The Alternative Budget 2025

Proposals for a fairer economy

Richard J Murphy

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Prof Richard Murphy
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Introduction

The debate as to whether Rachel Reeves deserves to be ranked high on the list of failed UK Chancellors of the Exchequer cannot be resolved, as yet. She is, after all, still in office. However, there appears to be a nationwide consensus that she delivered a first budget that failed spectacularly, and that by procrastinating for a long time over the content of her second budget, she has caused considerable harm to our economy.

There is also a widespread belief that her dithering will result in a budget unclear as to its objectives, uncertain as to its outcomes, and which will undoubtedly fail to meet the needs of an economy that is struggling as a consequence of the failure of the antisocial politics of neoliberalism that have been imposed upon the four nations of the United Kingdom for 45 years.

Against this background, I realised that it was appropriate to write an alternative budget speech, something that I have not done since including one as the last chapter of my book, *The Joy of Tax*, published in 2015.

Reeves' dithering will no longer do.

Radical transformation, based on a new understanding of the economy, the needs of the people of this country, and transformed relationships between the wealthy and the rest of us, the City of London and everyone else, capital and savings, bankers and society, essential industries and their customers, our economy and the environment, the food industry and our health, and landlords of all forms and their tenants, demands nothing less.

I do not pretend that the document that follows is a comprehensive survey of all the changes required, or even a complete analysis of all the proposals I make. This project was planned at relatively short notice, and it was always intended to be a series of blog posts and not a book, but as it expanded in length and breadth of topic, I realised that putting it together as a single document might be of benefit for those looking for a summary of the radical alternative possibilities that exist to transform the prospects of the people of the UK, in whichever of its countries they live.

Take this publication as a snapshot. Presume it is a work in progress. Do expect me to change my mind and my emphasis, because I will. Wise people do as circumstances change. Please also accept that my focus has been on the need to transform our economy's infrastructure now, rather than the circumstances of individuals, as yet. There are, therefore, fewer tax cuts for those on low income than I would desire, and the focus on social security reforms is incomplete; these are issues to which any Chancellor delivering this speech would have to return.

The emphasis is, instead, on correcting the collective failures of decades, which have resulted in collective insecurity in the UK on an unprecedented scale, including amongst those who are wealthy, who realise how vulnerable their positions are, and the resulting climate of fear. It is that climate of fear that I wish to address. We can only do so by correctly understanding how government works and how it can serve. We can only do so with people at the epicentre of political concern.

This can only happen if the bias to wealth within our tax system, economy, and institutions is addressed so that everyone has a chance to start taking part in our society.

That can only happen if the £15 trillion of wealth in the UK is redirected towards social purpose, which is a fundamental goal of the budget that follows.

If that redirection begins and continues, the transformation I discuss in this document is possible. And if politicians realise that a programme of this sort is the only way to both restore faith in democracy itself and fight the curse of the far right and their intolerance within our society, then we might move from living in fear to living in hope.

Hope is what this alternative budget is about, whereas nothing Rachel Reeves will deliver will offer anything of the sort.

My goal, then, is simple, and should be understood when reading what follows, incomplete in some dimensions as it is. What I want to show is that we can do better. We can live well. We can live within our means. We can empower each other. We can prosper. We can live free from fear, but only, in my opinion, if we address all the issues I note in this budget.

Frame your reaction to my proposals in that way. If you don't agree with anything, ask why. Ask whether you are seeking to preserve privilege. Ask who will pay the price if the measure you oppose does not take place. Ask whether we could be better off as a result. Ultimately, ask whether you are seeking to perpetuate or eliminate fear, because that is the goal.

I look forward to receiving responses and comments.

Richard Murphy

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Ely

November 2025

Part 1: The Background

Rachel Reeves will be presenting her Budget on November 26.

I will be commenting on that Budget on the day on BBC Radio 2, and elsewhere afterwards, but what is already clear is that whatever Reeves has to say, she will miss the required mark by a very long way. Being aware of that, I thought it appropriate to offer an alternative Budget speech ahead of the time when she offers her own. Given the significance of this issue, it will be addressed in parts over the next week or so, leading up to Budget Day. This first part sets the scene for what is required. In subsequent posts, links to all parts will be provided.

The background

This budget comes at a time when we are facing an existential emergency.

This is a time of international stress.

Many are suggesting that financial markets are as stressed.

Inequality is rising.

So too is poverty.

Even democracy is at risk.

All of these frame this budget, but one issue above all else dominates my thinking. That is because it underpins all the other crises. Fifteen years of neoliberal austerity have left this country, and much of the world, in economic crisis. It has failed most people, small businesses, the government itself, and faith in democracy.

We face threats from the far-right to democracy itself as a result.

If democracy is to survive, economies are to be revived, inequality is to be addressed, and financial markets are to be reordered, then austerity has to come to an end: there is no alternative. That is the core of my message today.

Neoliberalism has to be consigned to history as a result.

In addition, all the neoliberal public institutions put in place to drive austerity that are now failing must be reimagined.

Privatised industries are not delivering for people. That experiment has failed. I will address that failure.

Regulators who are using the wrong rules and models, resulting in unaffordable price rises whilst excessive profits are extracted from the sectors they regulate, must be reformed or replaced.

Critical supplies that they supposedly oversee, like water, are in jeopardy.

The National Grid cannot manage the green transition.

Meanwhile, the Bank of England is not only using the wrong targets for its activities, but those it uses are now deeply counterproductive for the economy as a whole.

As a result, people are suffering. Deliberately punitive policies have been imposed. Currently, the most obvious example is the two-child benefit cap, but past impositions like the so-called bedroom tax, the aggressive pursuit of those who make errors in benefit claims, and the intimidation of those with disabilities when they are the most vulnerable in society are all entirely unacceptable in a society that thinks itself civilised. No wonder we are living in a toxic society when cruelty has been elevated to having the status of policy.

Tax justice

At the same time, there is no such thing as tax justice in this country. According to HM Revenue & Customs, 40% of small companies do not pay the corporation tax they owe. No one can be sure how much VAT and PAYE they also evade.

Large businesses are still treated too tolerantly.

But most of all, the wealthy do not pay a fair contribution in tax. Their overall tax rate — taking into consideration their income and gains — is far lower than the tax rate paid by most working people. People should not be suffering the way that they are as a result of deliberate imbalance in the tax system.

Reframing

These factors, and others, individually and in combination, require a wholesale reframing of how we think about government, economic policy, and, in particular, the role of the Treasury. That will now happen.

To be clear, the point I make is that the long-standing "Treasury view", that the size of government should shrink, that the state should retreat from responsibility, that the government is wholly dependent on the private sector for its funding, and that markets must be allowed free rein, is over for good. If anyone within the Treasury cannot agree, they will be given the opportunity to depart with appropriate compensation because what we must have now are people in charge of this government's finances who believe that its job is to enable the well-being of the people of this country, and not to hoard cash at cost to most of us.

It is my view that the job of government is to enable all that the people of this country can do. If you wish to know the vision that inspires me, that is it. We must do that of which we are capable, whilst fairly rewarding all who participate in that process in whatever way they can.

Assuming that we do this, and as a result raise the incomes of the poorest in our society, whilst asking those with the capacity to contribute more towards the collective good to do so, then the evidence of what will happen is clear: we will grow our society much faster than we have to date, and as a result will balance our books by default, without making that balance the only goal of government.

Today I am recognising that reality, but I will go further.

I will also recognise the fact that the UK government creates money every time it spends. There is, despite all the denials over many years by so many politicians, a magic money tree. This is a budget that will, for the first time, recognise that when this House authorises government spending, the Bank of England has a legal obligation to create the money required to make any payments owing. We can never run out of money as a result. We, in this House, create all the money this country needs by authorising the government to spend it into existence.

Shattering myths

This shatters three further myths.

First, if we create the money this country uses, calling the money we spend 'taxpayers' money' is obviously wrong: it is government-created money. There is no such thing as taxpayers' money in this context.

Second, we can no longer pretend that tax funds government spending, because it does not. We do that by authorising the creation of money to pay for our programmes of work.

And, third, to pretend that we are dependent on what is called 'government borrowing' is also a myth; we are not. Instead, we provide, as a government, the most secure possible savings facility for the City of London, in particular. We do not borrow from them: they deposit money with us. We have long known that we run a savings facility called National Savings and Investments; we should now recognise that this describes all our so-called borrowing. Our relationship with the City has been grossly misrepresented as a result. That misrepresentation will end now.

Inflation

But doing so also requires that we recognise we would be reckless to spend if there were no resources available to us. The result, if we were to try to do that, would be inflation, and no one wants that. This, then, requires another reframing of our understanding. If tax does not fund government spending, as I have already explained, it must have another role, and of course, it does. The role of tax is to control inflation. It does this by withdrawing the money we create from circulation, thereby providing us with a direct method for controlling inflation rather than the indirect one used by the Bank of England through variable interest rates.

That means we have to accept our responsibility for inflation in a way that we have avoided for far too long. This understanding means we will need to spend when times are hard and use taxes to help constrain the economy when markets are too buoyant. Interest rates have never managed to do this. They work on very long timelines; their impacts fall on those least able to bear them; and there is no evidence from centuries of data to suggest they can control inflation. We have, quite simply, mismanaged this issue, and that era is going to come to an end. Fiscal and monetary policy will be placed under common control, with fiscal policy being prioritised because the experiment with monetary policy has failed.

Tackling corporate abuse

That means we can now do something else. This is a government that believes that inflated interest charges — like excessive rent, the wages of those who exploit the companies they supposedly serve by taking salaries in excess of their value, and monopoly profits — represent a tax on ordinary people. They are paying far too much of their income in these combined economic rents as a consequence. And if we want to restore well-being and deliver sustainable growth, then now is the moment to curtail these things to the greatest degree possible, directing money towards those in need from those who have more than enough.

Growth

I say all this for a reason. I stress that this will fuel growth. The wealthy are wealthy for one reason: they do not spend all that they earn. They save it instead, but their savings have become almost entirely unconstructive. They put money into second-hand buildings, second-hand shares, and bank accounts when banks do not need their deposits to make loans, as the Bank of England has now recognised for more than a decade. These are all artificial measures of wealth because they are unproductive. This savings activity by the wealthy contributes almost nothing to our economy and takes away a great deal. I will announce measures to begin tackling these problems later in this speech.

Sustainability

I should add, and not as an afterthought, that sustainability matters to this government. The neoliberal claim that markets can solve the problems they create by ignoring externalities is no longer viable. We know that the way we live now pollutes this planet. We know that this situation cannot last. We know we have to move to sustainable energy. We know that we must reduce some forms of consumption.

It is time to face facts. We need to transform energy supplies in our homes. We need to transform the way in which we travel. We need to transform the way in which our products are designed. We need to consume less "stuff" and spend more time enjoying each other's company. We need to rethink how we live, and this government is not going to shy away from that. Our commitment to a Green New Deal is real and will continue.

