

With every tax, Rachel Reeves does more damage

The needy are priced out of a job, millionaires have fled abroad and private pupils are filling up struggling state schools

by Alice Thomson, The Times

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Midday at HMP Wormwood Scrubs and they're frothing lattes, prepping starters and folding napkins. Not regular prison fare, but this is The Escape, a restaurant for prison officers staffed by inmate volunteers. The charity The Right Course was set up to train prisoners in catering, giving them the skills to become baristas, waiters and sous chefs when released from jail. The enterprise has had incredible success: 57% have secured jobs on the outside, on the high street and in top restaurants – until now.

Suddenly the job offers have dried up and the charity is struggling to place ex-cons. Cafés, bars, pubs and bakeries can no longer afford to take a risk on more vulnerable staff. Hit by the rise in national insurance payments on top of day-one workers' rights, employers in hospitality are struggling to balance their books. The first victims are the more complex or inexperienced recruits: the young looking for apprenticeships, the disabled, part-timers and ex-offenders. So, instead of the chance to become useful citizens, earning wages and supporting their families, these former inmates are now more likely to reoffend, at vast expense to the taxpayer.

The government makes a political case for increased taxes on businesses, the super-rich, investors, private schools, second homeowners and pensioners but this is all having devastating unintended consequences. Rachel Reeves doesn't seem to understand that her punitive raids are harming many of those she's trying to protect while hampering competitiveness and the growth she keeps promising.

Eight in ten businesses say they have been forced to rethink their hiring plans due to the tax increases, according to the British Chambers of Commerce. Vacancies in the retail sector are down by two-fifths and graduate vacancies by a quarter.

Or take the scrapping of non-dom status for the super-rich which the Treasury thought would raise £3 billion a year but which is now expected to cost the public purse in lost taxes. Or the tightening of rules on inheritance tax. Ministers didn't consider that a net 10,800 millionaires would just up and leave in 2024 rather than pay more tax. They are taking their money and locking up their houses, cancelling their dog walkers, housekeepers, gardeners, chauffeurs and nannies who must all now look for work elsewhere – while the billionaires buy their Hermès handbags in Dubai and Milan rather than London.

Then there's the VAT on private schools which Reeves thought would raise £1.5 billion a year to employ 6,500 more teachers in the state sector – an easy win. But 13,000 pupils have left the private sector to enrol in state schools this year, more than four times Labour's forecast. Many of them have special needs which is why their parents scraped the money together to place them in private schools. So some state catchment

areas are now overwhelmed, and their special needs budgets are already under pressure. Another own goal.

Farmers have been hit by an inheritance tax squeeze as many also found themselves locked out of the new sustainable farming incentive environmental schemes. Just as the countryside had begun to look towards nature-led policies and farmers had committed to becoming custodians of the land producing healthier food and planting hedgerows they will be forced back to intensive, industrialised, pesticide-heavy agriculture that destroys the soil and waterways, to make ends meet – or to sell up to companies for carbon offsetting.

Second home owners, thanks to a measure introduced by the previous government, saw their council tax bills rise by 100% in most areas this April. Labour has also increased stamp duty for second home purchases. House prices have plummeted by 16% in some seaside towns, which sounds a great result for locals until you discover that these homes are too expensive and ill-equipped for most first-time buyers – and that the exodus of weekenders in areas like Devon and Suffolk has already had a detrimental effect on the hospitality industry.

Now Keir Starmer has pledged to restore some winter fuel payments and review the two-child benefit cap at a combined cost of about £5 billion. The chancellor, who promised no more tax rises after her £40 billion increase last year, is under pressure from Labour MPs to raise more money for these giveaways while softening cuts to a £296 billion welfare budget which already supports 6.4 million out-of-work claimants.

Angela Rayner thinks there are eight more ways to squeeze businesses, property owners and affluent pensioners which could raise £4 billion, outlining them in a leaked memo. But our tax burden is already at a 75-year high which is why each new tax increase is so damaging.

Our national debt is £2.7 trillion, and the government's commitments on policing, affordable housebuilding and climate change still need funding. It's easy for Nigel Farage to promise endless payouts – scrapping the two-child benefit cap, promising tax breaks for married couples and winter fuel for all pensioners – but they're uncoded.

Responsible ministers can't do the same, they must make meaningful, significant cuts, particularly in areas like welfare.

If the country is ever going to get out of this mess, the answer can't be more tax increases. They aren't raising enough money, they are damaging the economy and job prospects. Instead, as she approaches next month's spending review, Reeves needs to remember her words from earlier this year: "We can't tax and spend our way to higher living standards and better public services."