

January's record tax receipts: the real story that was ...

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The [BBC reported](#) yesterday that:

A surge in capital gains tax, employers' National Insurance contributions and a boost in income tax receipts helped buoy the government's finances last month.

An uptick in tax receipts, which far outstripped spending, created a £30.4bn surplus in January.

Technically, this is right. What is wrong with it is that it is made to sound so comforting. It sounds like prudence. It sounds like the government is finally "living within its means". And that is precisely why it is so misleading. Just about everything in the report, of which others of a similar type were found right across the media, was wrong. That needs explanation.

First, the story rests on an assumption that runs through almost all mainstream economic commentary, which is that the government's finances are like those of a household. The claim is:

- * Spend less than you earn, and things are good;
- * spend more than you earn. and things are bad.

That idea is intuitive, but it is wrong for a currency-issuing government such as the UK's. The government spends by creating money. Then taxes are used to withdraw money from the economy. In that case, a monthly surplus does not tell us that the government is financially strong. It tells us that, in that month, it took more spending power out of the economy than it put in.

Second, there is nothing inherently good about the government taking more out of the economy than it puts into it. Whether that is wise depends entirely on economic conditions. At a time of stagnant wages, collapsing local authority services, underfunded hospitals and unaffordable housing, a fiscal surplus may be a sign not of

success but of neglect. No one discussed that yesterday.

Third, there is also a basic accounting reality that this kind of reporting always ignores. The economy is made up of four sectors:

- * government,
- * private, split between:
 - * households, and
 - * businesses, and
- * foreign.

As sectoral balance analysis shows, their financial balances must sum to zero. If the government runs a surplus, the private sector and/or the rest of the world must run a deficit. That is not a theory. It is arithmetic. A £30 billion government surplus means that households and businesses together lost £30 billion of financial wealth in January.

Fourth, this matters. It means a surplus can coincide with rising household debt, falling savings, and declining demand. It can signal the squeeze on living standards that so many people in the UK feel today. Calling that good news is, at best, careless.

Fifth, there is another issue. January almost always produces a surplus because of the structure of the tax system. Self-assessment income tax is paid in January, as are many capital gains tax liabilities. It is always a month of strong tax receipts as a result. The Office for National Statistics regularly warns that single-month figures are volatile and should not be over-interpreted. Yet headlines are still written as if a January surplus is an economic turning point. It is not. It is a seasonal artefact.

Sixth, as importantly, the BBC framing repeats another persistent myth, which is that that tax receipts boost government finances. This is not true. As modern monetary theory shows, in a modern monetary economy, taxes do not fund spending in the way a household's income funds its outgoings. Taxes serve other purposes:

- *
They create demand for the currency.
- *
They help control inflation by withdrawing spending power.
- *
They redistribute income and wealth.

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They shape behaviour and social outcomes.

The real questions are therefore about fairness, distribution and economic stability. Are the taxes that have been paid progressive? Are they reducing inequality? Are they dampening inflationary pressures? Are they supporting public services and social security? None of this is asked. Instead, we get a narrative about balancing the books.

Seventh, that narrative feeds directly into the obsession with growth. The article notes that economists warn the public finances remain “finely balanced” because growth is weak. This implies that public services depend on economic growth to be funded. They do not. If real resources exist, whether they be labour, buildings, materials and equipment, then a currency-issuing government can always pay for them. The constraint is physical capacity, not money. The question is whether we organise our economy to provide those resources, and not whether January tax receipts happened to be high.

This is why such reporting is politically significant:

- * It shapes public understanding.
- * If people are told that surpluses are virtuous, they will tolerate austerity.
- * If they are told taxes fund spending, they will accept cuts when growth slows.
- * If they are told the government must behave like a household, they will assume public services are luxuries rather than democratic necessities.

And what gets hidden?

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Under-investment in health, housing and education.

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Rising inequality, masked by higher capital gains tax receipts.

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The squeeze on households when taxes rise but wages stagnate.

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The political choices that determine fiscal policy.

The result is a conversation about accounting numbers instead of lived experience.

We should be asking different questions:

- * Are hospitals staffed?
- * Are schools funded?
- * Are homes warm and affordable?
- * Are pensions and social security adequate?
- * Are we investing in the green transition and in care for an ageing population?
- * Are we reducing inequality?

Those are the measures of economic success. Not a single-month surplus.

So let me be clear about the conclusions.

A January surplus does not tell us the UK economy is healthy. It does not prove fiscal prudence. It does not justify austerity. It does not show that growth must precede public service funding. What it does show is how entrenched a flawed economic narrative remains in our media.

If we want a politics of care rather than a politics of accounting myths, we have to change the story we tell about public finances. That means:

- * challenging the household analogy,
- * teaching sectoral balances,
- * focusing on real resources and outcomes, and
- * demanding that economic reporting addresses inequality, public investment and democratic choice.

Economics should illuminate reality. Too often, as here, it still obscures it. And until that changes, we will continue to make bad policy based on comforting but entirely misleading headlines.