

DEMOS

# TAXING DECISIONS

SHOULD THE GOVERNMENT BREAK  
ITS PROMISE AND RAISE INCOME  
TAX, NATIONAL INSURANCE OR VAT  
TO SECURE A 'DELIVERY DIVIDEND'?

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**Dan Goss**

**November 2025**

# ABOUT THIS REPORT

The government is in a seemingly impossible financial spot. It is ever more likely to need to raise taxes in the Autumn Budget to meet its fiscal rules, but its tax decisions so far have cost precious political capital. At the same time it must meet its commitments to improve public services and increase growth.

At Demos, we understand there are no easy choices. The only way through these predicaments is to have open and frank conversations with the public, communities, and key stakeholders about the choices facing us. Our work on building a **Citizen Economy** focuses on ambitious and impactful ways to align the interests of citizens with those of the economy, the growth agenda, employers and the government's fiscal policies.

This project first looked at tax rises that could help plug the fiscal hole while aligning with the public's values for the tax system. We then explored how the government could convey the importance of Budget tax rises to the public, and in turn help rebuild public trust in the state. This paper now looks beyond the fiscal hole, to how the government can raise the revenue needed to invest in national renewal while retaining public trust. With more revenue clearly needed to fix our public services and invest in our housing and infrastructure, raising the broad-based taxes which the government promised not to may be the best option. The risk that this also harms public trust in the state is also clear. This paper assesses that risk, and how to mitigate it.

Future work under the Citizen Economy pillar will also look at other areas that most affect the fortunes of citizens: the private rental market, lived experience of poverty, work, and social mobility, and the contribution businesses can make to this agenda.

# EXECUTIVE SUMMARY



*Rachel Reeves is now in a real dilemma. They've said "We're not going to increase income tax. We're not going to increase national insurance". And yet, she's sitting at her desk saying, "I'm going to have to" and Keir Starmer is going "No Rachel, you can't, because then we're in real trouble for the next election".*

*So they've got a real dilemma here. But the only thing that's going to get them out of this is genuine honesty with the public, and then spending money in a way which is transparent and open and that we can all go: "That's where the money went. That was for a good cause. These things are improving."*

**– Member of the public. Gen X, Lib Dem, South East homeowner**

Public discontent with the state is at a historic high, fuelled by slow economic growth and strained public services. The progress being made - to drive growth and ease pressure on services - is too slow for a public who are running out of patience, as reflected in polls showing the government's popularity plummeting. The Chancellor is under increasing pressure to deliver in the short term, and demonstrate their ambition to turn the dial in the long term.

Achieving these aims will require significant resources to invest, build and reform. While attracting private capital through planning reforms, industrial strategy or trade deals will help, more public investment has a critical role to play. If the government wants to radically shift to more efficient, preventative public services, de-risk and crowd-in private investment for our failing infrastructure, or expand efforts to regenerate neighbourhoods like the Pride in Place Strategy, more public investment is essential.<sup>1,2,3</sup> With levels of spending already set to fall from 2027/28 onwards, the approach has to change.<sup>4</sup>

1 O'Brien A, Curtis P and Charlesworth A. Revenue, capital, prevention: A new public spending framework for the future. Demos. 2 October 2023.

2 Goss D and Wood Claudia. Infrastructure for the Future: Fixing the foundations of growth in Britain. Demos. 6 March 2025. <https://demos.co.uk/research/infrastructure-for-the-future-fixing-the-foundations-of-growth-in-britain/>

3 Ministry of Housing, Communities & Local Government. Pride in Place Strategy. 25 September 2025. <https://www.gov.uk/government/publications/pride-in-place-strategy/pride-in-place-strategy>

4 Office for Budget Responsibility. Economic and fiscal outlook – March 2025. 26 March 2025. <https://obr.uk/economic-and-fiscal-outlooks/>

The fiscal constraints are well known. The government already needs between £20bn and £50bn just to meet its fiscal rules and restore the headroom. Demos has outlined eight pro-growth, pragmatic, and popular tax reforms to help plug that hole to the tune of £21bn.<sup>5</sup> Signals from the Treasury are that the November 2025 budget will feature one or more of these changes.<sup>6</sup> Yet, these reforms alone will not be enough to turn the UK's fate around.

The most promising pathway to invest in economic and public service renewal is to raise more from income tax, national insurance contributions (NICs) or VAT. As these taxes collectively account for three quarters of public revenue, significant amounts can be raised. As they apply broadly across income or consumption, the risk of deterring private investment is lower than for taxes targeting productive capital or business profits, if raising similar amounts. Yet the stakes are high, with the government repeatedly promising not to raise these broad-based taxes. To be seen to renege could strike a significant blow to public trust.

## THE DEMOS TAX RISES

Building on our understanding of what the public want from fiscal policy, we engaged with a series of experts to understand options for reforming tax to raise revenue. Tax reforms were evaluated based on how they balanced: (1) raising substantial revenue (with consideration of dynamic effects), (2) alignment with the public's priorities for the tax system, (3) a fair distribution of costs, (4) protection of vulnerable groups, (5) benefits to productivity, growth and other economic objectives, and (5) administrative simplicity.

We identified eight reforms that optimally balance these priorities. They involve tackling tax advantages for landlords, partners and investors relative to employees, ensuring high-value properties pay a fair share, and properly taxing the social harms of gambling. Each tax rise not only raises revenue, but has widespread public support and makes the tax system fairer and more transparent.

Against this backdrop, this paper explores the key questions needed to understand how the government can rebuild public trust whilst addressing the fiscal hole:

1. To what extent could increases in broad-based taxes damage public trust? Would this be offset by the longer-term boost to public trust from national renewal?
2. If raising broad-based taxes, how can the government do so while minimising harm to public trust?

