

# The OBR: 15 Years On: CenTax Evidence

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## 1 About CenTax

We are researchers at the Centre for the Analysis of Taxation (CenTax), a research centre co-hosted by LSE and University of Warwick. CenTax is dedicated to improving public understanding of tax policy and helping to design a better tax system, by generating evidence that is rigorous and relevant to policymakers and the public. Further information about CenTax is available via our website.

Our work focuses on tax policy design and the measurement of tax policy outcomes. We conduct cutting-edge research on the behavioural and economic impacts of tax policy changes and have contributed substantively to debates on tax policy in the UK over recent years. We use HMRC administrative data accessed through a secure research environment that allows us to compare academic research findings with official government costings, providing insight into how policy analyses are conducted.

One of CenTax's directors, Professor Arun Advani (University of Warwick), sits on the OBR's advisory panel.

This evidence was submitted to the Treasury Committee's inquiry on The OBR: 15 Years On. In accordance with parliamentary convention, CenTax publishes this evidence following the Committee's publication of the evidence it received. The inquiry page can be found [here](#).

## 2 The OBR within the UK's fiscal framework

Over the course of the past three decades the UK has moved towards a more formal, rules-based framework for fiscal policy. Since 1997, UK governments have publicly committed to some form of fiscal rule(s) against which their policy choices can be evaluated.

The first set of rules, in place from 1997 until the 2008 Financial Crisis, were maintained for over a decade. HM Treasury (HMT) was the arbiter of whether the rules were met. This depended on estimates of the business cycle, and these estimates were widely perceived to have been "gamed" to ensure apparent compliance with the rules.

This background led the Coalition government to set up the OBR as an independent arbiter of whether the fiscal rules were being met. Crucially, the Chancellor retains control over what the rules are, and the OBR's

responsibility is to score performance against those rules. The effect was to transform one type of ‘gaming’ into another: while the OBR assessed compliance against the fiscal rules, the rules themselves were subject to change whenever they were at risk of being broken. The effect was that from 2010 to 2025 the UK had eight sets of fiscal rules, lasting an average of less than two years.

The ultimate purpose of the fiscal rules has been to provide a signal of whether fiscal policy is sustainable. A better way to achieve this goal would be to directly task the OBR with assessing this themselves. This would allow the OBR to show more considered judgement, factoring in the overall profile of tax, spending and borrowing. It would also move away from a binary ‘pass/fail’ judgement which leads to excessive policy adjustment to small changes in the highly uncertain forecast fiscal position.

Forthcoming changes to the OBR mandate will move the target from exactly meeting the budget balance target, to a small tolerance range around the target. A deficit of less than 0.5% will be considered small enough to not breach the fiscal mandate. This change does not address, or even ameliorate, the problem highlighted above. It risks merely moving the goalpost from a single precise threshold of 0%, to an equally precise threshold of -0.5% as the new implicit target.

In summary, the establishment of the OBR has not solved the concerns about fiscal sustainability that led to its creation. For as long as Chancellors are able to change the formal fiscal rules, the OBR cannot directly assess sustainability. While fiscal sustainability is an important goal, it is important that governments with additional fiscal goals state these explicitly and ask the OBR to assess these as well.

### **3 The OBR’s approach to costing tax policy**

To analyse the sustainability of public finances at a fiscal event, the OBR conducts a ‘pre-measures’ forecast of the likely outcomes if fiscal policy remains as set out at the previous forecast and then provides a ‘post-measures’ forecast accounting for the subsequent policy changes. Getting the post-measures forecast right therefore depends on correctly costing the effects of tax (and spending) policies.

The tax policy costings process operates through collaboration between HMT, HMRC, and the OBR. HMT and HMRC work together through the policy partnership to develop tax policy. As part of the fiscal event process both departments work with HMRC’s Knowledge Analysis and Insight (KAI) directorate to ‘cost’ these tax policy changes. The OBR then examines this

costing to judge whether it appears to be a reasonable and central estimate. This scrutiny occurs after the analysis has been conducted. The OBR does not produce the costing itself, but rather reviews work done by HMRC KAI, over which it has only partial visibility.

Our view is that insufficient detail about data and methods is currently published on tax policy costings, meaning there is limited scrutiny of them. The OBR and HMT typically publish only headline revenue figures on a receipts basis at the time of the fiscal event, with limited detail on the assumptions, data sources, or analytical methods underlying these estimates.