Radical transformation

I am intent on radical transformation, and I defy anyone to challenge my logic for doing so. When government is failing, democracy is failing, markets are failing, household finances are failing, and the climate around us is failing, and the biosphere with it, of course, it is time for radical transformation. How can anyone say otherwise? Neoliberalism has failed us. Forty-six years after Margaret Thatcher came to the UK, her experiment in social, economic and environmental destruction is over. Now is the time for change, and that is what I will deliver.

Part 2: Understanding tax and 'borrowing'

This second part sets out the reforms to the understanding of tax and government funding required to consign the curse of neoliberalism to history.

I ended the first part of this Budget with a simple proposition: if austerity has failed — and it has — then the fiscal architecture that delivered it must also end. That means the rules that govern public spending, the institutions that enforce them, and the assumptions that underpin them all have to be replaced.

There is no escaping this. Austerity was not an accident. It was the direct outcome of the fiscal framework we still use. If we want different results, we need a different foundation.

My job now is to explain that new foundation.

The full funding rule

Since the early 1980s, our economic debate has been dominated by the idea that the government must "fully fund" its spending through taxes or borrowing. This is the logic enforced by the Treasury and is embedded in the logic of Bank of England independence, the existence of the Treasury's so-called Debt Management Office and the work of the Office for Budget Responsibility, whose models assume that government spending must always be matched by a process of "finding the money" elsewhere.

But, as I have already said, this premise is wrong. The UK government creates the money it spends. Parliament authorises that spending. The Bank of England ensures that payments clear. This is not theory; it is operational fact. We do not need to "find the money elsewhere" to pay for the government this country needs; we literally spend it into existence and never have to find it.

The so-called full funding rule, like so many other neoliberal economic "rules" exists to deny that reality. It exists to reinforce the pretence that the government is financially constrained like a household, when it is not. The consequence has been rationed public services, chronic underinvestment, and an economy where the greatest constraint is not money but the lack of political imagination.

So let me be blunt: the full funding rule ends today.

The government creates our money

From now on, we will recognise that the government creates all the money that it needs to fund its spending by the simple act of making payment for whatever it is that this House has authorised it do, which authorisation the Bank of England uses as the authority to make that payment, creating money in the process, as all banks do whenever they extend credit.

If this is true when you tap your credit card on a vendor's card reader, then it is also true when this House authorises the Bank of England to make payments. The only difference being that households have credit limits, and we do not, because we not only have our own Bank, but have the duty to spend into existence the money that our national economy requires to function.

There is no such things as "taxpayers' money"

What we will also recognise as a result is that the primary role of tax is to reclaim the money we have spent into the economy. It cannot fund what we spend: the Bank of England has already done that. That means that, contrary to past claims. We do not use "taxpayers' money". Instead, they use ours. Getting this relationship right is not just important; it is essential. It makes our responsibilities clear.

Managing inflation

We have a duty to maintain the value of the money we create. This means we have the duty to manage inflation. We can no longer pretend to outsource that task to the Bank of England, to whom. I will refer further in a moment. But in doing so, we also have to recognise that tax has other powerful roles to play in the delivery of our national economic strategy. It does also:

- Assist the management of inequality in our society by letting us tax both income and wealth progressively to achieve this goal.

- Permit us to correct mispricing in markets when the private sector would otherwise fail to take the externalities arising from their actions into account in areas such as alcohol, tobacco, carbon usage and gambling.
- Allows us to underprice some activities as they are of social benefit, such as education, health, housing and essential foods.
- Makes it possible to direct some forms of economic activity which we might wish to promote, such as business investment.
- Represent the relationship of trust between those in this House and the people beyond it, which is one reason why I am taking all the actions I am announcing today.

I will announce measures to assist the control of inflation through taxation today, but I will also take all the above issues into account at the same time when reforming the tax system of this country, as we must do if the full funding rule that has existed to embed austerity in our society is to be consigned to history, as is essential.

Moving on

There is another dimension to this exercise that I must also discuss in that case, which refers to so-called government borrowing. I stress that I use the term "so-called" deliberately, because as I have already explained, the government in the UK does not borrow, and in a sense cannot borrow, because it creates all the money that is ultimately deposited with it by those whom, it has been claimed to date, fund our government's operations by providing what, it has been claimed, are the necessary funds to do so. Just like the full funding rule itself, this suggestion is based on economic myths and falsehoods designed to misrepresent the truth of what happens within our economy.

Understanding debt and deficits

As the House will be aware, it has been normal practice for governments in this country to run what are called fiscal deficits since the time that our supposed national debt was first created, with the Bank of England, in 1694. In other words, in most years since then, the government has created and spent more money into the economy each year than has been claimed back by way of taxation.

There has been good reason for this.

First, the economy has very often required the fiscal stimulus that this action creates. Growth has been the result, and few would deny the merits of that.

Second, a growing country – both in numbers in the population and in size of the economy – has required that there be more money available to facilitate trade, and it has been the duty of successive governments to meet that demand. Without running deficits, that additional money could not have come into existence. The so-called national debt has actually been our money supply for centuries, even though we have seemingly forgotten that essential fact.

Third, inflation has required it. We know that low rates of inflation are good for the economy and can be tolerated, but they also require more money to be in existence. Again, deficits provide that essential new money.

And lastly, those with wealth have demanded that such deficits be run.

The national savings scheme

There is a straightforward reason for this. The wealthy, above all else, wish to maintain their position and status in society, which their financial well-being supports. As such, what they demand of the financial system is a place where they can deposit their funds knowing that, in times of crisis, they will always be repaid. There is only one institution in any country that can have this status, which is described as being the borrower of last resort, and that is the government.

The reason why it can fulfil that role is because it not only created the money that the wealthy wish to deposit, which becomes theirs to save precisely because the government had spent it into existence and not yet taxed it back from the economy, but can always guarantee to make the money to make repayment of sums deposited whatever might happen, because this is the sole right of the government as the country's currency creator.

We do not, therefore, and never have, borrowed money from those with wealth. Instead, we have provided them with the most secure savings facility that they can ever enjoy for funds denominated in sterling, which savings facility they access by buying the bonds that we issue for their benefit, and not for ours.

Redefining the relationship with the City of London

That we are dependent on the wealthy, via their agents in the City of London, is, then, another of those economic misrepresentations, like the full funding rule and the idea that taxation funds government spending. The exact opposite is the case. It has suited those with wealth to pretend that the government must accede to their demands so that they might maintain their privilege and unequal status in our society by claiming that we are dependent upon them, but that is not the case. Their privilege is dependent upon us, and the simple fact is that every time we increase the amount of money in circulation in the economy, we, ultimately, increase their wealth by an equal and opposite amount. The simple rules of double-entry bookkeeping make that clear. This is why the full funding rule for the government must come to an end.

The new bond market

As a matter of fact, I am not saying as a consequence that the government will cease to issue bonds. Nor am I saying that it will stop open market operations using both gilts and Treasury bills to influence long and short-term interest rates. Those practices will, most likely, continue. But, whilst we maintain the full funding rule, we also maintain the fiction that taxation funds the government, when it does not, and that borrowing from the wealthy, or their representatives, is essential for the operation of government, when that is not true. The fact of the matter is that this government can always, and whenever it wishes, borrow those funds required to fulfil its obligations through its own central bank, which it did on a regular basis until as recently as 2006. From now on, all that I am saying is that we will reserve the right to do that if we so wish. There are few benefits resulting from Brexit. This happens to be one of them. I look forward to enjoying the support of all those who supported that disastrous idea as a consequence.

For those in doubt, what this means is that if the City of London wishes in the future to challenge the operations of this government by forcing up interest rates in ways that we consider unacceptable, we will reserve the right to deny them the bond issues that they crave, and which are essential to their methods of operation, whether they work in pension funds, life insurance companies, banks, or hedge funds. The simple fact is that withholding such issues will reduce the available supply of gilts and, as those who understand the operation of the bond markets will know, if bonds are in short supply, their price rises and the effective interest rate payable on them falls inversely as a result.

I am not ending the full funding rule because we want to break our relationship with the City of London, its institutions, and with those outside the UK who also wish to make use of our bonds to save funds in sterling, but because we have to make clear whose advantage this arrangement must serve, and that is to benefit the people of this country and not either the City of London or the wealthy who use its services. It is to the people of this country that I owe my duty, and it is one I will fulfil.

In practical terms, we may see very little difference in our day-to-day financial operations because of this announcement, but the balance of power within our relationship with the City will have changed, for good, and for the benefit of the people of the UK as a whole, whom I stand here to represent. No longer will Chancellors be dictated to by the City. The City has enjoyed privileges without responsibility to date, and holding the country to ransom is irresponsible. I am making it clear that this is something that I will not tolerate.

As a result, the government will no longer issue debt just to tick an accounting box that has never reflected how our monetary system actually works. We will issue savings products — gilts — only when they serve a genuine public purpose: to provide safe assets for savers, pension funds and financial institutions and that will not be because the government needs their money, but because the financial system needs the stability that only we can, and will, supply so long as they do not abuse what we do on their behalf.

Part 3: Creating a new fiscal framework

This third part sets out some of the institutional reforms required to consign the curse of antisocial neoliberalism to history.

A new fiscal framework

Having now explained the proper roles of tax and what has been called, incorrectly, government borrowing within our economy, and our duties with regard to the money supply and inflation, I will now explore the implications of those understandings for our financial institutions.

A new mandate for the Treasury

If the new fiscal framework that I am creating is to work, the Treasury itself must change.

For too long, the Treasury has been guided by a worldview that treats money as the limit on government action rather than the means by which government enables society to function. It has been an institution committed to restraint rather than leadership, and to shrinking the state rather than stewarding the economy.

I make it clear to the House, that era is over.

The Treasury's new mandate is to manage the nation's real resources, whether they be people, skills, infrastructure, energy and the environment are used to best effect so that the potential of this country can be realised. Its role is not to appease markets. Nor is it to meet arbitrary ratios. It is most definitely not to deny the scale of need. The job of the Treasury is from now on to help marshal all the resources available in this country to enhance well-being.

This requires new ways of working. It requires new people. And it requires a break from the “Treasury view” that has dominated British public life for more than a century.

This new goal will, of course, require practical interpretation.

Fiscal rules based on reality

This government will retain fiscal rules, but not the ones we have now.

Our rules will be anchored in real constraints — the availability of labour, materials, skills, productive capacity, and environmental limits. They will require the Treasury to assess these resource constraints alongside every Budget. They will require the Treasury to consider whether those resources are now used to best effect in our economy. I am not sure I agree with the analysis once presented that suggested half of all jobs in our economy are Bullshit Jobs not worth doing, but the fact is that the market sector has demeaned work, and deskilled many jobs to the greatest possible degree meaning that many skills and people are not being used to best effect, and a great many of the people involved know that. No wonder they are fed up.

Past governments have been intent on pushing people to work, whether meaningful or not. We are intent on creating an economy where all work adds value and rewards those engaged in it to the greatest degree possible. That, we are quite sure, is the easiest way to resolve the so-called mystery of low productivity in this country, which is no mystery at all if only you have eyes to see, as we have.