## PUBLIC ATTITUDES TO PROMISE-BREAKING TAX RISES

Drawing on extensive engagement with the public, Demos research shows that the 'delivery dividend' from broad-based tax rises (i.e. the ability to ramp up investment in national renewal to drive public trust) is likely to outweigh the cost to public trust in the long-term. Drawing on

<sup>5</sup> Goss D. Solving the Tax Puzzle: Eight popular, pragmatic, pro-growth tax reforms to plug the fiscal hole. Demos. 29 September 2025. <https://demos.co.uk/research/solving-the-tax-puzzle-eight-popular-pragmatic-pro-growth-tax-reforms-to-plug-the-fiscal-hole/>

<sup>6</sup> Swinford S. Tax raid on solicitors and GPs as Rachel Reeves targets wealthy. The Times. October 21 2025. <https://www.thetimes.com/uk/politics/article/rachel-reeves-ni-tax-rise-national-insurance-fc6w9dhv5>

nationally-representative surveys in the first half of 2025, with supporting evidence from focus groups, we find that:

- **In theory, the public are strongly opposed to the government breaking its promise on tax.**
  - Just 20% of the public say that it is okay for the government to break promises on tax, even if that's what the country needs. In contrast, 50% say it's not okay. Reform supporters hold this view particularly strongly (67% say it's not okay to break the promise, vs 12% saying it's okay) while Labour supporters are split (38% either side).
- **Yet, there are reasons to think the public may feel more ambivalent about promise-breaking tax rises.**
  - Very few members of the public know the government's tax promises. While the government promised no increases in income tax, NICs, VAT, or corporation tax, just 28% of the public thought Labour specifically promised not to increase income tax. Even fewer thought the same for NICs (21%) or VAT (19%), and particularly corporation tax (5%).
  - Across our focus groups, members of the public felt that the government had already broken its promises on tax, or did not expect it to keep its promises. People felt that governments never keep their promises, and felt more ambivalent about future broken promises as a result.
- **When testing a media simulation of a promise-breaking income tax rise alongside taxes on wealth and gambling, there is only a moderately negative response.**
  - When presented with a mocked-up BBC article announcing an income tax rise (with explicit clarification that it breaks a government promise) alongside Demos's recommended tax rises, net support is -4%. This is only moderately lower than articles announcing taxes on wealth or gambling alone (which range from 14% to -1%) and far lower than the article testing general spending cuts (-58%).
- **Public consent for a promise-breaking broad-based tax rise would be expanded if combined with taxes on the wealthy and a positive vision for change, with clarity and accountability.**
  - Across our focus groups, people felt a broad-based tax rise would feel less like a personal attack on 'working people' if it was combined with wider taxes on the wealthy.
  - People felt that if the government was to raise broad-based taxes, they wanted a positive vision for how the revenue would be spent and how it would affect their lives. They wanted clarity on how the change would be delivered, and accountability if the government did not deliver it.

The evidence suggests that, while the act of breaking a promise is judged very badly by the public in theory, the public may not feel so pessimistic about it in practice. Particularly, consent for a broad-based tax rise could be better achieved if (1) combined with reforms to tackle tax advantages for landlords, partners and investors relative to employees, ensure high-value properties pay a fair share, and properly tax the social harms of gambling, and (2) the government provides a very clear message about what impact the revenue will have for the country and people's lives, the policies and actions which will deliver that, and the accountability that the government will impose on itself to ensure that change is delivered.

If the government is to raise broad-based tax rises while securing public trust, it must take the public's demands very seriously. The box below outlines a method to do so.



## **TAX POLICY AS UNDERLYING A NEW DEAL BETWEEN CITIZEN AND STATE?**

In the context of record low public trust and increasing democratic disengagement, Demos is making the case for a New Deal between citizens and state. The New Deal asks something of us all, delivers for all citizens and is built on collaboration. The tax system could offer an ideal paradigm to radically reimagine what accountability between state and citizens means, and provide a route to rebuild trust.

Demos research is clear that, if being handed a broken promise and asked for more tax, the public demand a much more positive vision for change, greater clarity about how that change will happen, and stronger accountability for the government if it doesn't happen.

The government could deliver all three through introducing a broad-based tax rise pegged to delivery of a tangible, time bound goal, with clear benefits for the public and the promise to reverse the tax rise if the goal is not delivered. This approach is similar to 'tax triggers' (common across states in the US), whereby governments have promised to cut or raise taxes if certain conditions are later met (e.g. they achieve a revenue target or the federal government fails to institute a specific tax).<sup>7</sup> The tax pledge laid out in this paper would be more ambitious, by making the promised tax reform contingent not on fiscal conditions, but on the delivery of an outcome for the public.

To mitigate the risk of failure - which would be damaging to public finances - the pledge should be sufficiently achievable. A more achievable target would not undermine the public's demands, which are focussed on positive change, clarity, and accountability rather than highly ambitious targets. The pledge would, of course, also provide a substantial incentive for the government machinery to in fact deliver on the change.

The public is asking politicians for vision and conviction. Risk aversion and political paralysis is leaving voters feeling unheard, as the political system appears slow or unable to address their daily challenges such as the cost of living or broken public services. Staking a tax rise on delivery of a tangible outcome may seem impossibly risky to many in government; yet, in the context of the democratic doom loop, the risk of another blow to trust may be far greater.

<sup>7</sup> Walczak J. Designing Tax Triggers: Lessons from the States. September 7, 2016. [https://taxfoundation.org/research/all/state/designing-tax-triggers-lessons-states/?utm\\_source=chatgpt.com](https://taxfoundation.org/research/all/state/designing-tax-triggers-lessons-states/?utm_source=chatgpt.com)

## THE CHOICE OF TAX

It is not the focus of this paper to recommend a specific broad-based tax rise. The choice of reform depends on the exact size of the 'fiscal hole' (the amount needed to restore the government's fiscal headroom), the additional buffer the Chancellor wants, and the additional tax rises the government delivers. However, the most promising options are:

- **A rate increase - the choice for raising revenue.**

A 1 percentage point (pp) rise in the basic rate of income tax would raise £8.4 billion by 2029-30 (the year that the fiscal rules apply to), while a 2pp rise would raise £16.9 billion.<sup>8</sup> A 2pp rise in the basic rate, higher rate and additional rates would raise £21.6 billion. While raising significant revenue, these options would represent a crude break of the government's promise.

- **A tax switch - the choice for tax simplification and retaining trust.**

An alternative option is to do a 'tax switch' (i.e. a rise in one broad-based tax and a cut in another). In particular, raising income tax while simultaneously cutting NICs could raise revenue, while only representing an increased marginal tax rate for those who do not pay NICs on their income (e.g. individuals receiving rental income or investment income, or those over state pension age). Not only would this avoid raising the marginal rates for employees (as they would benefit from the NICs cut), it would represent a significant simplification of the tax system.<sup>9</sup> The most radical and economically optimal choice here would be to completely end NICs and recover the revenue, plus additional revenue on top, through income tax.

8 Institute for Fiscal Studies, Nesta. Be the Chancellor. <https://ifs.org.uk/be-chancellor>

9 Corlett A. Call of duties: Revenue and reform for Autumn Budget 2025. September 2025. <https://www.resolutionfoundation.org/app/uploads/2025/09/Call-of-duties.pdf>

# SECTION 1

## PUBLIC ATTITUDES TO BROAD-BASED TAX RISES

Whatever the circumstances, a rise in income tax, NICs or VAT would be highly controversial. Such a reform would create additional costs for a substantial proportion of the population. Yet, the government has raised the stakes with explicit promises not to raise these taxes. An increase in these broad-based taxes in the upcoming Budget now represents, on the one hand, an increase in tax affecting much of the public, and on the other a broken promise. These two aspects of a broad-based tax rise could provoke different reactions among the public. To understand both, we first explored how the public would feel about the government breaking its promise on tax in the abstract, and then feelings towards specific broad-based tax rises.

