

# [***Britain's Conservative government announces tax cuts it hopes can lift its ailing election fortunes***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BGN-FDB1-JC5B-G00H-00000-00&context=1516831)

The Associated Press

March 6, 2024 Wednesday 6:18 PM GMT

Copyright 2024 Associated Press All Rights Reserved

**Section:** BUSINESS NEWS; INTERNATIONAL NEWS

**Length:** 909 words

**Byline:** PAN PYLAS, Associated Press

**Dateline:** LONDON

**Body**

LONDON — British Treasury chief Jeremy Hunt sought Wednesday to bolster spirits within his Conservative Party with another tax cut for 27 million working people, hoping it can turn the political tide ahead of a general election this year.

But with the tax cut trailed in advance and no major surprises in Hunt's economic statement to Parliament, speculation that the government planned to use the budget as a springboard for a May election appeared to have diminished.

Even though the [*British economy has hit one definition of recession*](https://apnews.com/article/britain-economy-recession-interest-rate-720092b0e5ad65f48b10e656e22c6687) and public finances will remain stretched over coming years, Hunt had come under pressure from his Conservative peers to cut taxes.

And he did, with a reduction in national insurance, which workers pay to qualify for a state pension, by 2 percentage points, to 8%. He also hinted at its eventual abolition.

Hunt [*cut this tax on wages*](https://apnews.com/article/uk-economy-tax-cuts-jeremy-hunt-900cc354469d63adf4b3c8b0698aa1ca) by the same amount in November, meaning that in combination, workers with average earnings will benefit to the tune of around 1,000 pounds ($1,270) a year.

“We will continue to cut national insurance contributions as we have done today so we truly make work pay,” Hunt said in a packed and often rowdy House of Commons chamber.

To the likely disappointment of many of his Conservative peers nervous about losing their [*seats in the upcoming election*](https://apnews.com/article/united-kingdom-elections-2024-what-to-know-9c4b5f7f094be88bfd1c4dc001401158), Hunt made no mention of reducing the basic rate of income tax, which would have benefited retirees and savers, too.

Poll after poll suggests the Conservatives, in power since 2010, are [*on course to lose*](https://apnews.com/article/uk-conservatives-rishi-sunak-e1581aa15ff51031ff8ae05c63e86b05) to the main opposition Labour Party.

[*Labour leader Keir Starmer*](https://apnews.com/article/uk-labour-party-keir-starmer-c78c032be08e1c7a5efd2a5b27b843cc) challenged Prime Minister Rishi Sunak to call an election for May 2, while describing the budget statement as the “last desperate act of a party that has failed.”

There had been speculation that [*Sunak, who has the power to name the election date*](https://apnews.com/article/uk-election-labour-party-starmer-sunak-2dc74d6ef3624958756b10ce0319aab1), might call it for May alongside local and mayoral elections. The general election must be held by January 2025.

Sunak has previously said the vote is likely to take place in the second half of the year, potentially coinciding with the U.S. presidential election, but has kept his options open. He may be hoping the economic backdrop becomes more benign, with a “feelgood” factor emerging alongside higher economic growth, lower inflation and dropping interest rates and mortgage costs.

Hunt told Sky News after his statement that a fall election remains the “working assumption” but that “in the end, it’s a choice the prime minister makes.”

Tim Bale, professor of ***politics*** at Queen Mary University of London, said he doubted the modest measures in the budget would be enough to make Sunak gamble on a May election.

“There are just too few rabbits out of too few hats to create any great excitement that the Tories would need to go to the country sooner rather than later,” he said.

“People are pretty cynical about ***politics*** in general, and very, very cynical now about the Conservative government," he said.

Hunt argued that the British economy was “turning the corner” following the coronavirus pandemic and a [*sharp spike in energy prices*](https://apnews.com/article/russia-ukraine-inflation-boris-johnson-london-prices-49c371922503ffe6b72139a7f3acdad7) tied to Russia’s invasion of Ukraine, which sent inflation soaring and prompted [*the Bank of England to raise interest rates aggressively*](https://apnews.com/article/bank-of-england-interest-rates-britain-308acb9c0e72c57869d53b336dada7ca).

“We can now help families not just with temporary cost-of-living support but with permanent cuts in taxation,” Hunt said.

In addition to the cut in national insurance, Hunt announced other voter-friendly moves, including freezing taxes on alcohol and gas at the pump and raising the amount of money individuals can earn before they have to pay back a child benefit from the state.

The tax giveaway will be partly paid for by keeping a lid on spending for already [*cash-starved public services*](https://apnews.com/article/uk-cancer-waiting-times-king-charles-1d519afeb31d840ed084e356f968fdc7) as well as a series of tax increases to take effect at different times over the coming years.

Those tax hikes will affect business class airfares, vapes and oil and natural gas producers, which saw a [*windfall after Russia’s invasion of Ukraine*](https://apnews.com/article/spain-government-united-states-london-climate-and-environment-67192b08e27fe843867df801acc34e88).

Hunt also abolished “non-domiciled” tax status, which allows some wealthy individuals to avoid paying U.K. taxes. That announcement could be perceived as an attempt to blindside Labour, which has been calling for its abolition to pay for spending at the state-run National Health Service.

“We’ve learned to expect some degree of smoke and mirrors in the budget," said Paul Johnson, director of the Institute for Fiscal Studies think-tank. “Today was no different.”

Sunak and Hunt have restored a measure of economic stability after the [*short-lived premiership of Liz Truss*](https://apnews.com/article/liz-truss-europe-economy-business-e18e6e6007c28f6e11cc1a201c545b71), which foundered after a series of unfunded tax cuts [*roiled financial markets*](https://apnews.com/article/inflation-economic-growth-international-monetary-fund-b6346608fbee3742ed95275136092b03) and sent borrowing costs surging.

Truss' premiership is one of the main reasons Labour is so far ahead in the polls. Labour leader Starmer brought up her legacy when accusing the government of being blind to the harsh economic reality facing millions of people.

“As the captain of the Titanic and the former prime minister herself might have said: Iceberg? What iceberg?” he said.

Starmer said the Conservatives had delivered falling living standards, a smaller economy than when Sunak took office in late 2022 and despite Wednesday's measures, the highest tax burden for 70 years following the [*worst cost-of-living crisis in decades*](https://apnews.com/article/inflation-british-politics-health-prices-europe-37011a3660898fcc64b63a07622751ef).

“That is their record, it is still their record, give with one hand and take even more with the other — and nothing they do between now and the election will change that,” he said.

\_\_\_

AP writer Jill Lawless in London contributed to this report.

**Load-Date:** March 6, 2024

**End of Document**