

# Chancellor warned he has 'no headroom' for major tax cuts after autumn statement tease

Chancellor Jeremy Hunt says "everything is on the table" when it comes to tax cuts in this week's autumn statement.

Speaking to Sky News' Sunday Morning with Trevor Phillips, Mr Hunt said his speech on Wednesday would focus on growth, and pledged to "remove the barriers that stop businesses growing".

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But he did not rule out other rumours that have been swirling around Westminster this weekend, including a reduction in inheritance tax and changes to personal taxation.

"I am not going to talk about any individual taxes as that will lead to even more feverish speculation," he said.

But the chancellor admitted the tax burden is "too high" and the government "wants to bring it down", with lower tax "essential to growth".

"I think it is important for a productive, dynamic, fizzing economy that you motivate people to do the work [and] take the risks that we need," he added.

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Labour: Tax cuts must be 'affordable'

Labour's shadow chancellor Rachel Reeves told Trevor Phillips she would welcome tax cuts for working people, but called on the government to "explain where the money is going to come from".

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She added: "Last year when the Conservatives had a load of

unfunded tax cuts, it crashed the economy [and] sent mortgage rates soaring.

“So I want taxes on working people lower, but it has to be affordable.”

But the head of the Institute for Fiscal Studies, Paul Johnson, warned there was “no headroom there at all” for major tax cuts due to the poor state of public finances.

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Image:

Shadow chancellor Rachel Reeves said any plan for tax cuts ‘has to be affordable’

Under the Tories, tax levels are at their highest since records began – with Ms Reeves pointing to 25 hikes since 2019 – and backbench MPs have been demanding cuts from the government ahead of the next election.

But Mr Hunt and Prime Minister Rishi Sunak have been resisting the calls for the past 12 months, saying their priority was to lower inflation – which also stood at a record high of 11%

last autumn.

Earlier this week, the Office for National Statistics confirmed that figure [had now dropped to 4.6%](#), seeing the Conservative pledge to halve inflation by the end of the year met.

But it still sits at more than double the Bank of England's target of 2%.

The chancellor reiterated his pledge to not introduce any tax cuts that "fuel inflation", saying: "We have done all this hard work we are not going to throw that away."

But he did not write off the prospect of lowering taxes in the autumn statement, saying the Conservatives "need to show there is a path to a lower tax economy".

"We believe lower taxes are essential for a high growth economy, so we do want to bring down the tax burden, but we will only do so responsibly," he added.

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Image:

Sky News understands Rishi Sunak and Jeremy Hunt are holding multiple meetings over the weekend ahead of Wednesday's autumn statement

Mr Hunt indicated the focus during Wednesday's speech would be on business, calling it "an autumn statement for growth... to turn a corner" on the economy.

"If we are going to embrace those opportunities we need to remove the barriers that stop businesses growing and that's why this autumn statement will be focused on growth," he said.

But pushed on whether there would be changes to either National Insurance or income tax, he hinted at a longer wait, saying: "If you want to bring down personal taxes the only way to do that sustainably is to spend public money more efficiently... Rome wasn't built in a day, these things take time."

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Speaking about the current economic situation to Trevor Phillips, the IFS' Mr Johnson said there had been "some good news" for the Treasury this year as tax revenues were "coming in more strongly" – meaning the government would have to borrow less to fund public services.

And that in turn would help the chancellor meet his target to have the country's debt falling in the next five years.

But, the economic expert added: "At the budget back in March [debt was forecast to be] falling by £6bn in five years.

"Now, £6bn in five years out of a £1tn budget is nil. I mean, there is no headroom there at all... and that's probably roughly where he's going to be still [on Wednesday]."

The IFS chief said "chancellors can always find a few billion in a budget or an autumn statement if they want to", but the public finances are "in such a mess" due to the amount being spent on debt interest.

"But there's always choices," he added.

Mr Johnson urged that choice not to be cutting inheritance

tax, however, adding: "I think it would be a very odd statement of priorities that you're going to hit hard if they earn the money but help them out if they inherited it."

Sky News understands multiple meetings are taking place this weekend between Mr Hunt and Mr Sunak to finalise the details ahead of Wednesday's announcements.