In this section, we discuss the evidence on those reactions. We find strong opposition to the government breaking promises on tax, but also that knowledge of tax promises is low, and few believe the promises will be kept anyway. On specific tax rises, we find only a moderate negative reaction to a mocked-up announcement of an income tax rise, even when the public are told this means a broken government promise. This finding is supported by the qualitative data on both an income tax rise and 'Health and Social Care Levy' across our focus groups.

While it is impossible to test a scenario where the tax rise faces widespread media coverage and scrutiny, the evidence suggests a broad-based tax rise would not deal an unhealable wound to public trust. This indicates that the longer-term delivery dividend would outweigh the short-term cost.

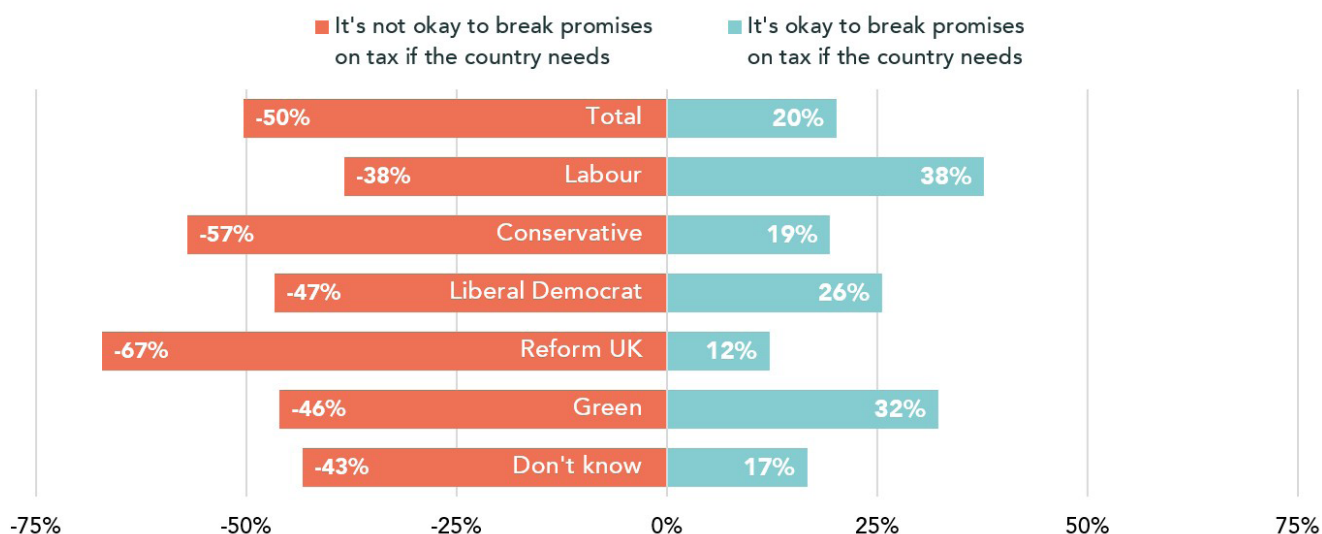
### 1.1 PUBLIC ATTITUDES TO BREAKING PROMISES ON TAX

The public tend to feel it's not okay for the government to break promises on tax, even if that's what the country needs. Just 20% of people think this is okay, vs 50% saying it's not okay. This finding is particularly stark among Reform supporters (12% saying it is okay vs 67% not okay), but is less acute among Labour supporters, who are evenly split on whether it is or is not okay.

**FIGURE 1**

The public tend not to think it's okay for the government to break their promises on tax, even if that's what the country needs

Which of the following most closely aligns with your view? By voting intention

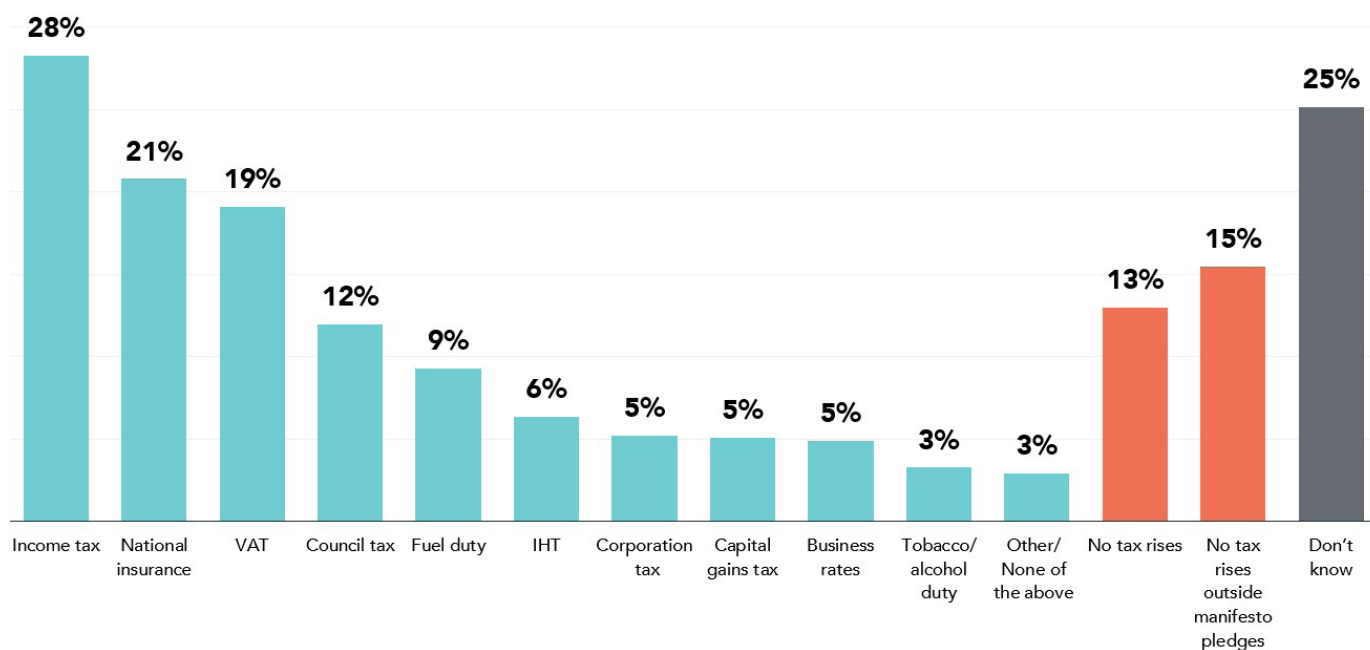


**However, very few people know Labour's tax promises.** Labour promised no increases in income tax, NICs, VAT or corporation tax, and more generally promised they would not raise tax on 'working people'. They did not make promises on other tax rises. Yet, 13% of the public thought they promised no tax rises at all, and a further 15% thought they promised no tax rises outside those pledged in the manifesto. Just 28% thought Labour promised specifically not to increase income tax, and even fewer thought the same for NICs (21%) or VAT (19%). For corporation tax, just 5% of the public thought the government promised not to raise this.