This task will require a considerable expansion in the role and understanding of the Treasury, whose current skill set is too limited to deliver this outcome. We will be recruiting those with skills who understand how the real economy – and not just finance and the City of London – works.

The change will take time. It will require transparency on the impact of fiscal decisions on public well-being, inequality, and climate targets. They will require that when resources are available, which is an issue I address later in this speech, investment follows.

The purpose of these rules is simple: to make government effective, not inert. The outcomes will be:

- Higher rates of employment
- Increased rates of investment across all businesses
- Developing employee skills

- Reducing inequality
- Better governance in both government and all other sectors
- More sustainable business
- Reduced business failure
- Better distribution of work across the country, recognising the role of devolved governments to achieve this.

Ending the failed experiment of central bank independence

The proposed fiscal framework is inseparable from the monetary one.

For the past 25 years, we have lived under the dogma that independent central banking is the best, indeed the only, way to manage inflation and stabilise the economy.

This experiment has failed.

It has not delivered price stability.

It has fuelled asset inflation and turbocharged inequality.

It has prioritised market sentiment over democratic choice.

It has created a parallel government in Threadneedle Street with extraordinary power and almost no accountability.

That must change.

The Bank of England will return to democratic oversight, working in close association with the Treasury, to whom it will report, and will work to a new mandate centred on full employment, financial stability, and support for fiscal policy and not the narrow and counterproductive goal of hitting an arbitrary inflation number through often harmful interest rate adjustments.

This being said, the Bank of England will retain its role as a regulator, but we are aware of the conflicts of interest that are sometimes perceived to arise in this role, and we will keep a watchful eye on them.

A new approach to interest rates

If monetary policy is to be rebalanced, interest rate policy must be as well.

Interest payments are, in effect, a tax on households and businesses, transferring income from the real economy to the financial sector. They are a blunt, unreliable and inequitable tool for controlling inflation. They work slowly, unpredictably, and almost always by increasing hardship.

So we will use them sparingly.

Interest rates will be set at the minimum necessary to ensure a functioning payments system. Inflation will be controlled at source — through fiscal measures, price regulation where needed, taxation where appropriate, and structural intervention when markets fail. This will be transparent and democratic, unlike the technocratic opacity that currently characterises monetary policy.

To be clear: decisions on interest rates will now be mine to make, but I will be advised by a new Interest Rate Advisory Board, which will include in its membership a minister and representatives of:

- The Treasury
- The Bank of England
- Banks
- Large business
- Small and medium-sized businesses
- Trade unions
- NGOs, and most especially those with an interest in climate change
- Academia
- Pensioners
- Public sector organisations.

No longer will interest rates be set by and for bankers alone.

Reform of other fiscal institutions

A new fiscal framework also requires reformed and new institutions.

The **Office for Budget Responsibility** will continue to exist, but its role will change. It will no longer act as a gatekeeper, limiting government ambition. Instead, it will provide independent analysis grounded in real-resource constraints and distributional impacts.

The **Debt Management Office** will be reconstituted as the National Savings Management Office, dedicated to providing safe savings products and to managing the government's savings liabilities efficiently — recognising them for what they are: deposits, not debt. I will refer later in this speech as to how the funds deposited with it might be used.

The operational independence of **HM Revenue & Customs** will continue, but the changed perception of the role of tax that I have already outlined clearly requires a change in its management and function.

If this Budget is to rebuild the UK's shattered public realm, we must be honest about one thing: our tax system is not doing the job Parliament intends.

We do not know the real scale of the tax gap, but we know it is costly. Current official estimates suggest the loss is more than £40 billion a year, but many parts of the methodology used suggest that this figure might be seriously understated.

We do not properly scrutinise tax reliefs or their impact.

We certainly do not properly investigate the impact of our tax system on income and wealth distribution in this country.

We do not hold HMRC to account for whether it has the resources to enforce the law, and quite bizarrely, we have treated it as a cost centre rather than as a revenue centre when appraising its performance.

And Parliament has almost no independent capacity to evaluate the effectiveness of the tax system, and how it might be improved.

To be candid, these oversights have been acts of gross irresponsibility on the part of past governments. That is why we need an Office for Tax Responsibility.

The model is simple. Just as the Office for Budget Responsibility will now provide an independent assessment of the government's management of resources, spending and forecasts, the OTR would provide an independent audit and oversight of the tax system itself.

It will be a statutory body, funded on a long-term basis so that future ministers cannot starve it of resources.

Its accountability will be to Parliament, and specifically to the Public Accounts Committee.

It will not be staffed by secondments from HMRC or the big tax advisory firms. Independence must be real, not cosmetic.

The OTR's duties will be clear.

First, it will publish an annual, fully transparent assessment of the UK tax gap, tax by tax, using methodologies that reflect economic reality rather than political convenience.

Second, it will review major tax reliefs as if they were spending programmes, reporting who benefits, what they cost and where abuse occurs. Distributional impacts and alignment with other government policy goals will be central to this analysis.

Third, it will assess HMRC's capacity to enforce the law, including whether it has the staffing, skills and systems required.

And fourth, it would evaluate the interactions between taxes – the so-called tax spillovers that mean inefficiencies in one part of the system undermine another.

A modern economy cannot run on wishful thinking about taxes. An Office for Tax Responsibility would give Parliament the tools to demand a tax system that is fair, efficient and fit for purpose.

Why do these changes matter?

First, all this matters because democracy requires that elected governments, not markets, set the direction of economic policy.

Second, because the crises we face — from climate breakdown to failing public services — cannot be solved by institutions designed to block action.

Third, because this country's future depends on investment: in people, in infrastructure, in care, and in sustainability. Austerity starved all of these. A new framework must feed them.

Fourth, because inequality must be tackled at its source, and monetary policy has been one of the most powerful engines of inequality we have ever created.

Fifth, because security comes from stability in everyday life and not from meeting the expectations of rating agencies.

To achieve these goals, the reforms I outline are essential. We need a fiscal management framework fit for the twenty-first century, and that is what I am proposing.

What comes next

In the next part of this Budget, I will turn to the future of the UK's essential public services. The fiscal transformation I have outlined today gives us the tools to rebuild. The next section sets out how we will start to use those tools to restore public services to the standard that a civilised society should expect.

Part 4: Renationalisation

This fourth part addresses a key issue in the UK economy: the future ownership and control of our public utilities. Unless this issue is addressed, the future basis for our economic and climate security cannot be guaranteed, and inflation will be much harder to control.

If there is one arena where the failures of neoliberalism are most apparent, it is in the country's essential public services. Nowhere has the dogma of privatisation — and the deference to markets that accompanied it — done more harm. The evidence is not marginal. It is woven into the daily experience of millions of people.

Water that is polluted.

Trains that do not run.

The post either does not arrive or arrives late.

Our energy infrastructure cannot deliver the green transition.

Electricity and gas cost far too much.

Banking systems threaten to collapse whenever markets become anxious.

It is impossible to rebuild this country unless we reconstruct these and other services upon which a civilised society depends.

This Budget begins that reconstruction.

First, water, rail and postal services will be returned to public ownership

These sectors provide services that cannot be interrupted. They are the foundations of health, mobility, and social connection. They are natural monopolies. They cannot, by their nature, be sensibly regulated by markets.

Privatisation of these activities has delivered neither efficiency nor innovation. It has delivered profit extraction and debt-fuelled business models. The result has been rising prices and falling standards as corporate behaviour has placed the interests of shareholders above the interests of the public and consumers.

This government will end that model.

Plans for the renationalisation of water, the remaining private-sector rail services, and core postal services will be put in place immediately. As the number of companies in core broadband services continues to shrink, that sector will also now have to be considered, but I am leaving that issue aside for the moment.

Compensation will be paid in accordance with established legal principles, based on the market value of each company at the point of transfer.

Shareholders and bondholders will be paid their fair share, and no more. What they subscribed for shares or loaned to companies will not determine what they receive in compensation, now that the businesses on which they took a risk have failed: only market value will. Assets over which they claim security for loans will be compulsorily purchased on the same basis: we cannot be held to ransom by the equivalent of vulture fund operators in international debt markets.

All other creditors — secured or unsecured — will be paid in full, because the continuity of essential service provision must never be jeopardised by financial engineering.

Compensation will be made using new Treasury bonds, issued in precisely the same way as happened with the postwar nationalisations undertaken in the national interest. These bonds will:

- pay no more than 4% per annum in interest
- have maturity dates of not less than 50 years in the future
- include an option to extend repayment further if required

This is fair, transparent, and sustainable. It protects both the public interest and financial stability.

Second, the energy system will be redesigned as a whole

The green transition cannot happen without a stable, accountable, publicly governed energy system. The present mix, part privatised, part regulated, and most definitely opaque, is not only failing to meet climate goals but also failing consumers.

Therefore:

- The National Grid will be brought back into public ownership
- Electricity generation and supply will be nationalised, except where community and small-scale local operations provide genuine public benefit
- The national coordination of North Sea gas supply will return to public hands

This is not ideology. It is a necessity.

It is also essential that energy be priced fairly. We accept that consumer prices must cover generation costs and appropriate returns, but the current pricing model, which is almost always based on the cost of generating electricity from gas, maximises consumer and industrial energy prices, and that has been profoundly destructive of well-being in this country, as well as harming our international competitiveness. Ofgem will be reformed to sweep away this archaic pricing model, ensuring a fair one can take its place. Compensation on nationalisation will be based on that new model, not the one that should have been replaced long ago.

Energy is the bloodstream of a modern economy. When the system fragments, the transition to net zero becomes impossible. When profit extraction becomes the organising principle, long-term investment collapses. When governance is outsourced to corporate boards, public accountability disappears. This government will deliver an energy system designed for climate security, not shareholder return.

Third, we will create a National Network Bank

The basic banking system, which supplies us all with the means to make payments to each other, is not just a service. It is a part of our core national infrastructure. It underpins every transaction in the economy. When private banks behave recklessly, as they repeatedly have, we have been forced to bear the cost of bailing them out because this payment system must be saved at all costs. Banks know that, and have exploited that knowledge to their own advantage.

That will end.

A National Network Bank will be established to provide personal banking services to everyone who wants them.

Those old enough will recall that the UK state once provided a service called Girobank. We will now recreate that, but go much further.

This new bank will guarantee access for everyone to a modern, reliable, nationwide banking platform capable of supporting the payments system that we all need, ensuring that no one will ever again face the risk that the behaviour of private financial institutions might threaten their ability to pay for food at the supermarket.

The National Network Bank will:

- Operate alongside existing commercial banks but independently of them
- Be available in all communities, physically where needed, and digitally everywhere
- Act as a stabilising anchor for the entire payments system, with all private sector banks being required, eventually, to use its system to underpin their own operations, guaranteeing that in the event of failure, they can be continued seamlessly by the state, just as rail companies did, until recently, operate on the lines provided by Network Rail.
- Guarantee continuity of transactions during any future financial turmoil

Importantly, this National Network Bank will make use of some of the funds saved with National Savings and Investments as a result of changes in its nature, to which I will refer later in this budget. As a result, it is likely to become a major mortgage lender and a vital source of capital for small and medium-sized enterprises in the UK. When existing banks are failing to meet the needs of customers in either of these sectors, this innovation is essential.

