

Osborne may call emergency budget over Brexit

By [Elliott Banks](#), News Editor (2016/17)

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Osborne may call an emergency budget .Image: altogetherfool

Chancellor of the Exchequer, George Osborne may call an emergency budget over Britain's possible exit from the European Union. Mr Osborne announced his intention to host an emergency budget yesterday, over what he has called in the past, the grave economic risks of leaving the trading bloc.

The logic behind this is to sooth market fears and make sure the economic shock of leaving the Union would be minimised. By calling the emergency budget can calm City fears over the short-term economic future by providing a firm fiscal plan. Indeed, Osbornes' primary motivation will be to protect the pound in the event of Brexit, as a lack of confidence is likely to manifest on the currency markets.

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However, despite an emergency budget, Osborne's plan will do little to sooth concerns within financial markets. The London Stock Exchange has seen steady declines on the FTSE 100 and FTSE All Shares Indexes since opinion polls indicated the momentum was shifting towards Brexit. Remain campaigners have stated that Osborne's intervention is to highlight the economic risks of the trading bloc by stressing the severe financial shock from Brexit.

Indeed, Osborne has hinted that following a decision to leave, he would have to with tax rises and

spending cuts worth £30 billion. *Reuters* reported that Osborne said at a speech in Ashford, Kent that “There will be a big hole in the public finances and ... we would have to raise taxes and cut spending”.

Possible measures include raising income tax by 2p, making the basic income tax rate 22 per cent instead of 20 per cent. Further rises in fuel and alcohol duty rises would likely occur. Osborne will have a tough time raising income tax, as a law was passed locking the rate of income tax for the duration of this parliament. This means the law will need to be repealed.

However, Conservative colleagues who want Britain to leave the EU have threatened to block the budget from passing the Commons. Nearly 57 members of Osborne’s party have come out and said they will oppose any measures proposed in the budget, such as tax rises, as they were elected on a manifesto opposing further tax increases.

Senior Conservative MP Jacob Rees-Mogg speaking on the *Daily Politics* said ‘the Chancellor needs to calm down and frankly stop talking nonsense’. Mogg continued stating that Article 50, which would be the provision used for a Brexit, would mean that an orderly departure would occur and that an emergency budget would cause further instability.

At the moment both sides believe that a shock would occur to the economy, however, both campaigns differ on how severe the shock will be. With the polls indicating a vote to leave, Osborne will have a tough time convincing his party to accept an emergency budget involving tax rises and spending cuts.



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