**FIGURE 2**

Most people did not know about Labour's tax promises

Before last year's election, which of the following taxes do you think the Labour party promised not to increase?



Members of the public we spoke to in focus groups expected the government not to keep to its promises on tax, or believed they were already broken. People broadly felt that governments never keep to their pre-election promises, and that others would be silly to believe these promises in the first place. People were therefore ambivalent about the government sticking to these promises.

*What did labour actually say? Did they say they weren't going to increase taxes?*

**Gen X, London, homeowner, Reform supporter**

*Every new government will put up taxes as soon as they get in, no matter what they promise, because they're always trying to fill the hole that's left by the previous government, and tax is an easy way for them to do it. And politicians invariably just sort of tell you one thing and then do another, as we're all very aware.*

**Millennial, London, homeowner, Reform supporter**

*The fools who believe that [the government] won't break promises are the ones that need to maybe get their heads checked because they shouldn't have believed them in the first place... I think that if they don't do it because they're worried about the fact that they promised it, it's only because they want to stay in power. But whether that happens or doesn't happen, I think the ship is already starting to leave the port on that. I don't know if it'll make a difference.*

**Millennial, West Midlands, homeowner, Labour supporter**

*Government promises? Are you kidding me? I do vote, you know, but I would never think that whatever they promise will be delivered... So I wouldn't be disappointed. I wouldn't feel hurt. I wouldn't feel sad. I would be like, 'yeah of course, let's move on'.*

**Millennial, London, renting privately, Lib Dem supporter**

There was some sympathy with the idea that the economic context has changed, so not all promises can be kept. On that basis, some people felt that promises could be abandoned. Others felt that it was, at this point, a necessary evil. Regardless of what was promised, these people felt it was the right thing to do.

*It's difficult to predict these things and as part of their manifesto, they made an argument to say this is what we'll do, but things change and we have to flex as well.*

**Gen X, East Midlands, homeowner, Conservative supporter**

*Rachel Reeves has promised no income tax rise or no national insurance rise. I'm starting to doubt that she's able to maintain that promise. The simple fact of the matter is that with the state of a country and the need - and I do mean need to spend more money quickly on defense - I don't see how she can avoid tax rises. And so to be truthful, I'm expecting it. Do I like it? No, not particularly. Am I expecting it? Yes. Do I think it's the right thing to do? Probably. It's not nice, but probably right.*

**Gen X, South East homeowner, Lib Dem supporter**

Regardless of opinions about whether it was right or wrong, there was almost unanimity in our groups that, if the government were to break its promise, there needed to be much more accountability for how the money is spent. Many people felt they could not generally trust government promises. People wanted more specific and clearer targets than in the past. Some even suggested that the government give the money back if the targets were not met. On top, people wanted clear details of how the targets would be delivered, with policies to evidence it.

*1% probably isn't going to make a huge amount of difference individually, but I think it would just be nice to know what this is going towards. So at least there's some degree of accountability following it.*

**Gen X, North West, homeowner, Reform supporter**

*There's got to be a level of honesty from the government on what they're spending tax rises on. There is a lot to pay for within this country, and there's a lot that's broken currently, so I'm all in favor of tax rises, depending on if they're going to be honest about spending it.*

**Gen X, East Midlands, homeowner, Conservative supporter**

*They need to stop being so wooly about what they want to do. They're all very scared about giving genuine targets. They've got to start giving the public some firm metrics by which they can be judged.... "Maybe that" is not good enough, and actually they need to be more radical, as other people have said, come up with some innovative ideas and then actually tell us what they are going to do by when, and actually deliver on it.*

**Gen X, South East, homeowner, Lib Dem supporter**

*It's fine if they [raise taxes to invest in efficiency], but they should have targets and goals. And if they don't hit those targets and goals, we get our money back. So that makes them accountable to it because if they don't, then at least it doesn't cost us either.*

**Gen X, London, homeowner, Reform supporter**

Concerns were mainly driven by the fact that raising broad-based taxes meant 'working people' paying, rather than those with higher incomes or wealth. This reinforced a sense of defeatism that the public have about tax rises - something which Demos has previously identified - whereby people feel the government would never, or could never, properly tax the wealthy.<sup>10</sup>

*I think they did promise that they wouldn't increase tax on working people. I think that was one of the first things they said when they came into government or in their manifesto. So if they did that, then I'd see that as a break of what they promised to do. Instead, there still seems to be no approach at making the rich pay a fair share.*

**Millennial, Yorkshire and the Humber, homeowner, Green supporter**

The evidence outlined here suggests that, while in theory the public are strongly opposed to the government breaking its promise, the reality is more complex. People are unclear about what the government's promises are, whether they have already been broken, and whether people should expect them to be broken. People also have nuanced feelings about the changing economic context and the need for investment in the economy, as long as it is 'done right'. The question is, how does all of this translate into responses to an actual broad-based tax rise? We discuss this in the next section.

## 1.2 PUBLIC ATTITUDES TO SPECIFIC BROAD-BASED TAX RISES

To understand the public's response to actual broad-based tax rises, we tested two options:

- **A one percentage point increase in income tax.** This was tested in both focus groups and surveys as a proxy for a generic broad-based tax rise, given that income tax is the broadest tax on income and forms a larger part of government revenue than any other tax.
- **A Health and Social Care Levy** (a one to two percentage point increase in national insurance, hypothecated to spending on health and social care). This was tested in focus groups to proxy a broad-based tax rise which is designed in part to attract public support, given that this was the most recent increase in the rates of a broad-based tax before last year's Employer NICs increase, and evidence suggests it was widely supported.

### Income tax increase

In June 2025, we tested a series of media simulations (mocked-up BBC news articles announcing tax rises in the Budget) across focus groups and surveys. Most of the simulations announced Demos's recommended tax rises under different frames and narratives. One frame announced general spending cuts. To avoid presumptions about possible spending cuts, it cited the largest areas of spending as potential targets for cuts - referring to "large cuts to public services in Budget to 'invest in our economy' and 'renew Britain'.... spread across a range of public services or welfare payments, including the NHS, schools, benefit and pension payments, transport, and defence".