When banks fail, it is not their business models that concern the public; it is the threat to the payments system. By providing a public banking backbone, we will remove that existential risk.

Fourth, we will respect the needs of the four nations

Public services cannot be rebuilt on a one-size-fits-all basis. England, Scotland, Wales and Northern Ireland face very different conditions and have distinct institutional structures. Scotland, Wales and Northern Ireland have their own governments. England does not, and that itself is a constitutional anomaly requiring future attention.

This Budget respects those differences.

Each national government will have its own water, rail, postal, energy and banking institutions. Coordination will exist where necessary, but control will be devolved wherever possible, because this Union survives only as a voluntary association of nations that recognise each other's autonomy.

This approach will strengthen the Union by acknowledging its reality rather than denying it.

Why do these reforms matter?

Firstly, that is because essential services are just that: essential. They cannot be run in ways that ignore public need.

Secondly, they are required because privatisation has demonstrably failed. It has produced weak investment, collapsing service quality, and the diversion of billions of pounds that should have been spent on investment and maintenance into shareholder payouts.

Thirdly, they are required because a modern economy requires an integrated infrastructure. Markets cannot provide that integration. Only a public framework can.

Fourthly, they are necessary because the green transition demands it. No private company can prioritise 30-year investment horizons while being judged on quarterly returns.

Fifthly, they are essential because the public pays the price when essential services fail. We have to address that issue.

Finally, we must do so because democracy requires institutions that operate in the public interest, and not in the interests of financial intermediaries. We will ensure that is the case.

Part 5: Reforming the UK’s Savings System

This fifth part addresses how the UK's savings system has been failing this country for decades, and how it will be reformed to provide the essential capital required to regenerate our economy, which it does not do at present.

Reforming the UK's Savings System

If the last decade has taught us anything, it is that the UK's savings system no longer performs the function that any rational economy should expect of it.

Savings should support productive investment.

They should help finance new activities, infrastructure, and opportunities.

Instead, our savings system, and the vast institutions that manage it, have become detached from the real economy altogether.

This Budget marks the start of repairing that fundamental failure.

I want to set out why that change is essential, and how it will be delivered.

First, most UK savings do not support productive investment

Most of the wealth held in the UK is saved in ways that add almost no real value to the economy.

It is placed in second-hand shares.

It is placed in second-hand properties.

Or it sits in bank deposits that banks do not need to make loans, because all bank lending is undertaken using newly created funds.

This has three consequences.

The first is that the returns paid to most savers are not returns on investment at all. They are returns on speculation.

Second, they are driven by asset-price inflation, and not value creation.

Third, they destabilise our economy and divert income that should be paid to labour into unearned gains for wealth-holders.

This is deeply corrosive.

Second, savings and investment have been severed from each other

There was once a time when saving and investment were assumed to be connected in the UK economy, as they rightly are in any functioning economic system. That assumption has been abandoned.

The City of London now treats financial engineering as its purpose. It recycles savings into activities with no connection to new productive capacity. It encourages savers to believe they are "funding investment," when in reality almost none of their money reaches businesses, local communities, or public infrastructure in any meaningful way.

It is no surprise that the British economy is stagnating as a result.

Third, the UK is subsidising unproductive saving on a massive scale

We have allowed a situation to develop in which around 80% of all UK financial wealth is held in assets that receive tax subsidies in some form, whether they be houses, pension funds, ISAs, or more specialist investment vehicles.
The total cost of these subsidies now exceeds £100 billion a year, with more than £70 billion used to subsidise pensions and around £10 billion to subsidise ISAs.

What do we receive in exchange? Almost nothing. These incentives support an unproductive savings model that generates little new investment activity, whilst rewarding speculation and increasing inequality.

If any other sector of the economy delivered such poor returns at such a high cost, it would have been reformed long ago. But because the City benefits and because the culture of deference to the financial sector remains strong, this inefficiency has persisted for decades.

That culture of deference ends now. We need a functioning savings system in the UK that is connected to the supply of productive capital to the economy, and I am determined to create one.

A new approach to savings

Our task is straightforward: we must redirect the vast flows of UK savings into socially beneficial and economically productive activity. We cannot rebuild this country, including its infrastructure, its energy systems, its housing and its public services, while ignoring the £100 billion a year that the government currently spends on subsidising an unproductive financial sector.

Three major changes will therefore take place.

The ISA system will be reformed

At the end of this financial year, the current ISA system will close to new money.

Existing ISA funds may remain in place, but the tax subsidies associated with them will be phased out over a period of no more than ten years. That is a generous transition period, given the scale of change required, but it is long enough to allow savers to reorganise the £700 billion currently held in ISAs without disruption.

A new ISA framework will be created. These ISAs will:

- Be offered exclusively through National Savings and Investments (NS&I),
- Be accessible through other banks acting as NS&I agents if savers wish to use them as intermediaries,
- Provide a secure, government-backed savings vehicle.

Given historic patterns of ISA and NS&I savings, the vast majority of these funds are likely to represent long-term capital, not volatile savings. They will therefore be available as capital for productive investment.

With current annual contributions exceeding £75 billion, this reform alone will create a significant new source of stable funding for national renewal.

Given that the no-tax appeal of ISAs will now only be available to most people in this way, and it is clear that this status is a significant determinant in savings decision-making, we expect financial flows into ISAs to continue at previous levels despite this change. Because this change reconnects people with the impact of their savings, we expect ISA savings to increase over time, but we are not assuming that in this Budget.

Pension funds will be required to support UK investment

From 6 April next year, 25% of all contributions into pension arrangements must be invested in financial instruments that can be directly shown to create either new jobs or new social opportunities within the UK.

This government will issue appropriate bonds for this purpose, and it is expected that pension funds will be major subscribers to them. The financial sector will, of course, be able to offer alternative investments — but only if they meet a strict, legally defined social-purpose test, or taxonomy.

This is essential. Pension savers receive substantial tax relief at present, but, when weighted by value, they represent only a small share of society as a whole and are heavily skewed toward those who are already wealthy. It is only fair that the subsidy we provide for these savings serve the public interest rather than subsidise the wealth of the already well-off.

In particular, research shows that UK pension funds have shown almost no inclination to invest in this country. Urging them to do so has failed. As such, our subsidy is now being used to offshore capital. That is unacceptable. That will change. From now on, the subsidy to pension savers will benefit the UK. I defy anyone to argue with that logic.

This single reform should provide more than £30 billion a year for productive, domestic investment.

A new National Investment Fund will be established

The new ISA funds and new pension fund requirements will provide the capital base for a new National Investment Fund, which will work with National Savings and Investments to issue savings instruments for ISA and pension savings purposes.

This Fund will:

- Provide the finance to restore our essential public services to the standard a civilised society should expect. Private markets have destroyed those services. We will direct the savings of people in this country to their restoration, which is what they want and expect of us.
- Underpin the Green New Deal
- Provide long-term capital for a new National Mortgage Scheme, to which I will return in a later section of this Budget.

This fund will deliver investments with purpose. Those investments will be aligned with the real needs of the economy, and not with the needs of the City of London to maintain its speculative activity and its culture of internal enrichment.

My motivations in promoting this reform

I have a very particular interest in promoting this reform, in addition to the fact that it provides a source of capital for the essential work I know is required within our economy. For far too long, I have heard stories from people who have no idea how their savings, whether in banks, ISAs, pension funds or other institutions, are actually managed.

The opacity within our institutions is quite extraordinary. Free marketeers claim that society is best managed in the interests of shareholders, and yet our savings institutions do not make it easy, and in fact make it impossible, for those who save with them to know the companies whose shares they hold, or to whom they lend funds.

The shareholder capitalism we have is, therefore, anything but that. The reality is that massive pension and savings funds behave as if they were the shareholders in the companies whose funds they acquire on behalf of others, to whom they have a fiscal duty, without ever considering their responsibility to, or the interests of, those people.

Too often, they do, as a consequence, act against the interests of society when they should be acting as its custodians.

This culture is utterly unacceptable, and the proposals I am making will change all this. What I want are three things. They are that:

- The opportunities I will create will ensure that tax reliefs and subsidies will be used for public purposes.
- That savers should have a choice about how their savings are used, requiring that some of the savings arrangements we create be hypothecated. People will be able to choose whether to allocate their savings to projects in their communities or to activities they are interested in, such as health, education, climate transition, housing, and so on.
- That savers enjoy secure returns. The rate of return will be guaranteed and underpinned by the government.

The result will be that the relationship between savers and investment activity will be reinforced. People will see that their savings and democratic government, working together, can transform their communities, and nothing can be more important than that.

At the same time, because most existing savings have not been used for productive purposes, the only sector likely to lose out from the redistribution of funds will be speculative financial markets. They have not added value to this country throughout the neoliberal era; instead, they have sucked value from it. My change is designed to make clear that savings must serve people and not financial institutions.

Why do these reforms matter?

First, because we cannot rebuild our infrastructure, restore our public services or deliver the green transition without long-term capital, and we already have that capital in abundance. It is simply being wasted at present.

Second, because speculation is not investment. It is time we recognised the difference.

Third, because a nation that subsidises unproductive financial engineering to the tune of more than £100 billion a year cannot claim it has “no money” to solve its most urgent problems.

Fourth, because savings should support society. They should not undermine it.

Fifth, because it is time the savings institutions of the UK served the British people, rather than serving themselves.

Part 6: Addressing issues in housing

This sixth part addresses how the UK's housing market needs reform, touching on mortgage and social housing funding reform as ways to fundamentally change our relationship with housing.

It is all well and good talking about reform of the UK's financial institutions and the forms that savings should take, but it is also essential that consideration is given at the same time to reform of the biggest consumer market for financial institutions in the UK, which is the funding of the purchase of properties.

I am ignoring the commercial property market at present. I have already addressed many things that need to be dealt with in this Budget, and there is more to come; that issue is not high on my list for attention.

The mortgage market – and the need to reform it

On the other hand, the provision of mortgages to help people buy their own homes, and for funding buy-to-let properties, is a massive cause of concern for me and for this government because it is so clear that our domestic property market is out of control and is, as a consequence, causing massive stress to the people of this country.

Within the lifetime of people now in retirement, it was quite possible to buy a home suitable for a family on the basis of one reasonable, but not excessive, wage. There was a ratio of mortgage debt to income of little more than three to one. The result was obvious.

There was more time for things other than work in life.

There was more time to provide for children.

There was more time to cook.

There was more time to participate in communities.

And all of that was because less of people's income was extracted from them for the benefit of finance, and more was available for the sake of living.

Mortgages were much more affordable than they are today.

And, for those with long memories, it will be recalled that this all went wrong after what the Tories called the Big Bang in financial services in the UK in the mid-1980s, when excessive funding was made available to the mortgage market, giving rise first to a property price boom and then to a crash that harmed the well-being of many late in that decade.

