Katten

FIRM NEWS



Daniel Lewin Quoted in Media on Potential Income Tax Rises and the UK Labour Manifesto Pledge

November 4, 2025

London Transactional Tax Planning Partner Daniel Lewin was quoted in articles by *DIY Investor* and Morningstar regarding speculation that UK Chancellor of the Exchequer Rachel Reeves is considering breaking the Labour Manifesto pledge with income tax rises.

Daniel made the following commentary:

"The difficulty starts with the manifesto pledge. Promising not to raise income tax, National Insurance contributions and VAT for "working people" effectively meant ruling out increasing the three main taxes that genuinely move the economic needle of the UK's public finances. Against this background, it feels like the Chancellor is throwing out proposals to see which ones create the least backlash while working out which combination gets her closest to filling the multi-£bn "black hole" the UK public finances face – without breaching the manifesto, unless perhaps the manifesto is now breached.

The latest rumour – that the Treasury is considering raising the income tax rate by 1 p, although it is not clear whether this would be the basic rate (the real revenue generator), or just the higher and additional rate – would probably only genuinely help the public finances if it is some form of basic rate increase. It would be a cleaner solution compared to other ideas like the introduction of a mansion tax but also an indisputable manifesto breach which is already stretched while Labour is struggling to hang on to public support. Thought would need to be given how to protect those that would be most affected. The problem is that the alternatives suggested – such as the imposition of 15% National Insurance contributions on the profits of partners of UK LLPs (particularly, lawyers and accountants – mostly ignoring other business sectors that also operate under the LLP structure such as asset managers that have already been hit by the non-dom and carried interest changes) – will raise some revenue, but also further damage UK PLC as a destination for talent and economic growth. The highest marginal tax rate for partners would increase to around 54%. This will not be the way to help the economy grow. For some sectors such as GPs who are not the highest earners, it would also be hard to argue that they are not hit by a significant manifesto breach."

"Labour Manifesto - Can Reeves Stick to It?," DIY Investor, October 29, 2025

"Will Rachel Reeves Raise Income Tax at the Autumn Budget?" Morningstar, November 3, 2025

CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.



Daniel Lewin +44 (0) 20 7770 5251 daniel.lewin@katten.com

Attorney advertising. Published as a source of information only. The material contained herein is not to be construed as legal advice or opinion. ©2025 Katten Muchin Rosenman LLP.

All rights reserved. Katten refers to Katten Muchin Rosenman LLP and the affiliated partnership as explained at katten.com/disclaimer.