<sup>10</sup> Goss D and Glover B. Winning the Argument: How to unlock public support for inheritance taxation. Demos. 26 September 2023. <https://demos.co.uk/research/winning-the-argument/>



A final frame announced a 1pp increase in income tax alongside Demos's recommended tax rises. Critically, it included an admittance by the government that the change broke a government promise, stating: "Reeves recognised that this tax rise breaks a manifesto pledge." The tax announcement was also hypothecated to fund "a national effort to fix Britain, including through new investments in public services and infrastructure".

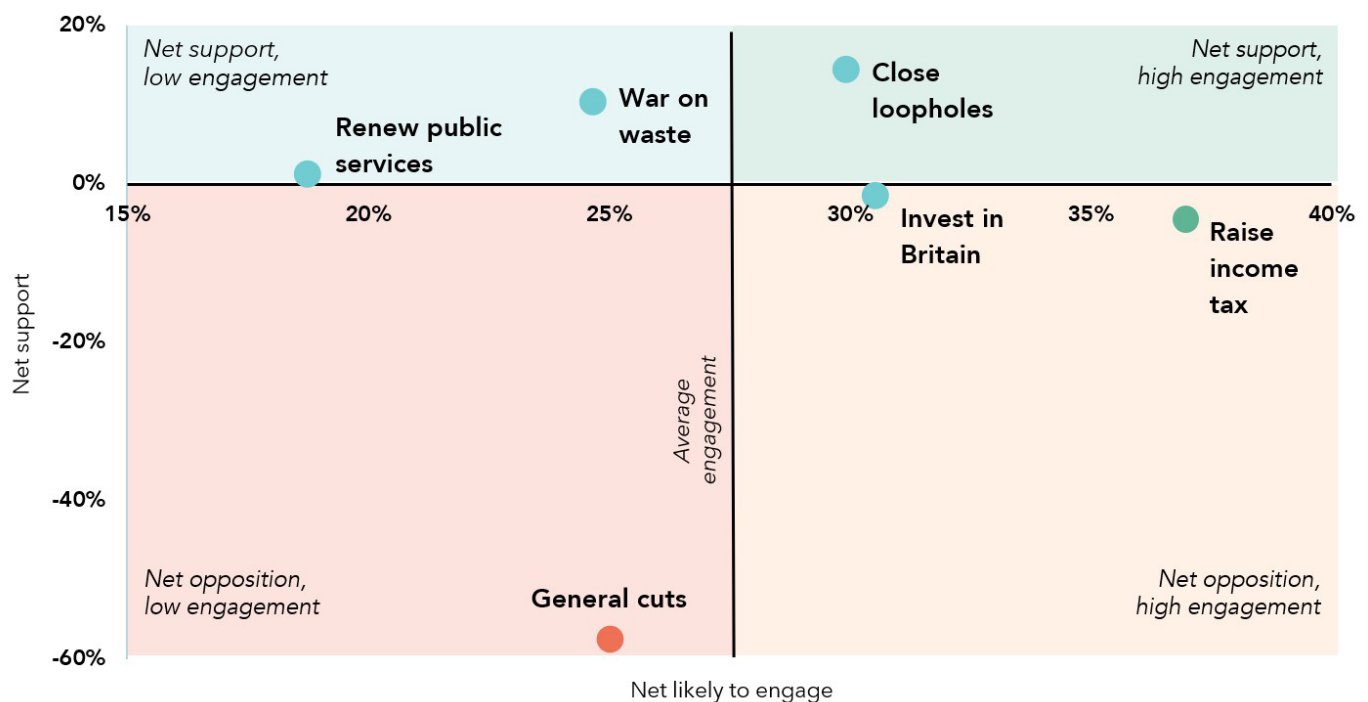
In response to reading the announcement of increased income tax, we found that public negativity was not as strong as some may expect. The public expressed:

- **Moderately negative feelings about the announcement.** 34% say they would feel negatively about the announcement, while 29% said they would feel positively - representing a net -4% feeling negatively. This is only moderately lower than articles announcing just taxes on wealth or gambling (where net support ranges from 14% to -1%) and far lower than the article testing general spending cuts (-58%).
- **A moderately negative change in favourability for the government.** 32% say they would feel less favourable towards the government, while 23% say they would feel more favourable. This represents a net 9% feeling less favourable, which is only moderately lower than articles announcing taxes on wealth or gambling alone (which range from 6% to -8%) and much lower than the article testing general spending cuts (-51%).
- **High engagement.** 66% say they would be likely to click the article to read more if they came across it on the news, vs 29% saying they would not. This leads to a net engagement score of 29%, which is significantly higher than the average across all frames (37%).

### FIGURE 3

**Support is much higher for all tax frames than for general spending cuts**

*Net support and net engagement score for Demos's tax rises and spending cuts, by frame*





The evidence here suggests that, when combined with Demos's recommended tax rises and hypothecated to investments in national public goods, an income tax rise does not receive as strongly negative a reaction as one might expect. This should give confidence to policymakers. With a broad-based tax rise expected to deliver revenue to balance the books at a minimum, but potentially also deliver substantial revenue to invest in national renewal, the delivery dividend in coming years could well outweigh the short-term hit to public confidence.

Members of the public also expressed some sympathies for an increase in income tax in our focus groups. While people were generally not positive about it, some felt such a move might be necessary to fix the state of the country. Some, however, felt the government should be avoiding taxing most people in the population when there were options to tax the wealthiest, for example through a wealth tax.

*There are lots of people in other parties talking about things like a wealth tax. I know some Labour MPs have talked about taxes like that. I don't think it will affect most normal working people. And as far as I can see, it would be an easier win than hitting people earning less than £50k.*

**Millennial, South West, homeowner, Green supporter**

In focus groups, members of the public were more supportive of an income tax rise when combined with higher taxes on wealth. After testing an income tax rise on its own in focus groups, we tested an income tax rise alongside Demos's recommended tax rises. People expressed how, when seeing the income tax rise alongside the other tax rises, it felt 'less personal', as it wasn't just targeting 'working people'.

