Party conferences: signposts for the new Parliament

General Features



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During a time of major political transitions, we consider the goals, strategies and frustrations expressed during the party conferences – and look ahead to the future.

On 5 July, the nation awoke to a landslide election victory for Labour, with the Conservatives recording their lowest number of seats since 1832 and the Liberal Democrats becoming the largest third party in Parliament in more than a century. But fast forward 10 weeks to party conference season, and you would have been forgiven for thinking that the boot was on the other foot.

For Labour, the honeymoon already seemed over with the party feeling battered by the slings and arrows of office, and looking towards the Budget as a ‘reset moment’. Meanwhile, for the Conservatives, it was a case of pick yourself up, dust yourself off and start all over again as conference-goers realised with a tangible sense of relief that rather than defending a record in government that many of them regard as

extremely patchy – especially on tax – they could go on the offensive against a government that has already given them plenty to aim at.

Image



Labour in Liverpool: Rebuilding Britain won’t be cheap

For a party that had recorded its best general election result since 1997, the mood among delegates in Liverpool was somewhat sombre as the party faced up to the realities of being in government for the first time since 2010.

The new Chancellor Rachel Reeves and Prime Minister Sir Keir Starmer struck a careful balance in their conference speeches between high-reaching (if vague) ambition and expectation management. Thus, Reeves promised ‘a Budget to rebuild Britain’ but warned that the economic legacy inherited from the Conservatives meant the road ahead would be ‘steeper and harder than we expected’. Both Starmer and Reeves emphasised Labour’s ‘five missions to rebuild Britain’ (which include ‘kickstarting economic growth’), making clear that these are the focus of a long-term process of ‘national renewal’, not simply campaign sloganeering.

The most noteworthy part of Starmer’s speech came when he spoke of the hard trade-offs facing the country, with an implicit acknowledgement that to rebuild public services, higher taxes will be needed. In spite of this, there was little new policy announced at conference. The only new tax measures related to HMRC and tax compliance. These include additional compliance staff, a Digital Transformation Roadmap and the appointment of Exchequer Secretary James Murray as Chair of HMRC’s Board.

Murray was at pains to stress that the role is intended as a means of focusing HMRC on the new government’s strategic priorities: reducing the tax gap, modernisation and improving customer service. Critics have claimed the move ‘politicises’ HMRC’s board, but a more nuanced observation is that it is a sign of the new government’s intent to hold HMRC accountable for its performance, which has to be welcome.

Budget speculation was rife during the conference – but as you'll know by the time you read this what was actually in the Budget, I won't dwell on that, except to say that while ministers were maintaining pre-Budget discipline, party members, union representatives and some outspoken backbench MPs were not holding back on their wish to see taxes raised on the well-off.

On the final day, the conference narrowly backed a motion from the trade union Unite, calling for a reversal of the decision to means test winter fuel payments and for a wealth tax instead. The motion is not binding on the government, but it will embarrass ministers who had made a strong defence of their policy during the debate and elsewhere at the conference. As well as a wealth tax, the Unite motion called for an excess profits tax, the equalisation of capital gains tax rates with income tax, and applying national insurance to investment income. Reeves did not address a wealth tax on the conference floor but dismissed the idea in a pre-conference interview.

Green taxes are another area where campaigners and some Labour figures are pressing for a more radical approach. At a fringe event, Liam Byrne, the new chair of the Commons Business Committee, hoped that the UK could become a global pathsetter on carbon taxes.

Labour members and their union allies are anxious for improvements in public services and social justice but doubtful these will be achieved without big spending increases. For now, they are mostly giving ministers the benefit of the doubt, but pressure will only grow as the parliament progresses.

Image



Conservatives in Birmingham: Contenders compete to hoist low tax banner

When the Conservatives last met in Birmingham, Liz Truss was Prime Minister and the now infamous mini-Budget was just nine days old. A lot has changed in two years but the mini-Budget continues to hang over the party's tax debate.