We welcome the incremental progress the OBR has made in publishing more detailed information, particularly through supplementary releases such as the non-domicile regime costing published in [January 2025](#). This supplementary release demonstrates that detailed information can be published. However, this type of detailed disclosure is not routine and does not take place as standard at each fiscal event.

### **3.1 Why additional scrutiny of tax policy costings matters**

A significant asymmetry exists in the level of detail provided about different parts of the OBR's work: the OBR publishes considerable detail on its macroeconomic forecasts and analytical approaches through dedicated discussion papers and briefings, but far less detail on how tax policy costings are reached. This is because the OBR's macroeconomic forecasts are done by the OBR using their own models, rather than by reviewing the work of another organisation. This represents a notable gap in the fiscal framework.

Resolving this asymmetry would serve two purposes: it would facilitate external scrutiny to identify improvements that could be made in tax policy costings, and it creates stronger incentives to ensure that the underlying analysis is rigorous and methodologically sound in the first place.

## **4 Recommendations for improvement**

### **4.1 Role and remit of the OBR**

The current fiscal framework creates pressure for the OBR to assess performance against a single measure of fiscal sustainability, defined by the government. This incentivises both the government and (indirectly) the OBR to focus on meeting that single measure, rather than assessing the broader sustainability and direction of fiscal policy.

We recommend a distinction between HMT's role and the OBR's role:

- HMT should determine what high-level policy outcomes are priorities (for example: fiscal sustainability, maintenance of public investment, or tax-to-GDP ratios)
- The OBR should then be responsible for determining how to measure progress against these outcomes

This separation would help avoid excessive pressure on any single measure and would allow the OBR to exercise greater judgment in assessing the overall health of public finances.

## **4.2 Quality of communications: fiscal framework**

A further product of the current fiscal framework is that it affects how the OBR communicates its fiscal assessments. The OBR's press releases tend to communicate its assessment of fiscal rules compliance in binary terms. This binary framing incentivises the government to make minimal adjustments that barely meet the rules, and to overrespond when rules are barely missed. We recommend that the OBR should be mandated to communicate more qualitatively its overall view of fiscal sustainability, without a pass/fail assessment. This would better serve public understanding of the fiscal position and reduce the incentive for gaming the framework through minimal compliance.

## **4.3 Quality of communications: tax policy costings**

We recommend that the OBR (in consultation with HMT, HMRC and external stakeholders) should adopt a standardised approach to the publication of information about tax policy costings.

A standard template should be used. The purpose of this template is to enable meaningful external scrutiny of tax policy costings. Currently, insufficient information is published to allow others, such as researchers and Parliament, to assess whether the analysis is sound. Publishing this information would allow others to:

- Identify improvements that could be made in tax policy costing methodologies
- Assess the reasonableness and robustness of key assumptions
- Understand what the estimate is sensitive to and where uncertainty is greatest
- Ensure the latest academic research is accounted for

- Challenge and improve the quality of the analysis

Where the OBR highlights at a fiscal event that a policy measure carries very high uncertainty it should also be designated as an Area of Research Interest by the OBR, ensuring more sustained future scrutiny. This approach aligns with Recommendation 7 of the most recent [External Review of the OBR \(February 2025\)](#).

## 5 Conclusion

While the OBR has become an established and important part of the UK's fiscal framework, there is scope to strengthen its effectiveness, particularly addressing its approach to and role in the fiscal framework and to ensure the government is costing tax policy to a high standard. We would welcome the opportunity to discuss these issues, and our recommendations, with the Committee in more detail.

## 6 Annex A: Proposed tax policy costings template

We have provided a proposed template for standardised publication of tax policy costings information. The template covers:

- Static revenue: year-by-year estimates on a liabilities basis, operative policy assumptions, data sources, steps in analysis, and forecast determinants
- Post-behavioural revenue: year-by-year estimates on a liabilities basis, type of behavioural adjustment, quantitative adjustment applied, and quantitative evidence base

For each element, the template specifies what information should be published, including the specific dataset names, time periods, key variables, weighting methodology, data cleaning steps, imputations, sensitivities, and the quantitative evidence base used to anchor behavioural adjustments.