*[After seeing the income tax rise alongside wealth taxes]: that's a rise in tax that's probably going to impact everyone. They are targeting National Insurance, landlords, partnership businesses, law firms, GPS, tax on gambling. So it is targeting a lot, and maybe it doesn't sound as personal.*

**Boomer, North East, homeowner, Reform supporter**

*[After seeing the income tax rise alongside wealth taxes] I think that it's a completely different angle to the first one... Reading that it doesn't sound like it would particularly affect me. However, I know it does affect me, because I know all tax increases are going to be going to affect me.... But the second one's a lot more about tax on higher earners, not about 'the people' so much.*

**Gen X, South East, homeowner, Reform supporter**

## Health and Social Care Levy-equivalent

Before the current Labour government, the most recent increase in the rates of a broad-based tax was the Health and Social Care Levy, introduced in 2021 by then-Prime Minister Boris Johnson. The policy initially increased employee, employer and self-employee NICs by 1.25% to fund for health and social care spending, with the intention that this increase would be replaced in 2023 by a separate levy functioning in a similar way. The new levy would have a broader base than existing NICs by applying to individuals above the state pension age, and was not hypothecated in a particularly 'hard' way (meaning the amount of spending did not closely track the revenue raised from the Levy). When the Levy was repealed in Liz Truss's 2022 'mini-budget', the spending was not cut alongside.

The Health and Social Care Levy is a useful case study because, by the government's own admission, the policy broke the 2019 manifesto commitment not to raise income tax, NICs or VAT.<sup>11</sup> Nevertheless, evidence suggests it was popular at the time. Polling in late 2021 - before the levy was introduced - showed that 58% supported the policy, while just 22% opposed it.<sup>12</sup> Even once people started paying the levy - and there was backlash from many sides including Tory MPs, Labour, and some in the health and social care sector - polling in May 2022 found that 52% supported it while 23% opposed.<sup>13</sup> This is a very high level of support for a tax rise.

Public support for the Levy cannot, however, be directly translated to today. Not only do we face a different government and economic context, but 2021 was particularly unique in being in the midst of the pandemic. The government could clearly point to changing circumstances as a reason for breaking its promise on tax, and the hypothecation to health and social care is likely to have had particular appeal at that time. To understand the implications for the upcoming Budget, we need to explore the public's response in today's political climate.

**When testing initial reactions to Health and Social Care Levy in focus groups, we found mixed reactions.** Some felt unhappy about the idea of themselves paying more tax, particularly when they never seem to see better public services as a result. Others specifically pointed towards how this policy represented another broken promise. Often, members of the public simply felt there was a lack of clarity about what this 'Health and Social Care Levy' was actually about and what it would deliver. There was some sympathy, however, with the idea that economic disruptions may have diminished revenue for the NHS, so the policy would make sense.

*I think nobody would like it at all. We're already paying high taxes and another increase here, and the services will still remain the same. Its same old excuses*

**Gen X, London, homeowner, Conservative and/or Lib Dem supporter**

*I think before in the past, it took them a while to [break their promises], but now they've done it straight away. So yeah, you just lose your confidence, don't you?*

**Gen X, Yorkshire and the Humber, renting social housing, not sure if would vote at all**

11 Gibbon G, Johnson admits breaking manifesto promise on tax rises for health and social care. Channel 4. 7 September 2021. <https://www.channel4.com/news/johnson-admits-breaking-manifesto-promise-on-tax-rises-for-health-and-social-care>

12 Buzelli L, Cameron G and Gardner T. Public perceptions of the NHS and social care: performance, policy and expectations. 3 February 2022. <https://www.health.org.uk/sites/default/files/pdf/2022-02/2022%20-%20Public%20polling.pdf>

13 Booth R, Campbell D and Stewart H. Social care backlash grows after MPs vote through tax plan. The Guardian. 8 September 2021. <https://www.theguardian.com/society/2021/sep/08/social-care-backlash-grows-after-mps-vote-through-tax-plan>

*We'd have to see what we're getting for our money, and they'd have to be straight with us.*

**Boomer, London, renting social housing, Green supporter**

*I do agree that things have changed over the last five or six months, and with Mr. Trump coming in, it has changed the situation big time. If he doesn't change this 10% tariff, we will be losing billions of pounds. So if you imagine that billions of pounds coming out of NHS, the service will go down*

**Gen X, East, homeowner, Labour supporter**

Upon providing more details, many members of the public felt that a 1-2% increase in NICs would be unfair as it meant 'normal people' would pay. People pointed to tax advantages benefitting the wealthy, and felt frustrated as to why these were not pursued instead. Some others felt that they would be happy to pay a bit more as long as everyone was paying it and they knew it was going to a good cause. Across the board, however, no one expressed the kind of visceral opposition we see when testing taxes on pensions.<sup>14</sup>

*I'm just like, why are we having to pay? Why don't you get the people who aren't paying. All these people who are in partnerships, all these landlords that don't pay. Just close off that loophole, and then don't look to us, the average Joe, to continue to try and fix this issue.*

**Millennial, West Midlands, homeowner, Labour supporter**

*I am scared stiff going into a care situation because of the lack of funding, and it's going to have to come from somewhere. So I'm happy to make a 2% increase personally.*

**Gen X, North West, homeowner, Labour supporter**

There was a strong sense that we needed more clarification about how exactly the money would be spent to understand if it was a good policy or not, and then accountability for that spending. People wanted some evidence from the government that the spending would actually benefit them. When we presented participants with detail about what the revenue could be spent on (82,000 NHS nurses and supported care home places for an extra 130,000 pensioners), most people were sceptical that this would be enough to make a substantial difference. People suggested alternative targets, but specific numbers were not provided. It is unclear what plan for the spending would be most compelling for the public.

<sup>14</sup> Goss D. Solving the Tax Puzzle: Eight popular, pragmatic, pro-growth tax reforms to plug the fiscal hole. Demos. 29 September 2025. <https://demos.co.uk/research/solving-the-tax-puzzle-eight-popular-pragmatic-pro-growth-tax-reforms-to-plug-the-fiscal-hole/>

*They do break the promises all the time, but if they're accountable to things like they said on the previous slide, then I'd be fine with that.*

**Gen X, Yorkshire and the Humber, homeowner, Conservative**

*They have to prove it first, not later on. The past experiences say you have never improved the services in the NHS... How do I trust you that you will improve the services first? Now it is for you to show us that you have improved the services.*

**Gen X, London, homeowner, Conservative and/or Lib Dem supporter**

*We'd have to see what we're getting for our money, and they'd have to be straight with us.*

**Boomer, London, renting social housing, Green supporter**

*The only other way you can look at this that may make it more palatable would potentially be to give us something tangible instead of vague. So, yeah, you're going to reduce the waiting lists. That is such a broad statement. Instead they should say things like "we're going to improve our cancer targets. That's going to be regional, because there's pockets which are worse than other areas."*

**Millennial, North West, homeowner, Green supporter**

Opposition was strengthened by the fact that the Health and Social Care Levy would not directly target the wealthy. Having discussed many of the alternative tax options that we were exploring, members of the public felt it would not be fair to leave tax advantages, for example, for landlords or partnership businesses untouched, while they would have to pay more.