Since that time, mortgage rates have varied considerably, from over 15 per cent in the early 1990s to the lows of the last decade. But it is the case that mortgage interest extraction is pushing many households to their limits again, now because of the extraordinary increase in house prices and the rising increase in loan to income ratios based on two incomes a household that now faces many people.

The Bank of Mum and Dad, and other such issues

At the same time, very many young people have almost no prospect of ever acquiring a property without the assistance of what is called the Bank of Mum and Dad. This means that there is now a massive class divide in access to domestic security, which is unacceptable to us as a government.

In addition, the age at which a person can acquire a property has increased considerably. This has had an enormous impact on social life in the UK, not least by motivating a massive reduction in the childbirth rate as people delay having children because they cannot afford a property, whilst many now have only one child because the demands of their bankers prevent them from thinking about doing anything more, when two children were once commonplace.

The rental market

The situation of renters has also become intolerable.

The government has retreated from the provision of social housing.

The definition of “affordable housing” that governments have used has made a mockery of the term "affordable".

And all the time, houses have become smaller, shared accommodation has become more common, dignity has been lost, whilst those paying up to 50 per cent of their net incomes in rent for housing that is often inappropriate for their needs have no chance of accumulating the deposit required if they are ever to own a property of their own. This leaves them trapped, without hope of ever securing the long-term homes that they desire and which are the basis of strong communities.

People ask why our productivity is so low, and why we have such crises of ill health in this country. My answer is that all of these factors are major contributors. It is time to address these issues.

I have already explained how I would reform the UK housing market and savings market. I suspect that some here and outside this House are already raising concerns that high returns will need to be generated to cover the cost of interest on the maybe hundreds of billions of pounds per annum that will be entrusted to this government as a result.

One of my responses is that many of the activities on which these monies will be spent already have an implied cost of interest within them. That is already true of most government expenditure budgets.

In addition, sums to be expended on improving our national infrastructure, including that in the utilities and services that we will nationalise, will usually be undertaken on a commercial basis where an interest charge at the level expected will be applied.

But there is the matter of housing to consider as well. I know there is a practical limit to the amount we can spend on infrastructure, new housebuilding, energy transformation, and more. There is a finite number of people available to undertake these tasks in this country. The reality is that we will have more money available than we can spend, but I will not risk inflation by trying to spend it when resources are not available to buy.

This, however, will not create a problem. We also have a mortgage market that is failing people, and these funds will be used to assist those in need of housing in two ways.

A national mortgage scheme

Firstly, we will create a national mortgage scheme where a person can take on a fixed rate that is expected to last for the entire life of their mortgage. And before anyone says that this is not possible, please note that it happens in the USA, and so if they can do it, so can we.

Of course, there will be moments when market rates will be higher or lower than those that this scheme will charge, but setting a fair rate is within our capability, and we will have a secure source of funding. The consequence is that we can transform the mortgage market in this way to ensure that families will no longer face the peril of remortgaging when the Bank of England has decided to punish them for the simple desire to live in their own home. That era will be over, although it will take a few years for this promise to be fulfilled in full.

Private mortgage suppliers will, of course, be allowed to match these offers, but we will not hear their objections to what we are proposing. When they have failed this country for too long, we must act.

Rental sector reform

We must also be radical in the rental sector.

Firstly, we will put in place radical reforms to deliver new social housing.

Every local authority in England, with encouragement being provided for similar action in Scotland, Wales and Northern Ireland, will be expected to create a plan for how they can deliver more social housing in their area. They will be encouraged to apply for budgets within guidelines that we will supply. This will not be a lottery. This will be action intended to create change from the outset. We will provide a clear indication of the scale of funds available to each authority before they begin their work, although we will, of course, be willing to hear their views on alternatives to our plans. There will be new social housing available everywhere, and the commitment will continue into the future.

In addition, where private housebuilders have been offered planning permission and have not used it within two years, then that planning permission and the land to which it relates will revert to a local authority, which will have the right to buy the land in question at the price for which the developer acquired it, or at a fair market value if it is believed that the price in question was artificially high as a consequence of related-party transactions.

The local authorities in question will then be offered funding to use the land acquired for social housing purposes. They will not be required to build the plans previously submitted by the private house builder, which may well not be suited to social housing needs. They will, instead, be allowed to submit a fast-track alternative proposal so that social housing can be delivered instead. The idea that the private sector might landbank to exploit potential homeowners at a cost to society at large must come to an end.

Even so, there is a real risk that these programmes will not deliver sufficient social housing and will not address the problem, now that many buy-to-let landlords are leaving the market, creating a supply shortage that is driving up rents again. This has become another form of exploitation, and we cannot tolerate that.

Tackling buy-to-let market failures

As a result, if any landlord now intends to sell their property and gives notice to a tenant that this is their intention, that tenant will have the automatic right to appeal to their local authority for that property to be acquired as social housing. We will put in place procedures to ensure that these properties are acquired by local authorities, subject to their suitability for long-term use. Payment will consider such factors, as well as the current condition of properties. It is not our job to sustain artificially high property prices, and to ensure this situation is not abused, we will put in place compulsory purchase options at realistic valuations. The consequence of these proposals will be an increase in the supply of social housing, which is essential to provide security for people in the UK.

The last Labour government introduced welcome measures to address some issues in the private rented sector. We are going further, using capital from savings in this country, to ensure that communities can provide opportunities for younger people, in particular, to live with the security of tenure for the sake of their well-being and that of their children.

We are confident that the schemes I outline will be very popular and will encourage savings in the programmes that we are putting in place, and can be self-funding. After all, the arrangements they will replace are. But if insufficient funding is provided in that way to turn savings into social capital, we will consider providing further funding of this sort through specific bond issues.

Only a decade or so ago, Tory Chancellor George Osborne used the government's power to create money to advance funds to banks to boost mortgage lending with the apparent primary intention of inflating house prices to keep the Conservative vote happy. Now we will use the power of the government to ensure that everyone has the right to enjoy appropriate housing. That's what a responsible government should do. We will not go down the irresponsible path that the Tories took.

Housing is at the centre of this government's priorities, and we are offering a joined-up policy to ensure that, as our programmes roll out, everyone has the chance to live well.

Part 7: The politics of care

This seventh part addresses a key issue in the UK economy, which is the need for a new policy of care, practically expressed through a programme of support for those who require it. We will restore and expand the social security system of this country in a way that one of the largest countries in the world can not only do, but also afford.

Caring for Those Who Have Been Left Behind

Tony Benn once said that the virtue of a society can be judged by how it treats the most vulnerable. That sentiment matters now more than ever.

For more than a decade, Britain has been run on the premise that those with the least should pay the highest price, while those with the most can look after themselves.

It is not an accident that poverty rates have risen, that foodbank use has soared, that disability support has been stripped back, and that young people with profound potential find themselves excluded from work and education by systems designed to value uniformity over contribution.

This Budget cannot fix all of that at once. But it can, and will, set a direction of travel. And that direction is clear: we will end performative cruelty, rebuild security, and treat every person as of equal worth.

Ending poverty created by design

We will begin by ending the two-child benefit cap. Nothing about a child's worth or needs changes because of their birth order. But policy has pretended otherwise, pushing families into poverty and placing children at risk. From next year, benefit claims will no longer be reduced when a family has more than two children. Every child in this country is of worth. It is a scandal that has been denied for too long.

We will also end the so-called bedroom tax. The policy has punished disabled people, families whose circumstances have changed, and those with no viable housing alternatives. In its place, we will consider positive incentives that help people move if they wish to do so, but coercion has no place in a civilised social security system that respects the fact that people need long-term homes to live well in communities they know and trust. People come first in our policies. We care.

At the same time, we will reform disability benefits from top to bottom. The details of the programme of reforms will be announced by my colleagues, but there will be:

- No more repeated assessments for irreversible conditions
- No more years-long waits
- No more systems designed to deter rather than support
- No requirement, as there almost always is now, to resort to appeals to win basic entitlements

A new process, grounded in respect and the presumption that people know their own lives, will replace the current punitive regime, and the small additional funding required to transform our system into one of care, not punishment and victimisation, is something our new Treasury team will willingly provide.

Creating opportunity where it has been blocked

But we will not stop at removing harm. Opportunity must be created as well as defended.

First, we recognise the growing number of young people living with conditions such as autism and ADHD, as well as those with mental health conditions such as severe anxiety and depressive disorders. Autism and ADHD are not temporary conditions. They are not reversible. Nor are they deficits. They reflect different ways of processing the world, and some of our most outstanding innovators and thinkers have those conditions. Despite that, young people face a lack of understanding, education systems that do not meet their needs from nursery through to university, and employment systems built for uniformity that they cannot always comply with. Unsurprisingly, they find getting work hard, just as those with mental health conditions do.

So, we will extend mental health and neurodiversity support through schools, colleges and universities. We will make neurodiverse conditions into protected characteristics for the purposes of discrimination law. And we will create a new lifelong support programme, so that help does not abruptly cease at the age of sixteen or eighteen. Employers will be encouraged and, where appropriate, required to make reasonable adjustments for those with needs to manage all these conditions, not as an act of charity but as a recognition of the value these individuals bring. If we were to promote a single programme to tackle low productivity and a lack of engagement amongst young people in the workplace, I suggest this is it.

Reducing insecurity and rebuilding employment

Poverty is inseparable from economic insecurity. And insecurity is inseparable from the design of our labour markets. Britain has some of the lowest employment protections in Europe, some of the highest rates of low pay, and an entire generation stuck in unstable work that delivers neither dignity nor predictability.

So, we will also:

1. Maintain and raise as appropriate the minimum wage to a real living wage that reflects the actual cost of living.

2. Ban zero-hours contracts unless genuinely requested by employees.

3. Give all workers full employment rights from day one.

4. Reinforce the right of employees to be represented by trade unions.

5. Restore access to Industrial Tribunals when it has been callously denied to too many.

6. Reform Universal Credit so that whilst work will always pay, sanctions that have for too long been used as an instrument of fear are replaced with genuine support.

7. Strengthen collective bargaining, even when trade union representation is absent, because workers cannot achieve security in isolation.

8. Provide long-term training support, including by recreating Industrial Training Boards, since the private sector has shown itself unable to deliver this, despite the availability of funding to assist them in doing so. Statutory entitlements to time off for training will be made available to ensure that these facilities are accessible to all.

Good employment is the best anti-poverty policy a society can have. But it must be *good* employment, not precarious employment.

Supporting families, children and care

We cannot address insecurity without addressing care. Families are breaking under the pressure of unaffordable childcare and overstretched social care systems. Both are essential infrastructure, every bit as critical as roads or railways.

We will:

- Expand universal childcare, beginning with free provision for all children from the age of two, and working toward a universal entitlement from one.
- Fund local authorities to rebuild social care capacity, starting with fair pay for carers and the restoration of training budgets.
- Guarantee respite support for families caring for disabled children and adults.