A popular view among conference contributors was that the events of autumn 2022 had not discredited the tax-cutting agenda *per se* but that they did mean that any proposals which looked like *unfunded* tax cuts would not be credible. Thus tax cuts would have to be presented alongside spending cuts, big structural reforms or else would have to wait for economic growth. So far, so orthodox. However, few speakers identified potential cuts, reforms or as-yet-untapped growth generators (beyond general exhortations to deregulate and make it easier to build) – and those that did (for example, suggesting a more limited state pension) were generally think tank outriders who went unendorsed by parliamentarians.

The conference was dominated by the four remaining leadership candidates. All agreed that the party should pursue a tax-cutting agenda but there was little in the way of specifics. James Cleverly's support for scrapping stamp duty land tax and tackling high marginal rates was an exception but within a week he was out of the contest, as was Tom Tugendhat, who had used his conference speech to argue that his party should cut taxes because they believe in freedom.

At time of writing, the remaining two candidates are Kemi Badenoch and Robert Jenrick. Tax is the centrepiece of neither's campaign, but each has made clear that re-establishing their party's tax-cutting credentials would be important to their leadership and that they regret the tax increases the last government introduced. Badenoch proposes cuts to corporation tax and capital gains tax to boost wealth creation, while Jenrick has focused on personal taxes, suggesting that he would reduce benefits spending in order to enable cuts to income tax.

The shadow chancellor Jeremy Hunt had a low profile at the conference but he gave a strong defence of his record in response to Labour's claims of having had a rotten economic inheritance. Shadow business secretary Kevin Hollinrake was more visible, robustly warning against tax rises which could harm business, such as scrapping business property relief, which he said would be 'pure madness'.

The debate on the fringe was lively, with the election defeat and absence of a permanent leader liberating MPs to speak more freely. Shadow business minister Greg Smith described the 60% marginal rate of income tax on incomes above £100,000 as 'fundamentally immoral', while shadow science secretary Andrew Griffith argued that we should tax property and labour less and consumption more.

The new MP Nick Timothy, joint chief of staff to Theresa May during her premiership, warned against ‘the temptation to rush too early into some kind of radicalism on tax that we will later regret’. He argued that his party should target ‘virtue’ tax cuts (in contrast to Labour’s ‘vice taxes’) aimed at rewarding innovation, investment and families.

Among the thinkers and campaigners at the conference, arguments were heard for a much broader VAT base (Tom Clougherty of the Institute of Economic Affairs), extending national insurance to all forms of income (Arun Advani of the Centre for the Analysis of Taxation) and giving people the right to opt out of public services in return for a tax break (Mark Littlewood of the ‘PopCons’). John O’Connell from the TaxPayers’ Alliance claimed businesses would trade an additional 1p on income tax for massive simplification. Will they influence the new leadership? Only time will tell.

Image



Lib Dems in Brighton: ‘Responsible opposition’ targets big business

The Lib Dems met in Brighton in glorious early autumn sunshine, and a mood to match. 72 MPs means the largest liberal force in the Commons for a century, but given Labour’s massive majority, what is the party’s purpose in this Parliament? Party leader Sir Ed Davey attempted an answer in his closing address, saying his party would be ‘the responsible opposition’, scrutinising Labour’s plans carefully, striving to improve them and opposing where they disagree.

In practice, the Lib Dems are not very far from Labour economically. Such differences as there are stem mostly from Labour's greater caution (in opposition at least), rather than from any great philosophical differences. On measures from increasing capital gains tax to targeting unloved big business sectors like tech, banking, tobacco, water and gambling, most Labour MPs would probably cheer were Rachel Reeves to adopt Lib Dem proposals as her own.

Inheritance tax can be added to that list. There was nothing about it in the party's manifesto in July, but in September Davey called for reform to remove avoidance opportunities for the rich and use that money to reduce its burden on the less well off (though without identifying the specific reforms he is thinking of). The fact that the Lib Dems are talking about apparently revenue-neutral changes to inheritance tax, rather than seeing it as a cash cow, is indicative of the party's new core constituency. More than the Celtic fringe of old or the university towns that fuelled the last Lib Dem advance, the party's heartland is now the leafiest, wealthiest districts, packed with commuters, graduates, Gail's bakeries and million pound houses. This tempers the party's instinctive fiscal radicalism.

This may also be a factor in why the party opposes Labour plans for VAT on private school fees, although this opposition is longstanding.