*Considering all of the National Insurance loopholes that we discussed last week, around landlords around partners in partnership businesses, they're not going to be paying anything extra [if all we do is increase the basic rate of NICs].*

**Gen Z, London, renting privately, Labour supporter**

## SUMMARY

Across tests of both the income tax rise and Health and Social Care Levy, we find that:

- 1. While there is opposition to broad-based tax rises, it is not as significant as some might expect.** In surveys, the income tax rise was only received moderately negatively, and in focus groups, negativity towards a Health and Social Care Levy was not as strong as that towards tax on high-value pensions. This may be in part because they are not seen to be targeting specific groups, like taxes that target pensioners might be.
- 2. Concern about broad-based tax rises is partly driven by a sense that the government is targeting 'working people' rather than the wealthy.** Members of the public expressed how, if just implementing a broad-based tax rise alone, the wealthiest in society remain generally untouched. This partly diminishes the sense that, by raising a broad-based tax, everyone is chipping in. Combining a broad-based tax rise with reforms that explicitly reduce tax advantages for the wealthy or ask the wealthy to pay more is likely to help mitigate this.
- 3. Across broad-based tax increases, there is widespread demand for a clear, positive vision for how the revenue will be spent.** While the public rationalise tax rises on specific groups in terms of the fairness of the tax system (e.g. taxing landlords is seen as fair because landlords are seen as wealthy and benefitting from unfair tax advantages), this does not apply to broad-based taxes. Instead, a rationalisation has to come from how the revenue is used. As part of this, the public demands that a broken promise comes with greater clarity, vision, and accountability than what has come before.

# SECTION 2

## HOW TO RAISE BROAD-BASED TAXES

Section 1 demonstrates that the government would face significant challenges in raising broad-based taxes. While our evidence suggests the negative response may not be as extreme as some might expect, it should nevertheless be a serious concern. In particular, if the government breaks its promises without addressing the public's key worries or speaking to its priorities, the policy could inflame a crisis of public trust.

### A TAX RISE PEGGED TO A PLEDGE

A route to deliver the positive vision, clarity and accountability that the public demand is to peg a tax rise to a pledge. The pledge would be a goal to deliver a specific, time-bound change for the country, with clear and tangible benefits for the public. Critically, the tax rise would be pegged to this pledge such that, if the pledge was not delivered by the time outlined, the tax rise would be reversed. This would enable:

- **A positive vision.** The pledge puts the spotlight on the change that the government is trying to achieve. The government's vision for change has thus far eluded much of the public, and driven the sense of alienation with the state.<sup>15,16</sup> Linking a highly salient tax rise to such a pledge ensures a vision for change is put in the spotlight, and ensures the tax rise (a negative) is associated with a potential positive outcome.
- **Great clarity about the plan.** The pledge not only puts the vision for change in the spotlight, it will also give the government the ability to put its plan to deliver that change front and centre. With a broad-based tax rise, members of the public will feel more
- **Stronger accountability.** Central to the idea of the pledge is the principle that, if the government is breaking its promise and raising the public's taxes, it has to show that it is delivering for the public as a result. If it cannot show that it is delivering, it will reverse the tax rise.

<sup>15</sup> Knowles F. Five years after being elected Labour leader, the majority of Britons are unclear what Keir Starmer stands for. YouGov. 4 April 2025. <https://yougov.co.uk/politics/articles/51943-five-years-after-being-elected-labour-leader-the-majority-of-britons-are-unclear-what-keir-starmer-stands-for>

<sup>16</sup> Difford D. How do Britons see Labour, ahead of their 2025 party conference?, YouGov. 26 September 2025. <https://yougov.co.uk/politics/articles/53058-how-do-britons-see-labour-ahead-of-their-2025-party-conference>

A tax rise pegged to a promise would be similar to 'tax triggers' (common across states in the US), whereby governments have promised to cut or raise taxes if certain conditions are later met.<sup>17</sup> For example, a 2013 plan in Virginia to fund transport contained a contingent provision whereby a fuel tax would be increased from 3.5% to 5.1% if the US Congress failed to permit states to tax sales from remote transactions by 2015. This clause was in fact triggered in 2015, and the tax was increased. In West Virginia, the government agreed to a reduction in the corporate tax rates, as long as the state's rainy day fund was maintained at a certain level. If not, the reduction in rates would be delayed a year.

Tax triggers in the US reflect governments making future tax policies contingent on future fiscal conditions (the implementation of a separate tax or levels of state assets). Our proposal goes further, making the promised tax reform contingent not on fiscal conditions, but on the delivery of an outcome for the public.

We know this is likely to make some in the Treasury nervous. With the US tax triggers, the tax policy is only reversed if certain fiscal conditions are met, giving the government a safety net. A tax pegged to delivery outcomes does not offer the same guarantee, and reversing such a significant tax rise in the future would be damaging to public finances. But that is the purpose. It provides a stronger degree of accountability than what has come before, which the public demands if the government so clearly breaks its promise.

To mitigate the risk of failure, the pledge should be sufficiently achievable. A more achievable target would not undermine the public's demands, which are focussed on positive change, clarity, and accountability rather than highly ambitious targets. The pledge would, of course, also provide a substantial incentive for the government machinery to in fact deliver on the change.

*If they could quantify exactly where improvements have been made, people would be more likely to buy into it. They should go "This was the position. We've spent this much. This is the position now. And actually it's been improved by X, Y and Z percentage." Then people can understand that a bit better.*

**Gen X, Yorkshire and the Humber, homeowner, Conservative**

It is not the focus of this paper to recommend a specific broad-based tax rise. The choice of reform depends on the exact size of the 'fiscal hole' (the amount needed to restore the government's fiscal headroom), the additional buffer the Chancellor wants, and the additional tax rises the government delivers. However, the most promising options are:

- **A rate increase - the choice for raising revenue.**

A 1 percentage point (pp) rise in the basic rate of income tax would raise £8.4 billion by 2029-30 (the year that the fiscal rules apply to), while a 2pp rise would raise £16.9 billion.<sup>18</sup> A 2pp rise in the basic rate, higher rate and additional rates would raise £21.6 billion. While raising significant revenue, these options would represent a crude break of the government's promise.

