

Chancellor Rachel Reeves Reaffirms Tax Pledge Despite Economic Pressures

July 6, 2025

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Chancellor of the Exchequer Rachel Reeves has reaffirmed the Labour government's pledge not to raise key taxes, including Income Tax, National Insurance Contributions (NICs), or Value Added Tax (VAT), amid mounting speculation that additional revenue may be needed to plug budget shortfalls.

Despite growing concern from economists and political commentators, Reeves remains committed to Labour's 2024 election manifesto promise to avoid increasing the tax burden on working people through any of the three major tax streams. Treasury officials reiterated this stance following internal discussions earlier this week.

The commitment comes amid speculation that the government may need up to £30 billion in extra revenue, according to economists, to offset slow economic growth and recent reversals of welfare reform policies. The Chancellor reportedly told Cabinet colleagues that the decision to scrap certain benefit changes, pressured by internal party dissent, has added to fiscal challenges and will require difficult budgetary choices moving forward.

Fuel duty has emerged as a potential target for new revenue. Reports suggest the Chancellor is considering a hike at the next Budget, which has prompted alarm among motorists and industry experts. If implemented, it would be the first rise in fuel duty in over a decade and would come at a time when drivers are already facing higher Vehicle Excise Duty (VED), parking fees, and congestion charges.

Critics have been quick to voice concern. Former Home Secretary and Conservative Member of Parliament Dame Priti Patel warned that any increase in fuel duty would represent "a betrayal of working people." The Automobile Association (AA) has also cautioned against the move. AA President Edmund King said motorists have already seen VED rise by £30 since 2022, and further financial pressure would be damaging. "A fuel duty increase could be catastrophic for the economy," he said, adding that such a move could stoke inflation at a time when the government is attempting to maintain economic stability.

The Chancellor has faced a turbulent week, including an emotional appearance in the House of Commons during Prime Minister's Questions. Reeves later attributed her visible distress to a personal matter, unrelated to policy or parliamentary events.

While the Treasury insists the tax pledge remains intact, speculation continues over how Labour will navigate its fiscal plans without breaching key commitments. Reeves is expected to deliver the Budget later this year.