This is not welfare. It is an investment in social and economic capacity.

Rebuilding mental health support for all

Mental health provision in Britain is now so degraded that early intervention is almost impossible. Waiting lists are measured in years. Crisis services are overwhelmed. And the human and economic cost is immeasurable.

We will commit to a ten-year mental health rebuilding plan that includes:

- A national network of walk-in centres offering rapid access to early support.
- Guaranteed access to talking therapies within reasonable time limits.
- Restored funding for community mental health teams.
- Establishing workplace mental health standards that employers must meet, with a particular focus on young workers and those returning after illness.

This is not optional. An economy cannot function when millions are unable to access the basic support that would allow them to work, care and contribute.

Guaranteeing dignity for older people

Finally, we recognise the growing insecurity felt by pensioners, particularly because of frozen personal allowances and the erosion of pension value. No one should fear taxation simply because their pension has risen with inflation while allowances have not.

We will restore fairness by uprating allowances and undertaking a full review of pension taxation to ensure predictability and equity.

There is another issue that I should mention here, because it appears to have the most relevance to pensioners, although it affects every potential taxpayer in the UK as well.

Since 2011, under laws introduced by my then predecessor in this post, HM Revenue and Customs was granted not just the power, but the obligation, to impose penalties upon people who did not submit a tax return on time, even if they had no tax liability and were unaware of their responsibility to make such a return. The result has been that some people have accumulated substantial penalty bills, and by no means all of them have had the resources to make a successful appeal, with the consequence that they have faced significant financial stress for no good reason, imposed upon them by an uncaring state and a tax system that has not reflected the proper relationship between taxpayers and the country in which they live.

I can confirm now that this law will be changed. No one will now owe a penalty if they do not submit a tax return in a year when they have no tax liability, and the penalties for failing to submit returns will never, in any circumstance, exceed 10 per cent of any tax owing if the liability due for a year is less than £1,000, which will be true in the vast majority of cases. No tax system can be considered to deliver justice or fairness if it imposes unfair penalties on those with the least capacity to pay tax or no obligation to do so.

The principle behind it all

The overarching aim of these proposals is simple. Poverty is not natural. Insecurity is not inevitable. Exclusion is not a personal failure. All are products of political choice. And for fifteen years, those choices have been wrong.

This government makes a different choice: to end performative cruelty, to build a society that values contribution in all its forms, and to invest in the people who have been left behind for too long.

If Britain is to renew itself, it will not be through punishing weakness. It will be through recognising the strength and potential that exists in every person and building the systems that allow that potential to be realised.

Part 8: Abolishing national insurance

This eighth part addresses a key issue in the UK tax system and economy, which is to bring to an end the absurdity of imposing a tax charge exclusively on income from work, which is what national insurance does, creating considerable tax injustice within the economy as a whole. Short-term measures are required to address this issue immediately, but what is also needed is a radical overhaul of the tax system to address it for good.

Over many years, it has been customary for Chancellors to revel in the opportunity to announce the abolition of a tax on Budget Day. Most have picked on something slightly obscure when doing so. Too often, they have, as a consequence, advantaged the wealthy. That is not my plan. I cannot, however, resist the temptation to announce a review that will, in time, deliver an absolutely essential change to the tax system of this country.

I understand why this country acquired a national insurance system quite early in the 20th century.

I also understand why that system was expanded considerably in the immediate aftermath of the Second World War, when men made up most of the workforce in this country, many had jobs for life, and fewer were self-employed. The number of companies in existence was low. National insurance, with its supposed contributory principle, might have worked in those circumstances, but it no longer does.

National insurance – the anachronism

National insurance is now an anachronism. The contributory principle no longer makes sense. We live in a country that accepts its obligations to care for everyone, whatever their past employment record.

That contributory system, however, is not the most significant weakness in the logic of national insurance. There are two other much greater failings.

The first is that we impose a very substantial tax on employment, even though creating employment opportunities for everyone who lives in this country is a primary goal of any government. It makes no sense at all to tax a good thing, and a goal we want to achieve, at a time when we know that there are threats to future employment, not least from AI and other forms of automation. For this reason, national insurance is a bad tax that fails to fulfil the goals of this government.

A tax on labour

There is another reason why that is the case. National insurance, in both its employer and employee forms, imposes a burden on wages, suppressing real pay and reducing after-tax earnings. At the same time, there is no equivalent charge of any sort on those who live off unearned income of whatever source. No one can suggest that there is a moral justification for this, or for the massive increase in inequality that has arisen from the compounded effect over many decades. This injustice has to end.

There are two fundamental ways in which I wish to approach this problem.

An investment income surcharge

One, I stress, is an interim but nonetheless essential step. From 6 April next year, we will reintroduce an Investment Income Surcharge into our tax system, which last existed until well into the Thatcher era. This was then, and will be now, an additional income tax rate of 15 per cent chargeable on all forms of investment income, excepting most derived from pensions, at the rate of 15 per cent on income from those sources exceeding £10,000 a year, meaning that this is unlikely to affect those with savings of less than £250,000. All the data to create this charge already exists on tax returns. Estimated yields vary, but could exceed £18 billion a year, paid entirely by those with wealth, making a fair contribution to help us reduce inequality in this country.

Replacing national insurance

Secondly, in the long term, I wish to abolish national insurance and replace it with a financial transaction tax on all flows through UK-based bank accounts. A consultation paper on this proposal will be issued. The idea, however, is simple. Banks, of course, know precisely how much money flows into and out of all the bank accounts of people, companies, partnerships, trusts and others in the UK, and the plan is to levy a small transaction tax on all such flows in the future, with a few exceptions for organisations like charities apart.

This charge will be progressive.

There will be a significant annual exemption, meaning that many people will pay very little or nothing on their personal bank transactions. In contrast, those with wealth might pay considerably more than they do at present in national insurance. To be explicit: that is our goal.

The charge on business

The same logic will apply to businesses, irrespective of whether they employ staff or not. Those with large financial flows will be expected to pay higher rates of tax than those much smaller businesses that tend to generate a significant part of employment in this country, and who, as a result, have suffered an unreasonable expectation with regard to the tax contribution that they must make. We will, of course, be open to representations on the design of this tax, but the intention is clear.

We will no longer tax employment.

We will tax all earnings equally.

We will use the financial system and the data it holds as the basis for calculating these charges, and UK banks, building societies, and other organisations providing banking or savings facilities of a similar sort will have to take part and act as collection agents for the tax in question.

There will, of course, be allowances made for transfers between a person's own accounts and for provisions that might reasonably be made to provide for a family.

Similarly, we will not impose tax on transfers within corporate entities and their groups, but the tax charge will be based on the group's transactions as a whole. Transfers to the owners of a business will, of course, be subject to the charge.

I am not in the business of specifying the rates to be charged by this tax yet, but I can be clear about principles.

Those on lower pay should expect to pay less of this tax than they do now in national insurance.

Most pensioners will pay very little of this tax.

I hope many people will see a reduction in their overall tax bills.

Those on higher pay or with substantial investment income, who have benefited enormously under the national insurance system, will, however, undoubtedly be asked to pay more under this new tax system. That is the purpose of this tax.

Similarly, small businesses are likely to have lower tax bills than their current national employer's national insurance charges as a result of this tax. In contrast, many large companies will pay more, especially if they have a relatively small number of employees but high turnover, as is, for example, typical in the financial services sector.

Tackling avoidance and evasion

And for those who think that this tax will be easy to evade, let me offer an assurance in advance that HM Revenue and Customs will be granted significant powers to compare declared income or turnovers with those likely based on other income in its possession, and to assess additional tax accordingly, including penalties of up to 200 per cent of sums likely to be evaded.

In time, if this tax works as I hope, I would expect it to be used not just to bring national insurance to an end, but also to permit progressive reductions in income tax and VAT rates.

It is time that this country had a tax system fit for the 21st century, and a tax payable on the basis of financial flows through bank accounts, deducted monthly from bank accounts with an annual adjustment to ensure an overall fair rate, will deliver that outcome and should significantly increase the progressivity of the UK tax system across all income streams.

I should add one last point. It is also quite likely that it will permit me to abolish two further taxes in the form of stamp duty on properties and stamp duty on share transactions, with the way in which this will be made possible yet to be decided.

I promised this would be a radical budget: this is a radical tax reform.

Part 9: Essential economic reforms

This ninth part addresses some fundamental reforms required to:

- *The relationship between the Bank of England and our commercial banks.*
- *The food industry, the ultra-processed foods it produces, and the government, given the impact those foods have on people in the UK and the NHS.*
- *The devolution settlements for Scotland, Wales and Northern Ireland, and their impact on economic management.*
- *The future management of the Treasury and its structure.*

I am aware that I have taken up a great deal of the House's time today, but I am unapologetic for that. As I said at the outset, this was always intended to be a significant Budget, setting this country on a different path from that which it has followed, quite disastrously, for the last 45 years.

I have a few final matters to address before turning to tax. Each is important for understanding the proposals we are publishing today.

Central bank reserve accounts

Firstly, those with long economic memories will know that, prior to 2006, the Bank of England did not pay interest to the UK's commercial banks and others holding accounts with it on balances held with it that are properly described as central bank reserve accounts. This was assisted by the fact that balances were low in those days, unlike now.

The fact that these have been inflated to around £700 billion today is, however, not because we have required our commercial banks to deposit additional sums with the Bank of England, but rather because successive UK governments did, through the quantitative easing process in use from 2009 to 2021, create new central bank reserve account balances which were effectively made available to commercial banks at no cost to themselves. It might reasonably be said that this exercise represented the single most significant injection of capital into any part of the UK economy ever made by the UK government.

However, instead of demanding payment for this support, the sums that were technically held as deposits by these banks on their central bank reserve accounts were treated as if they were any akin to any other bank desposit account, even though they were with the Bank of England who had actually been rsponsible for creating them, despite which fact the Bank of England then paid its base interest rate on them even though the commercial banks holding these funds had never undertaken any activity to justify earning a return on them.

This issue was inconsequential during the decade or so when Bank of England base rates were close to zero per cent, but that has not been the case over the last few years. As a result, UK commercial banks have benefited by sums of up to nearly £50 billion a year on some occasions, and even now are benefiting by almost £30 billion a year as a consequence of these interest payments - and they then have the temerity to tell us that we cannot afford the social programmes we and the people of this country desire because we must, instead, fufill our supposed obligation to make interest payments to them.

There can be no justification for payments on this scale. I accept the technical arguments put to me by the Bank of England that some interest payment on some of these balances is required as part of the process of managing interest rates in this country, and as such, I accept the idea that these deposits should be tiered, an arrangement used in Japan and by the European Central Bank, with interest being paid on only some of those balances. From now on, the first £200 billion of such deposits, apportioned between banks on the basis of the balances maintained in aggregate by the banking sector with the Bank of England, will be subject to interest payment, but thereafter no such payment will be made. A saving of more than £20 billion a year should arise as a consequence.

