

Was the Budget fair and progressive?

Living standards think tank the Resolution Foundation used Understanding Society data to assess the government's Autumn Budget 2025.



Tax-raising Budget

In its manifesto for the 2024 election, Labour had pledged not to “increase taxes on working people”, by which it meant National Insurance, basic, higher, and additional rates of Income Tax, and VAT. However, to increase public spending, the government needed to raise tax revenue. The Resolution Foundation’s briefing note, *Stairway to headroom*, said the Chancellor “faced a tough task to clear three big hurdles – fixing the public finances, easing the cost of living squeeze on families, and taxing smartly and fairly”.

The Resolution Foundation used several datasets to assess the impact of the Budget, including the Annual Survey of Hours and Earnings, the Wealth and Assets Survey, and the Living Costs and Food Survey. It also used Understanding Society to look at whether tax changes were progressive and benefitted poorer households.

Electric cars

As more people buy electric vehicles, the UK’s carbon footprint shrinks, but the Resolution Foundation briefing says “the growing share of (tax-free) electric motoring will reduce Fuel Duty receipts by £7 billion in 2029-30 as EVs account for an ever-greater share of miles driven”.



The Budget therefore introduced a new road pricing scheme for electric cars. They “will pay a charge of 3p per mile and 1.5p per mile for plug-in hybrids, with an annual Consumer Price Index-linked increase. The Government expects this new tax to raise £1.9 billion by 2030-31.”

This, the briefing says, “has put motoring taxes on a fairer path, and made up for around half of lost Fuel Duty from the electric vehicle transition”. The Foundation says Understanding Society data shows that “half of EVs and one-in-three hybrid cars are owned by households in the highest income decile”, so these households should be in a better position to pay the new charge. They added that “it is welcome that the Chancellor outlined plans to set motoring taxes on a fairer and more sustainable footing”.

BB the combination of tax rises and giveaways since last year’s Autumn Budget is progressive 99

Progressive taxes

The briefing also used our data (alongside Households Below Average Income, the Living Costs and Food Survey, and the Wealth and Assets Survey) to calculate the overall effects of tax and benefit changes since the 2024 Budget. In particular, they wanted to see whether the changes had been progressive – that is, whether lower-income households had, on average, gained more from them than higher-income households.

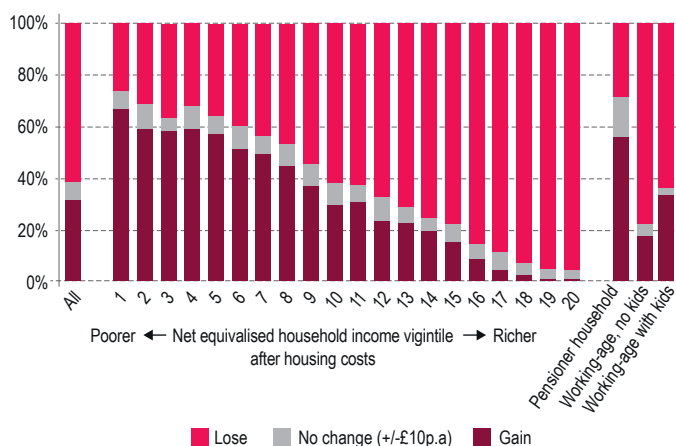
The findings showed that “the combination of tax rises and giveaways since last year’s Autumn Budget is progressive, with incomes for households in the bottom half of the distribution increasing by 1% and incomes for households in the top half falling by 0.7%”.

In particular, scrapping the two-child limit – which prevented parents from claiming child tax credits or Universal Credit for more than two children – will see an average increase in income of £360 for households in the poorest fifth of the distribution.

The report also showed that “two-thirds of households in the bottom decile of the income distribution gain from tax and benefit policies announced since [the] Autumn Budget 2024”. Although changes such as freezing Income Tax and National Insurance thresholds until April 2030 will reduce incomes over time, they will “hit the richest households hardest in cash terms”. Also, “the combined impact of the energy price cut, the Fuel Duty freeze, and the new benefit policies announced since Autumn Budget 2024 outweigh the new tax rises for half (51%) of households in the bottom half of the distribution, and two-thirds (64%) of households in the poorest decile”.

By contrast, “four-fifths (78%) of households in the top half, and almost all (96%) households in the richest decile will find themselves worse off overall”.

Share of households receiving a net gain/loss from tax and benefit policies announced since Autumn Budget 2024, in 2029-30: UK



Benefits for children

Using the same datasets, the report examined whether tax and benefit measures announced since July 2024 will benefit children – and concluded that they will. Looking at projected annual income in 2029-30, children “are the only age group who are net winners (with a 1% boost to their household incomes on average)”. This is largely due to “the abolition of the two-child limit, the expansion of Free School Meals to children in families receiving Universal Credit in England, and the above-inflation increases to the Universal Credit standard allowance”.

By contrast, all adult age groups “lose out on average”. However, 35-44-year-olds do less badly “mostly because they are more likely to be parents than other age groups and therefore benefit from the scrapping of the two-child limit”. This age group is set to lose 0.6% of their income on average by 2029-10, compared to 1.4% for 55-64-year-olds and 1.3% for over-65s.



In-kind benefits

Looking beyond changes to income, the Resolution Foundation says higher spending has led to “additional in-kind benefits for households”. In other words, spending by the Departments for Health and Social Care, Education, Transport and others “directly benefits households” outside of any effects on their incomes.

On average, households will see “an additional £1,790 in benefits-in-kind from this Government’s spending plans by 2028-29”, with low and middle income households benefitting more. “The poorest fifth will receive an extra £2,100 a year of in-kind-benefits, equal to 7% of disposable income, compared to £1,500 for the richest tenth, worth just 0.8% of their disposable income.”

two-thirds of households in the bottom decile of the income distribution gain

Clearing hurdles

Ultimately, the briefing says, the Chancellor did clear her “three big hurdles”, but “not flawlessly. She scraped over the first, raising enough revenue to keep credibly to the fiscal rules, but delaying the biggest tax rises to the backend of the Parliament. She eased over the second, with a cost of living package that softens the immediate squeeze on households and gives extra support to the most vulnerable. But the third hurdle wobbled the most: the tax system still has some big distortions and the Chancellor cannot say that workers were not hit.”

Stairway to headroom – Putting the Autumn Budget 2025 decisions on tax, spending and borrowing into context, Resolution Foundation, November 2025



Read the report