

Discussion Brief 2025#2

# More Labour Taxes

## CPF

House Fund



CPF Discussion Briefs exist to stimulate debate. They do not necessarily represent the views of the Conservative Party.



Dear Colleagues,

## 2025#2 More Labour Taxes

To participate in our survey on More Labour Taxes, please visit our Members' Hub. You will need to be signed in using your CPF profile. Group Coordinators can submit any additional thoughts arising from their Group discussions by completing the Group response form provided and sending it via email to [CPF.papers@conservatives.com](mailto:CPF.papers@conservatives.com)

Please submit your responses to the survey questions using the form published on the CPF website. The deadline for sending your response is Sunday 9th March.

As always, CPF will use all the information that you and other Members send to us and we will report our detailed findings to the Shadow Cabinet team. So, thank you for taking the time to share your views and letting us know what else you think needs to be explored. In addition to submitting your individual views to us, do try to participate in a local CPF Group discussion, if you have not already done so, as this is often where the best new policy proposals are developed—as the proverb says, “As iron sharpens iron, so one person sharpens another.”

We look forward to hearing your views,

### The CPF Management Team

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## Setting the scene

This is the third in our series of three short surveys responding to Members' concerns about the impact of Labour's Budget, with its £40bn hike in taxes. With the help of input from CPF Members, the Conservative Party and its MPs are campaigning hard on behalf of voters. Together, we all wait to see to what further tax rises Chancellor Reeves announces in her Spring Statement on 26 March. Perhaps she might even heed calls to amend her devastating inheritance tax (IHT) hike on the farming and business communities, her raising of Capital Gains Tax rates and employers' National Insurance Contributions (NICs), and her imposition of VAT on private education.

## Questions

- A. CPF members have told us they are very worried about family businesses and the effect of Labour's IHT changes. These include their decision to freeze IHT thresholds until 2030, to include unused pensions in a person's estate and to cut IHT relief on farmland and other assets such as commercial forests and Alternative Investment Market (AIM) shares.

**Have you made any changes to how you manage your income and savings as a result of Labour's IHT policies?**

- B. CPF members have also raised concerns about how Labour's Budget measures are affecting small businesses and entrepreneurs. These include an increase in the main rates of Capital Gains Tax (CGT) from 10% and 20% to 18% and 24% respectively. In contrast, the Conservatives cut business rates and delivered targeted support for high streets, supporting small businesses.<sup>1</sup>

**What relief do you think the Government should offer to encourage investment and to promote growth in the economy?**

- Maintain current levels of Business Asset Disposal Relief (BADR), which encourages individuals to invest in their businesses by offering a reduced Capital Gains Tax rate (currently set to increase from 10% to 14% from 6 April and to 18% next year)
  - Raise the lifetime limit for Investors' Relief (reduced from £10m to £1m in the Budget)
  - Other: ...
- C. Further issues highlighted by CPF members surround the costs of Labour's decision to increase employers' National Insurance Contributions (NICs) by 1.2 percentage points to 15% and to reduce the threshold at which employers pay NICs from £9,100 to £5,000, due to take effect on 6 April. These will have to be paid by someone. The Office for Budget Responsibility (OBR) estimates that firms will pass on 60% of the higher costs to workers and consumers. The cost to charities has been estimated to be £1.4bn. Concerns have also been expressed that employers may decide to outsource or offshore services, reducing the numbers of employees. It is feared that increases to the National Living Wage may also put a strain on pubs, restaurants and other small businesses.

### **What relief do you think the Government should offer to protect jobs?**

- \* An increased Employment Allowance, allowing smaller employers to reduce their National Insurance liability (currently set to increase from £5,000 to £10,500 from 6 April)
  - \* A higher threshold before employers' NICs become payable (currently frozen until April 2028)
  - \* NIC relief for the charity sector
  - \* Other: ...
- D. Another policy raised by CPF members is Labour's imposition of VAT on school fees. Members fear that this will result in increased pressures in state schools and will make an excellent education even more out of reach for families already struggling to do the best for their children. Even the Government forecasts that Labour's policy will result in 37,000 pupils (about 6% of the current private school population) leaving the private sector.<sup>2</sup>

### **What relief do you think the Government should offer schools or parents?**

2. On a related matter, CPF members also say they are worried about how Labour is removing the freedom for academies to design their own curriculum. The Children's Wellbeing and Schools Bill amends the Academies Act 2010 so that, rather than simply requiring academies to offer a "balanced and broadly based" (including English, mathematics, science and religious education), they must also include the National Curriculum.

### **How do you think opportunity for all can best be provided for school-aged children, particularly for the most disadvantaged and those in schools or areas where poor performance has become entrenched?**

- E. **What single action do you think the Conservative Party should most be calling for and campaigning on at this time to make the greatest positive impact for voters across the country?**

## References

<sup>1</sup> *Badenoch welcomes Autumn Statement that backs British business and unlocks economic growth*, Department for Business and Trade, 22 November 2023, <https://www.gov.uk/government/news/badenoch-welcomes-autumn-statement-that-backs-british-business-and-unlocks-economic-growth>

<sup>2</sup> *VAT on private school fees*, House of Commons Library, 23 December 2024, <https://commonslibrary.parliament.uk/research-briefings/cbp-10125/>