I should add that I have also instructed the Bank that it should cease quantitative tightening operations immediately because the only justification that they have been able to supply for this activity is their policy of maintaining high interest rates in this country to supposedly tackle inflation, when it should be evident to ayone, the Bank of England included, that the UK inflation rate is entirely unaffected by the Bank of England's interest rate. This programme has been profoundly harmful to the UK's financial well-being for the last few years. The Bank of England has been responsible for this harm, and it will cease. I expect market interest rates to fall as a result, delivering significant potential savings to this government, over the next year and for many years that might follow.

Ultra-processed foods

Secondly, the banking sector is not the only commercial sector within the UK to have exploited the goodwill of this government and its predecessors. So too has the food industry, and most especially the manufacturers of ultra-processed foods.

All sorts of reasons and excuses have been put forward for why action to tackle the massive consequences of excessive intake of these so-called foods cannot take place. I consider all those excuses as artificial as ultra-processed foods.

It is entirely technically feasible to determine what these foods are, and the weight of evidence that they are now deeply harmful to the health and well-being of people in this country is so overwhelming that there is no reason for further debate on whether action is required to tackle them. At least 50 per cent of our calorie intake is made up of these toxic substances, with that proportion almost certainly being higher amongst young people, many of whom have limited access to kitchens and cooking equipment because of the nature of their domestic circumstances.

The cost to the NHS of this food is very hard to estimate, but I am advised that rates of obesity, diabetes, heart disease, all forms of metabolic condition and even cancer are being inflated by these foodstuffs, as might also be some diseases of old age, including dementia. This is a cost that we cannot tolerate. These foods are imposing an enormous and unjustified burden on the people of this country.

As a consequence, it is the government's proposal that not only will we put warnings on all ultra-processed food packaging, and prevent television advertising of such products, and all advertising of them targeted at children in any media, but we will also use the power of tax to change the pricing of these products relative to whole foods that are conducive to health.

Details of this proposal have yet to be finalised, and a consultation will take place, but the intention is that, over time, the rate of value added tax to be charged on ultra-processed foods will increase to the standard VAT rate, and that, at the same time, a negative rate of VAT will be applied on the sale of all other foodstuffs. Given that it is thought that the balance of consumption between these two types of food is broadly equal at present, the result should be revenue-neutral at first, although we accept that this will change over time and that the balance of rates will need to be kept under review. But what I stress is the fact that this is not a tax measure as such: it is a market repricing that will not only have a massive impact on improving health in this country, but which will also massively reduce demand on the NHS, from which everyone will benefit, including those with other illnesses, who will see considerable resources released for their benefit as a consequence.

This government cares. We care about people. We care about health. We care about eliminating the causes of ill health. This is how we will demonstrate all those things, and we will all be better off for it.

The ultra-processed food industry and the big pharmaceutical companies, who have profited enormously from the consequences of the ill health that food industry has created, will object, but they will not get their way: people matter more than their profits, and it is to the shame of previous governments that they have not acted to tackle this issue.

Devolving responsibility for tax

Thirdly, I wish to address the issue of devolution settlements within the UK and the impossible fiscal positions they put our devolved governments in. Rational decision-making on tax rates is virtually impossible for these governments because of the limited range of taxes available to them and the perverse incentives that result, with embarrassing outcomes for the governments in question and the undermining of government credibility in Scotland, Wales and Northern Ireland.

I can, therefore, announce today that this government will be seeking to reopen the devolution settlements with Scotland, Wales and Northern Ireland, and will begin negotiations with the governments of each of these countries to discuss greater devolution of tax management powers to them.

These discussions will not cover VAT, which we think should remain a UK tax broadly aligned with the system of the European Union, with which we expect each of the devolved governments to agree, but they will otherwise consider:

- Devolution of the whole of income tax, including control over some reliefs and allowances.
- Devolving powers over capital gains tax rates.
- Devolving powers over inheritance tax, including its structure and design, providing the potential for these governments to offer alternative taxes on gifts or wealth.
- Devolving powers over corporation tax rates and maybe reliefs, requiring the introduction of a unitary basis of tax apportionment between the member countries of the United Kingdom, permitting, as a result, variation in corporation tax rates between countries.
- Devolving greater borrowing powers.

I will also be open to a more comprehensive representation of the views of each of these governments in macroeconomic policy affecting the United Kingdom as a whole.

I cannot, of course, pre-empt the outcomes of such discussions, or what the government of each of these countries might wish to do, but my colleagues and I look forward to these negotiations, which we believe will strengthen democracy and the proactive role of government in each of these countries and in the UK as a whole.

The future of the Treasury

Finally, before I turn to taxation, I have one other announcement to make, which is that the changes that I have announced necessarily require reconsideration of the role of the Treasury within government.

The Treasury has, for far too long, been too dominant and has been a drag on the goals of other government departments and on the process of democracy itself, because the thinking of the Treasury has usually been far too aligned with the interests of capital rather than with the interests of the people of this country.

I can, therefore, announce another consultation process, which I hope will be complete within a year. This will concern a proposed breaking up of the Treasury into three new Departments.

The first will manage revenues and will be responsible for HM Revenue & Customs, the coordination of the activities of the reformed Debt Management Office, and liaison with the Bank of England in its new role.

The second, relatively small Department will work with the Chancellor on economic policy, but will be required to coordinate with the other Departments that will now be created.

The third such new Department will be responsible for economic development, and will be tasked with managing applied fiscal policy within our economy to achieve our stated aims. This will be a department of industrial policy and delivery, although I leave the eventual outcome of this consultation open at this stage.

What I do, however, is signal that change is essential. The processes we have had will not deliver what will be required for the future. That is the underpinning logic of this reform, and that reform must take place.

Part 10: Tax Reforms

This tenth part of this Alternative Budget addresses some fundamental tax reforms, based in large part on recommendations in my Taxing Wealth Report, published in 2024.

I am now approaching the close of this budget presentation, radical as it has been, and, as is customary, I have left most of my tax reforms to the end of my speech to ensure that all of you have remained attentive throughout.

Given what I have already said, I would be surprised if many of you now expect me to change my stance on taxation. I set out the reasons for tax at the start of this speech.

I have also recently explained why taxing wealth can help control inflation whilst reducing inequality and simultaneously permitting redistribution to those on lower incomes, who are provided with the ability, as a result, to spend more to meet their needs, releasing valuable multiplier effects into the economy as a secondary consequence and delivering economic growth, which is a goal of this government. Having made those points, I am not going to change my mind now when it comes to delivering policy.

I have a relatively limited number of changes to the tax system that are worth noting in this speech, although some minor ones will be noted in the documentation to be released when I sit down.

Investment income surcharge

I have already explained the reintroduction of an investment income surcharge in this country, raising an estimated £18 billion as a result, and that is the first of my major tax reforms.

Increase in basic personal allowance

The second follows on from our commitment to ensure that no old-age pensioner should have to pay tax on the basic state pension that they receive, and as a result I am increasing the basic personal allowance in this country to £15,000, although I am making no adjustment to the point where higher rates of tax are charged as a consequence, to ensure that this benefit is restricted to those on basic-rate taxation.

Changes that will not be happening

Despite rumours that I will be changing the basic rate of tax, I will be doing no such thing.

In addition, despite suggestions that I will be changing salary sacrifice schemes for pension contributions for those on low pay, I can again confirm that I will be doing no such thing. It is not the job of this government to harm the pension prospects of those on average pay.

I have also been persuaded to leave the tax relief on higher rates of pension contribution in place: the changes already announced in regulation on both ISA savings and the investment of part of all new pension contributions turn these reliefs into ones with. social purpose: in that case, I am persuaded, at last for the time being, that these rates of relief remain appropriate.

The purpose of tax changes

That said, I will make some tax changes. All of these are designed to ensure that those with wealth, or high levels of what have customarily been called unearned income in the past, now make a fair contribution to the tax yield of this country, when that has not been the case in the past.

Capital gains tax rates

As a result, capital gains will now be treated as the top part of a person’s income, having taken allowances for the purposes of that tax and income tax into account, and will be taxed as such. In other words, income tax and capital gains tax rates will be aligned.

My logic is simple. Gains represent income as much as any sum derived from work and, as such, they should be subject to tax in the same way and at the same rates. It is time for the bias toward wealth in our tax system to end. Capital gains yields are always a little difficult to forecast because patterns of behaviour are erratic and depend on market confidence, but I expect this measure will raise around £12 billion a year.

VAT on financial services

I have other changes to make in line with this theme. I have long thought it anomalous that, amongst the exemptions from charges to VAT, financial services are included. I know this is an EU measure, but we are no longer in the EU, and we have the chance to signal to it how change might take place. As a result, VAT will now be charged on supplies of financial services by banks and other institutions, which will, of course, mean that they will also be able to recover the VAT charged to them. However, I suspect this will raise approximately £8 billion of tax revenue a year and that the impact will fall almost entirely on those with significant or high wealth because they are the ultimate consumers of these services, whatever those who will protect will say. The interaction with insurance premium tax will be carefully planned, but the two will not overlap. When the value added by our financial services sector is, too often, hard to identify, or too often falls outside the UK, this tax charge makes complete sense and is part of the process of delivering tax justice.

Corporation tax rates

I also have changes to announce with regard to corporation tax. Firstly, it has never made sense that the small-company rate of corporation tax should be lower than the basic rate of income tax, providing a perverse incentive to incorporate and undermine the income tax system as a consequence.

This is especially true when we now know that 40 per cent of all small companies fail to pay their corporation tax, costing the Exchequer almost £15 billion a year. The privilege of limited liability that is granted by society is being massively abused as a consequence, and I have two major proposals to make as a result.

Firstly, corporation tax will increase from 19 per cent to 22 per cent and will then increase by one per cent per year until it is equalised with the main corporation tax rate, which currently stands at 25 per cent. I am not proposing to change that mainstream corporation tax rate at this moment, but it will be under review. This change will raise approximately £3 billion per annum at first, rising to £6 billion (at least) over time.

The purpose of this increase is quite straightforward. As I have noted, limited liability must be paid for. At present, we subsidise it and the abuse that it permits. That will no longer happen, and there is not a single genuine entrepreneur who will be put off creating a business by a 25 per cent tax rate.

Corporation tax abuse

Secondly, the problem of unpaid tax has to be dealt with. The solution to this problem has long been known but has never been acted upon. We will require UK banks and other regulated financial institutions providing banking or deposit facilities to notify HM Revene & Customs once a year which legal entities of all forms, including all types of limited companies, limited liability partnerships and trusts, they provide services to, and what the maximum balance on the accounts of each of those entities in the previous year was, together with the balance at the reporting date, plus total figures for money paid into and out of the account in question in that year. All this data is readily available to our banks and tax reporting systems for this data already exist with regard to overseas entities, and there can, therefore, be no excuse now for not providing it for HM Revenue and Customs to use now. Doing so, it will be able to identify all those entities that have an obligation to file a tax return, check those tax returns, and then use that data to pursue those who fail to supply information.

