

Chancellor Rachel Reeves Defends Tax and Productivity Reforms Despite Criticism

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Chancellor of the Exchequer Rachel Reeves faces mounting scrutiny as she advances a series of fiscal and economic reforms aimed at boosting productivity and addressing long-standing economic challenges. Her policies, including proposed inheritance tax changes and significant budgetary measures, have drawn criticism from both business leaders

and farming organizations, highlighting the delicate balance she must strike between fiscal responsibility and public support.

Reeves' inheritance tax reforms, scheduled to take effect in April, are designed to prevent wealthy individuals from exploiting loopholes by purchasing farmland to minimize tax liabilities. While the government argues the changes are necessary to ensure fairness and close unintended gaps, the National Farmers' Union (NFU) has raised concerns over potential impacts on family-run farms. The union warns that these reforms could force some farms to be sold, threatening continuity and raising concerns over food security. Reeves has acknowledged these concerns but maintains that final decisions will be set out in the autumn budget, emphasizing national productivity and sustainable economic growth as guiding priorities.

In addition to inheritance tax, Reeves is addressing criticism surrounding the long-standing freeze on fuel duty, which has cost the Treasury approximately £130 billion since 2010. Critics argue the freeze disproportionately benefits wealthier households, which tend to own more vehicles and consume more fuel. With the rise in electric vehicle adoption, fuel duty revenues are projected to decline, potentially creating a shortfall in public finances. Reeves faces pressure to identify over £50 billion to meet fiscal rules without raising income tax, VAT, or national insurance. Options under consideration include revoking the freeze or exploring alternative measures, such as long-term road pricing models, to maintain revenue streams.

Reeves' approach also focuses on addressing the UK's "productivity puzzle." She has pledged to prioritise infrastructure investment, reform restrictive planning laws, and enhance labour market efficiency. Despite

slow GDP growth, with forecasts showing just 0.1 per cent growth in the second quarter, Reeves aims to shift the narrative towards growth, productivity, and reform. The government argues that a long-term strategy focused on investment and efficiency is critical to strengthening the economy rather than relying solely on tax adjustments.

Her tenure as Chancellor has included the introduction of a £40 billion tax increase, the largest since 1993, alongside the creation of a £7.3 billion National Wealth Fund. Reeves has also announced public sector pay rises while cancelling certain infrastructure projects to balance expenditure with fiscal sustainability. While some business leaders, including prominent entrepreneurs, have expressed concern that these measures may discourage investment, Reeves maintains that the focus remains on stabilising the economy, boosting productivity, and promoting equitable growth.

Reeves' policy direction reflects a broader commitment to “modern supply-side economics” and “securonomics,” emphasizing infrastructure, education, and workforce participation over broad tax cuts. Inspired in part by international models such as the United States' Inflation Reduction Act, her strategy aims to foster long-term economic stability while addressing inequality. As the autumn budget approaches, all eyes remain on Reeves to navigate these complex challenges, balancing fiscal responsibility with growth and fairness for the UK economy.