

There was not a hint of social or economic justice in t...

Published: January 12, 2026, 11:21 pm

There are so many Budget summaries available on the web these days and in newspapers that for me to summarise all the budget proposals here makes no sense. Instead, I am interested in the economic and social impact of what Rachel Reeves had to say today.

I have, [in another post written before she even spoke](#), suggested that Rachel Reeves' Budget will be a disaster for small employers and the many more lowly paid people who depend upon them for their income. Some sectors, like nursery care, hospitality and social care for the elderly, will be especially badly hit by a combination of an increase in the minimum wage (which I stress I welcome) and a simultaneous significant increase in the overall effective rate of employers' national insurance that will be payable with regard to these employees. It is my suggestion that, by itself, this single move will make life very much harder for all those on lower levels of income in this country when I would have expected the exact opposite from the Labour Party.

The fact that this will also make it much harder for young people to find employment makes this all the more worrying when we already know that they are suffering significant rates of unemployment because of the very high levels of stress that they have suffered as a consequence of the Covid era. I cannot understand how a Chancellor could have been quite so unwise as to have made the simultaneous changes that she has delivered when those with regard to national insurance might be particularly harmful.

The idea that this budget was one for the wealthy, and not one for people on more normal levels of income, was very heavily reinforced by other changes that were made. In particular, this was apparent in the changes with regard to capital gains tax.

The rate payable on this tax by people with levels of income of less than £50,000 per year was increased from 10% to 18%, making the capital gains tax rate just 2% less than their income tax rate.

However, when it came to those with income above £50,000 per annum, who pay

income tax at 40% or 45%, the rate of tax was increased from just 20% to 24%, meaning that the differential between the capital gains tax rate and their income tax rate is between 16 and 21% per cent, compared to just 2% for those on lower income. In other words, there remains every incentive for those on higher income to still try to use capital gains tax to avoid tax liabilities, which will make much of the tax avoidance industry very happy indeed.

If insult were to be added to injury, the capital gains tax rate on private equity funds was increased from 28% to 32%, which means that those people claiming that they make capital gains when undertaking their work that should be subject to income tax, in my opinion, will continue to obtain an enormous tax advantage. In opposition, Rachel Reeves had claimed that she would close this loophole. Nothing of the sort has happened.

It also looks as if the changes to the domicile rule will be largely cosmetic. Whilst the headline announcement that this rule would go was made, it was made very clear that a new set of rules will be offered in its place, but the details have yet to be announced for reasons that elude me. I think we can safely assume that something close to the domicile rule will replace that rule and, yet again, Rachel Reeves will have failed to deliver on a pre-election promise.

Likewise, the changes to inheritance tax were amazingly generous to the most wealthy. Whilst the freezing of allowances continues to bring more estates within the scope of this tax, demands that rules be changed so that the wealthy might be required to contribute fairly with regard to the inheritance tax were largely ignored. Admittedly, caps were introduced on the amount of business property relief and agricultural property relief that an estate might claim, but each has a £1 million tax-free allowance now, and above that sum, the rate of tax is 20% rather than the normal 40%. In other words, the wealthy will continue to pay inheritance tax rates much lower than those payable by estates where the largest asset is a family home. I think we can safely predict significant complaints on that point.

My conclusion is very simple: those with the broadest shoulders will not be those paying the most to quell Rachel Reeves' balanced budget paranoia. Those with the narrowest ability to bear the cost - including those on the lowest pay and their small business employers will pay the highest price, or their already struggling customers will. There was not a hint of social justice in this Budget. Rachel Reeves failed everyone who hoped there might be.