



Five decades of tax rises ahead

The government's budget watchdog says more tax rises are not only on the way but are expected for the next 50 years.

The Office for Budget Responsibility (OBR) normally comes into the spotlight when the Chancellor is presenting the Autumn Budget or a Spring Statement. However, between those two set pieces, the OBR regularly produces assessments on the state of the government's finances. Once a year it takes a long-term view – as far out as 50 years – on where public debt is headed and what risks the public sector faces.

The Fiscal Risks and Sustainability Report published in July – coincidentally on the day Boris Johnson resigned – did not make cheery reading for anyone hoping to be his tax-cutting replacement at the head of government. The report focused on three danger areas for government finances:

1. Rising geopolitical tensions: The OBR views the Russian invasion of Ukraine as prompting an increase from the “current historically low levels of defence spending across Western countries” – a reversal of the so-called peace dividend from the end of the cold war. At the same time, the OBR fears slower growth because of a retreat from global economic integration.

2. Higher energy prices: For the OBR, the recent surge in gas and oil prices, accompanied by inflation reaching rates not seen since the 1970s, has underlined the economic and fiscal risks to the UK from its continued dependence on fossil fuel imports. The OBR also sees a sharper focus on the tax choices and trade-offs involved in the UK's pledge to achieve net zero emissions by 2050.

3. Long-term pressures: One surprising comment from the OBR is that the Covid-19 pandemic has had “remarkably little impact” on the UK's medium-term financial position. The OBR attributes this in part to “the substantial tax rises” announced in the pandemic's wake. However, that good news is tempered by the spending pressures of an aging population and the loss of existing motoring taxes as electric vehicles come to the fore. The net result is to leave public debt “on an unsustainable path in the long term”.

The OBR's stance is that taxes are not going to fall, whatever the aspiring successors to Mr Johnson's job have said. If you want to pay less tax, then what matters is your own financial planning, not the Treasury's.

Tax treatment varies according to individual circumstances and is subject to change.
The Financial Conduct Authority does not regulate tax advice.

Social media suggestion The government's budget watchdog, the Office for Budget Responsibility, says more tax rises are not only on the way but are expected for the next 50 years.
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