Data without sanctions is, however, of little use, and, therefore, I can announce that we will be reforming company law so that the protection of limited liability will be stripped from all directors, company secretaries and shareholders in companies where there is any reasonable suspicion that incorporation has been abused to provide untaxed reward to any of those people from the limited liability entities with which they are associated that has failed to fulfil its obligations to settle tax owing. These people will then be liable to tax on that personal gain, including income tax, national insurance and investment income surcharges at full rates, plus penalties. We will be providing HM Revenue and Customs with significant extra resources to manage this process, and we expect to raise at least £10 billion of additional tax revenue per annum as a result.

Other changes

The withdrawal of Child Benefit

There are other changes that I wish to make. In particular, if we are removing the injustice of the two-child benefit cap, then we should also remove the injustice created when child benefit is effectively removed from parents earning more than

£60,000 per annum. If I believe in the principle that all children are equal, then this tax charge is also unjust, and it must go. In the process, I remove a perverse disincentive created by a previous Tory government that made no sense then and has made no sense since. This is a price worth paying.

Change to higher rates of income tax

Having recognised that fact, I am also aware that withdrawing the personal allowance for those with income over £100,000 creates a disincentive that makes no sense. It creates a marginal tax rate of 60% over £25,000 of income above £100,000, and I am aware that this does change the behaviour of some in our economy. It should, therefore, be removed. To compensate, I will raise the start point for the 45% income tax rate to £100,000 and introduce a new 50% tax rate on all income over £200,000. This is what tax justice looks like.

Elsewhere, I have to sound a note of caution regarding tax changes. In a radical budget, it is appropriate to ensure that the aim of increasing well-being, incomes, economic activity, and our social infrastructure has priority over minor tinkering with the tax system, however much people might like that. I am therefore not making any other changes to headline tax rates or most other excise duties, with exceptions noted in publications available when I sit down. This means that higher tax rates will continue to apply to the bands currently in use unless I have indicated otherwise, but I do hope to make changes to this in years to come.

Fuel duties

Let me finally make two other important changes. One is to reintroduce the fuel duty stabiliser, which has been frozen and at an artificially low rate for too long. This will therefore increase by 4% in line with inflation this year. I judge that, given current fuel prices well below their peak, this is a necessary change as we drive towards addressing climate change.

I can confirm that an equivalent charge for electric vehicles, to account for the climate harm they also cause, is under consideration and should be introduced in a year's time. The detailed work has yet to be completed.

Tax on gambling

Finally, when discussing the role of tax in addressing social harms, it is widely acknowledged that gambling is a cause of social harm in the UK, with the addiction that companies engaged in this sector create through their expenditure of £2 billion a year on the promotion of this activity being particularly pernicious. As such, I am introducing a transformation to gambling taxation that will create a level playing field between online and in-person betting and which is quite deliberately priced to deter engagement in this activity. Simultaneously, Health Ministers are announcing an increased programme of support for those who suffer addiction to gambling activity. This is a problem that we must eliminate, and it can never be viewed as a source of economic growth in this country if we are to hold our heads up high in a world where the elimination of abuse is essential.

Revenue raised

The measures announced raise approximately £55 billion in tax.

The measures I have announced relating to the reform of tax-incentivised savings might release £100 billion per annum for investment.

This is a transformational budget, redefining the boundaries between the wealthy and the rest of us, and the City and the rest of the economy.

Next, I will finally move to explain the consequences of those changes.

Part 11: Conclusions

This eleventh, and concluding part, provides concluding comments and recommends this Budget to the House, in customary style.

This has been a long budget and is likely to go down in history as one of the most significant changes of direction in UK economic history. I make no apology for that. This has been necessitated by the desperate failure of neoliberal, market-based, wealth-focused, austerity economics that we see all around us. I am not a revolutionary. I am not even radical. My goal has been, quite simply, to restore the sense and economic logic to this government's finances, now and into the future, that has been missing for far too long.

As a result, I am dragging the UK Treasury and our financial institution into the 21st century when they are still dedicated to managing our country on the basis of thinking that was already outdated before the last remnants of the gold standard basis of money management were consigned to history in 1971.

I am bringing to an end the pretence that the government uses what has been called taxpayers' money, when it does not.

I am making it clear that we, as a government and as a Parliament, create the money that taxpayers use instead.

I am emphasising our role in controlling inflation, and am ending the outsourcing of this to the Bank of England.

I am refusing, unlike my predecessors over many decades, to pretend that the government is dependent on finance provided by the City of London, when in fact the City of London is dependent on the government to provide it with the savings institutions and opportunities that underpin almost all its operations.

I am similarly refusing to provide savings subsidies that cost this country more than £100 billion a year when it would seem the City of London and its institutions are intent on exporting the benefits of those subsidies outside the UK, and will not use them to the advantage of those who trust them with their savings within this country. The era of the City living off state subsidies whilst threatening us if we dare suggest benefits for the rest of the country has to be over, for good. Instead, we will liberate the country's savings to serve as capital that empowers the radical transformation of all the countries within the UK for the benefit of everyone, which is the underlying theme of this Budget.

As a result, we can afford to rationalise the UK's failing utility companies, and we will. The era of their exploitation of the people of this country is over, and should never return. Privatisation was a bad idea in theory, which was even worse in practice and delivery. The cost of Thatcher's failed experiment has to come to an end, and fair compensation to those whose assets we will now nationalise is both possible and affordable using the methods pioneered in the post-war era.

In addition, we will start the programme of re-socialising housing in this country to ensure that everyone has a home they can live in for the long term, in which they can build their lives, safe in the knowledge that, their abuse apart, they will be able to live there and make the surrounding community something of which they can be a part.

We will also transform the taxation of food to end the ill health caused by ultra-processed foods in this country.

To support that and other issues, I have announced significant changes to our social security system, and I hope to make further progress on them over the coming years.

I am also transforming parts of the tax system so that those with the broadest shoulders will finally make an appropriate contribution to tax, decades after they last did so.

I am also planning to reduce taxation on work to the greatest extent possible, whilst increasing taxes on investment income, which makes economic sense if we are to restore Britain’s prosperity and tackle its productivity problem.

I am imposing more progressive transaction taxes when that is fair.

And I am transforming the operation of corporation tax so that it is no longer abused.

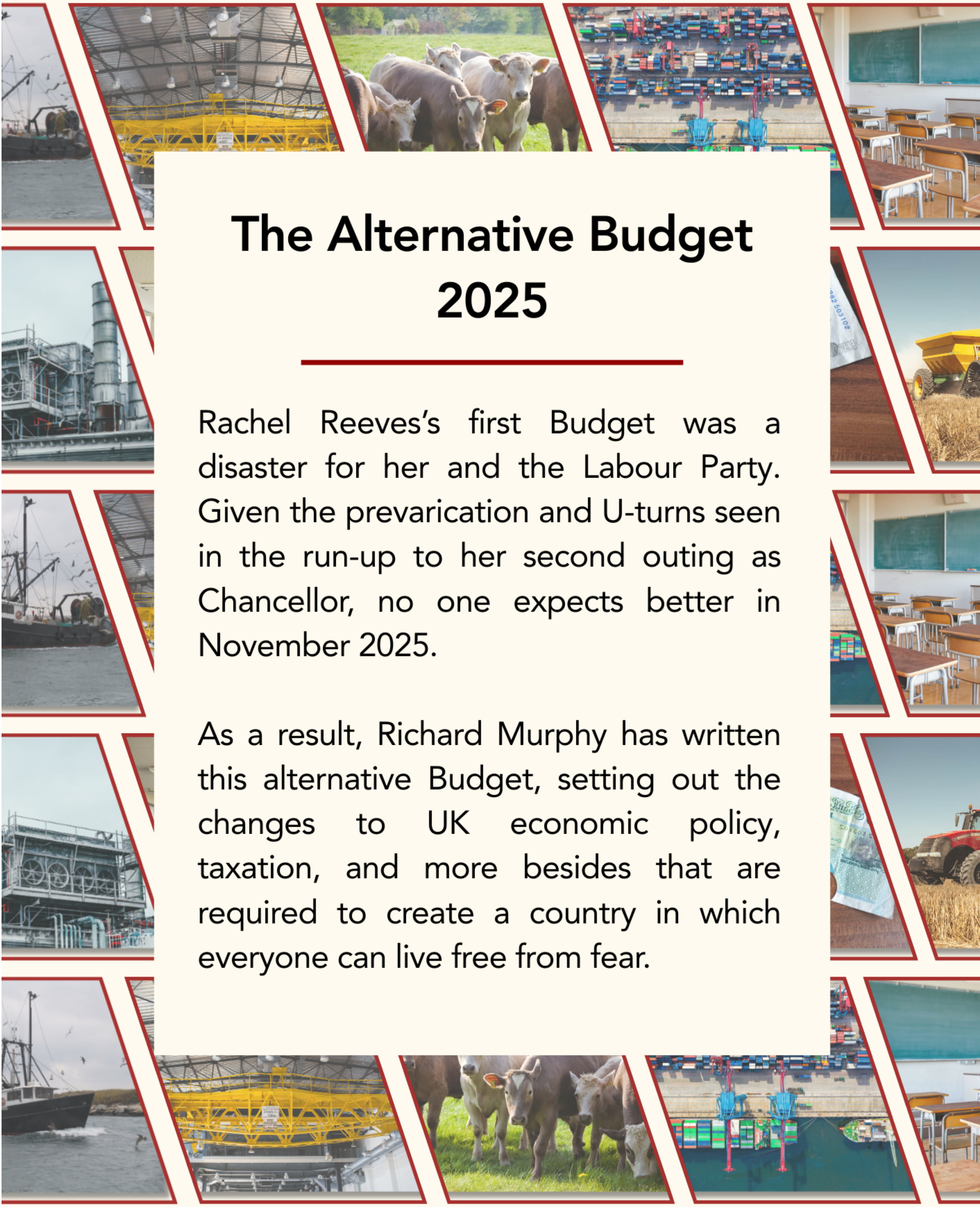
All that being said, I would like to go further in due course, but recognise that our primary tasks now are to:

- Deliver a Green New Deal.

- Rebuild the NHS, and tackle ill health.
- Deliver social housing for all who need the stability it can provide.
- Create jobs and earnings security for millions.
- Take fear out of our social security system.
- Rebuild the confidence of those who deliver our public services, and those who rely on them - which we all do, whether we admit it or not.
- Tackle our failing infrastructure.

This is a great country that has been brought to its knees by the antisocial economics of neoliberalism and the "me first" attitude of the elite.

We are socially minded. As a result, this government is "we first". This is a budget for everyone, and not just a few. It breaks the pattern of recent history by being so. And for that reason, I commend this Budget to the House.



The Alternative Budget 2025

Rachel Reeves's first Budget was a disaster for her and the Labour Party. Given the prevarication and U-turns seen in the run-up to her second outing as Chancellor, no one expects better in November 2025.

As a result, Richard Murphy has written this alternative Budget, setting out the changes to UK economic policy, taxation, and more besides that are required to create a country in which everyone can live free from fear.

funding the future