<sup>17</sup> Walczak J. Designing Tax Triggers: Lessons from the States. September 7, 2016. [https://taxfoundation.org/research/all/state/designing-tax-triggers-lessons-states/?utm\\_source=chatgpt.com](https://taxfoundation.org/research/all/state/designing-tax-triggers-lessons-states/?utm_source=chatgpt.com)

<sup>18</sup> Institute for Fiscal Studies, Nesta. Be the Chancellor. <https://ifs.org.uk/be-chancellor>



- **A tax switch - the choice for tax simplification and retaining trust.**

An alternative option is to do a 'tax switch' (i.e. a rise in one broad-based tax and a cut in another). In particular, raising income tax while simultaneously cutting NICs could raise revenue, while only representing an increased marginal tax rate for those who do not pay NICs on their income (e.g. individuals receiving rental income or investment income, or those over state pension age). Not only would this avoid raising the marginal rates for employees (as they would benefit from the NICs cut), it would represent a significant simplification of the tax system.

The Resolution Foundation proposes a 2pp increase in the rates of income tax and a 2pp cut in the rates of NICs, raising £6 billion in 2029-30.<sup>19</sup> Alternatively, a 5pp rise in the basic rate of income tax matched with a 5pp cut in the basic rate of NICs would raise £13 billion in 2029-30.<sup>20</sup> An alternative approach would be to make the rate cut larger than the rate increase. For example, if you raised the basic, higher and additional rates of income tax by 2 percentage points each, while cutting the basic rate of NICs by 3 percentage points, that would raise £4 billion. In the current context - whereby the Budget is set to be controversial regardless of the fiscal choices - it may be preferable to take a more radical course which would otherwise be shied away from. In particular, the economically optimal choice would be to completely end NICs while substantially increasing income tax to raise a large sum of revenue.

Whatever the choice, broad-based tax rises should come alongside taxes that ask the wealthy to pay more, ideally by tackling tax advantages for the wealthy. Demos's package of tax rises involves tackling tax advantages for landlords, partners and investors relative to employees, ensuring high-value properties pay a fair share, and properly taxing the social harms of gambling.<sup>21</sup> Our evidence suggests widespread cross-party support for these measures, whether the public engages with a one-line summary, contextual information, or arguments for and against. Our evidence also suggests that, if Demos's recommended tax rises were delivered and framed as 'slashing loopholes and rebalancing the tax system', a net 6% would feel more favourable towards the government (3.2 million potential voters).<sup>22</sup>

19 Corlett A. Call of duties: Revenue and reform for Autumn Budget 2025. September 2025. <https://www.resolutionfoundation.org/app/uploads/2025/09/Call-of-duties.pdf>

20 Institute for Fiscal Studies, Nesta. Be the Chancellor. <https://ifs.org.uk/be-chancellor>

21 Goss D. Solving the Tax Puzzle: Eight popular, pragmatic, pro-growth tax reforms to plug the fiscal hole. Demos. 29 September 2025. <https://demos.co.uk/research/solving-the-tax-puzzle-eight-popular-pragmatic-pro-growth-tax-reforms-to-plug-the-fiscal-hole/>

22 Goss D. The story to tell on tax rises: How to gain public trust in tax rises. Demos. 21 October 2025. <https://demos.co.uk/research/the-story-to-tell-on-tax-rises-how-to-gain-public-trust-in-tax-rises>



# CONCLUSION

The country stands at a crossroads. Our public services are visibly fraying; growth remains slow; public patience, threadbare. Yet while the scale of the challenge is vast, the opportunity for renewal is just as great. Now is the time for bold, transformative action. The most credible path to do so lies in reforming the broad-based taxes - income tax, National Insurance, and VAT - that underpin the modern state.

The evidence in this report is clear. The public's resistance to the government breaking their promise on broad-based tax rises is not absolute - it is conditional. People know the country needs fixing and that fixing it costs money. What they reject is opacity, unfairness, and empty promises. When given a clear vision for what higher taxes will achieve, a fair share of contribution from the wealthy, and concrete mechanisms for accountability, their instinctive scepticism softens into something more constructive: reluctant consent, and sometimes even support.

The lesson for the government is simple but profound. The route to higher trust is not to avoid difficult choices, but to own them - openly, honestly, and ambitiously. Promise-breaking without purpose breeds cynicism; but a broken promise tied to national renewal, delivered transparently and accountably, could instead rebuild faith in government's ability to deliver. This is not just technocratic reform - it is a new type of deal between citizen and state.

Rachel Reeves and her Treasury team cannot wish away the fiscal arithmetic. But they can choose to confront it with honesty and imagination. A New Deal between citizen and state must begin with a new approach to tax: ambitious, fair, and accountable. The prize is not just fiscal stability. It is democratic renewal.

**A New Deal** between citizen and state must begin with a new approach to tax: **ambitious, fair, and accountable.**

The prize is not just fiscal stability.

**It is democratic renewal.**

# ANNEX

The tables below show the results of a task in which a representative sample of the public in a survey were asked to highlight parts of an article that they agreed or disagreed with. The article was presented as a BBC article announcing an increase in income tax at the Budget. The first table illustrates levels of agreement with statements in the article (with darker green representing stronger levels of agreement). The second table shows levels of disagreement (with darker red representing stronger levels of disagreement).

## AGREEMENT WITH ARTICLE ANNOUNCING INCOME TAX RISE

### Chancellor announces 1% income tax rise and higher tax for investors, landlords, and some businesses

In yesterday's Budget, Rachel Reeves announced a 1% increase in income tax, which would raise £8.4 billion. Reeves recognised that this tax rise breaks a manifesto pledge, but said that given economic disruptions, this option is now needed to fund a national effort to fix Britain, including through new investments in public services and infrastructure. She said that 'to ensure everyone chips in, she will also close loopholes in the tax system and ensure income from wealth is taxed fairly'. Extra revenue would also be used to fund the reversals of winter fuel payment cuts and disability benefits cuts.

Across the budget, the Chancellor also announced:

- National insurance being applied to landlords' rental income, raising £2bn
- Employers national insurance being applied for partners in partnership businesses (a type of business set-up) like law firms or GPs, raising £1.5bn
- Higher tax on gambling companies, raising £2.9bn
- Higher capital gains tax - a tax on profits from selling assets such as second homes or stocks and shares - with a new tax allowance for investments. Reliefs will also be ended for gains on businesses or assets passed on in inheritance. This all raises £11.9bn
- A new 'exit tax' on people taking investments out of the UK, raising £4bn
- A new 1% tax on the value of homes over £1m, and 2% over £2m, raising £1.4bn
- A council tax premium for foreigners with second homes in the UK, raising £100m

The Chancellor said that she will use the tax revenue for renewing public services, investing in better technology in the NHS, improving parks, youth facilities, swimming pools and libraries in local areas, and training and deploying additional police on the streets. Revenue would also be used to invest in housing, transport and energy, including by building new social housing, improving railways across the country, and investing in Nuclear energy.

## DISAGREEMENT WITH ARTICLE ANNOUNCING INCOME TAX RISE

### Chancellor announces 1% income tax rise and higher tax for investors, landlords, and some businesses

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