Other parties: fighting to be heard in the rainbow parliament

Counterintuitively, the Labour landslide has brought with it an increase in the number of parties represented in parliament. With the SNP winning nine seats, Reform UK five, and Plaid Cymru and the Green Party each getting four, not to mention MPs from Northern Ireland and a smattering of independents, there are now more political voices than ever fighting to be heard. Both Labour and the Conservatives have parties on their flanks trying to peel off their more radical supporters.

The main threat to Labour comes from the Greens, who emphasised big tax hikes on the rich and redistribution at their Manchester conference, positioning themselves as a progressive alternative to Labour. Their wish list includes a wealth tax, aligning capital gains tax with income tax, aligning tax rates on investment income with national insurance rates, removing the national insurance upper earnings limit, reforming inheritance tax and increasing windfall tax and fuel duty. The Greens also

continue to want a hefty carbon tax on fossil fuel imports and domestic extraction.

The pressure on the Conservatives comes from Reform UK, in many ways the Greens' mirror image. While the Greens argue for closer EU ties, tolerant immigration and carbon taxes, Reform rail against the EU, mass migration and the 'extreme cult of net zero'. And while the Greens' manifesto called for £172 billion in tax increases, Reform put forward £90 billion of cuts.

In normal times, Labour and the Conservatives would lean towards the centre ground for electoral success. But the pressures from newly amplified radical voices in the new parliament mean that both may end up paying as much attention to their outside flank as to the inside, especially if (as is likely) smaller parties rise in the polls.

The SNP are still around too, despite taking a battering in July. They face a dilemma. A trade union-inspired motion at their Edinburgh conference called for the maximum use of Scotland's devolved tax powers to target the wealthiest Scots. But the new leadership team of John Swinney and Kate Forbes, in post since May, are conscious that the limits of tax devolution may have been reached, if not already breached. Forbes, the Deputy First Minister, warned a fringe that wealthy Scots could leave the country if taxes increased further, even though HMRC has yet to find any notable evidence that people are foregoing Scotland because of its higher tax regime.

Plaid Cymru, who met in Cardiff in mid-October, scent the opportunity to make gains from Labour in the 2026 Senedd election, pressing an agenda which includes increased fiscal devolution and higher taxes on the wealthy. The party has looked on with envy at the more extensive tax-raising powers enjoyed by its northern nationalist neighbours in Scotland.

A few predictions

So what can we expect in this parliament tax-wise? Six predictions.

1. The government will test the elasticity of their manifesto commitments, garnering accusations that they are breaking their spirit, if not their word, though they will maintain they are keeping their promises. Capital gains tax, employers' national insurance and special-purpose levies bearing a remarkable resemblance to existing taxes (which may or may not be loosely hypothecated)

will help to raise the extra money they need.
2. The focus on administration and compliance will intensify as Labour pursue ambitious targets to cut the tax gap. Aggressive legislative and regulatory measures will ruffle feathers among affected groups.
3. Efforts will be redoubled to find ‘virtuous’ tax increases, from new ‘polluter pays’ levies to sector-specific taxes to deal with particular menaces (for example, taxing big tech to pay for young people’s mental health services).
4. There will be increasing support for a shift to taxing consumption. Surprisingly, this will be across the parties, with some Conservatives arguing for higher VAT to enable more salient taxes to be slashed, while politicians of the centre and left will seek to frame the debate more around carbon taxes.
5. The Conservatives will argue ever more vociferously for tax cuts to boost growth and stimulate the economy as the mini-Budget drifts into history. Labour will launch an array of microtargeted tax incentives – beginning with the Business Tax Road Map – but the opposition will dismiss these as inadequate.
6. The most detailed party policy paper of the parliament on tax will once again come from the Lib Dems. It will contain more tax shifts than tax hikes and the most popular and workable ideas will be rapidly cherry-picked by Labour.

And with that, conference season fades into the background and attention turns back towards the new parliament.

As you read this, the Budget will have set the scene for Labour’s approach to the next five years of tax policy and the Conservatives will have in place new leaders focused on finding a path back to power. But if the last 10 weeks has felt like an eternity, the next five years will feel like an eon. Fasten your seatbelts!

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