



### *What does the OBR's latest forecast mean for you?*

During a week dominated by news of the Middle East conflict, on 3 March 2026, Chancellor Rachel Reeves presented the Spring Forecast to Parliament. The Chancellor told MPs she had “restored economic stability” as she presented the Office for Budget Responsibility’s (OBR’s) economic forecasts.

The Chancellor focused on how the government’s policies are delivering economic growth, particularly when looking at Gross Domestic Product (GDP) per person. However, the OBR’s report indicates a more nuanced picture and notes that the fiscal context for the next Budget will remain challenging.

The OBR’s forecast was being finalised as the conflict in the Middle East escalated. The OBR warned that this conflict could have a “very significant” impact on the global and UK economies.

## **Summary of economic outlook**

The main points from the OBR were:

- Gross Domestic Product (GDP) growth is expected to slow from 1.4% in 2025 to 1.1% in 2026. This is 0.3 percentage points lower than the OBR’s November 2025 forecast. However, GDP growth is expected to pick up to an average 1.6% a year from 2027 to 2030
- Real GDP per person is forecast to grow at an average rate of 1.1% a year between 2026 and 2030. This is an indicator of changes in average standards of living and is marginally higher than in the November forecast
- The unemployment rate is forecast to rise from 4.75% in 2025 to a peak of 5.3% in 2026. The OBR says this is mainly due to those entering the workforce finding it harder to secure jobs in a period of subdued hiring. They expect unemployment rate to ease back to 4.1% by 2030 but note that the impact of AI on future employment makes longer-term forecasts less certain
- Public sector net borrowing is projected to fall from 5.2% of GDP in 2024/25 to 4.3% of GDP in 2025/26. It is then forecast to decline gradually over the medium term to reach 1.6% of GDP in 2030/31

As part of the government’s policy of one major fiscal event a year, the Chancellor announced no new tax or spending policies. However, the OBR’s forecasts do provide some early clues about future tax and spending pressures.





## **What does the Spring Forecast tell us about tax?**

From a tax perspective, the OBR's report points to a tax environment that will feel increasingly heavy over the rest of the decade. Taxes as a share of GDP are projected to climb to 38.5% by 2030-31, a post-war high.

Much of this increase comes from the freeze on income tax thresholds, which will continue until April 2031. Combined with rising wages, this means more people are being pulled into paying higher tax rates, even if their circumstances have not changed.

The state pension creates an interesting complication: from 2027/28 it is expected to exceed the personal allowance, bringing an estimated 600,000 more people into tax in 2026/27 and around 1 million by 2030/31. The government has said it does not intend for pensioners whose only income is the basic or new state pension to pay income tax during this Parliament. However, the final details on this policy and how it will work in practice have not yet been announced.

The OBR notes that the increase in employer national insurance contributions, which took effect last April, is also playing a significant role in the higher tax take. These increased costs are potentially feeding into business hiring decisions at a time when unemployment is forecast to rise to 5.3% in 2026.

Self assessment payments are also expected to rise sharply in 2026/27, partly due to the non-domiciled tax regime being abolished in 2025/26 and a subsequent temporary repatriation facility being offered. If you have overseas income or assets, it is still important to carefully review your tax planning.

The strong performance of UK equity shares in recent months means that the OBR are expecting receipts from capital taxes to rise. If you hold UK equity shares, this may be a good time to review your holdings and consider whether crystallising gains now, rebalancing your portfolio and/or making use of available allowances would put you in a better tax position. Any such planning needs to carefully navigate what are known as 'bed and breakfasting' rules (effectively selling to repurchase), so please do get in touch if this situation applies to you.

The practical message from the OBR's report is that tax planning is becoming ever more important, and capital taxes and transactions are likely to remain on the government's radar. For individuals and businesses, this means keeping a closer eye on allowances, thinking about the timing of income and gains, and making sure you are using the reliefs available. Reviewing arrangements such as pension contributions, profit extraction techniques, and the way assets are held within a family may also lead to simple, practical steps that could help to keep future tax bills under control.

Please do talk to us if you would like any personalised help in optimising your tax position