even more discriminatory. The cost is approximately £5 billion per annum, with the difference between this cut and that for income tax being that pensioners are excluded.

Meanwhile, whilst everyone has gone quiet on the issue, I suspect that inheritance tax cuts will be mentioned today. They may well be one of the many NITMO offerings ('not in my term of office'), meaning that they will have no impact until after the coming general election, but I think that they are likely to be proposed, nonetheless. The entire benefit will, of course, go to those already wealthy.

It is also widely rumoured that there will be a substantial change to corporation tax because the £9 billion per annum deduction made temporarily available last year to

soften the blow of the increase in the rate to 25%, as a result of which large companies can offset their entire capital expenditure cost against their taxable profits in the year in which that capital expense is incurred will, it will be announced, continue into the future, making it another NITMO issue that will be used to taunt Labour. Since the incidence of corporation tax is almost entirely on shareholders (although there are economists who argue otherwise), this benefit will also flow to the already wealthy, who are always the biggest beneficiaries of lower tax rates paid by the companies that they own.

In other words, any tax cut today will be deeply selective, with a very strong bias towards those with higher incomes. Those most in need will lose out, entirely. Those on low incomes will gain a little, at best. If, in that case, this is the focus of the autumn statement, it will have three typically Tory consequences.

Firstly, it will deliberately benefit the best off.

Secondly, it will deliberately increase inequality in the UK.

Thirdly, it will deliberately increase the divisions in our society.

Meanwhile, the Tories will claim that such cuts will encourage enterprise, increase the amount of work that people are willing to do, and will, therefore, increase growth.

As I noted when being interviewed on Radio Five yesterday, in my entire career as a practising chartered accountant not one client told me that a cut in the tax rate would ever impact the amount of work that they were willing to do. Firstly, that was because very few knew what that rate was. Secondly, it was because those who were running their own businesses rarely knew precisely what their profits were until well after the time that they were earned. Thirdly, it was because, even if they knew what their income was, their ability to relate that directly to the amount of tax they might pay was decidedly limited because of the complexity of the tax system. In other words, whilst this link between tax paid and effort expended might look to be obvious on an economist's whiteboard when teaching students, in the real world and with small tax changes the impact is almost certainly non-existent.

So, if this is the focus of today, then what we will be looking at is a Tory tax giveaway to those most likely to vote for them in exchange, from which we will see no overall economic gain to the economy of any great significance, not least because those who will benefit most (the best of) are the most likely to save everything that they gain from a tax cut.

I can hope for better. I suspect my hope will be forlorn.