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**Six Wealth Tax Policies to Raise £50 Billion**

**Spring Statement, March 2023**

**The government could raise up to £50 billion by reforming the way it taxes wealth, according to research from Tax Justice UK and Patriotic Millionaires UK ahead of the 2023 Spring Statement.**

Wealth taxes are increasingly central to UK political discourse. There is a growing consensus that higher taxation of wealth could help solve current economic crises – from low productivity growth to crumbling public services and wage stagnation. [IPPR](https://www.ippr.org/news-and-media/press-releases/new-tax-on-share-buybacks-could-raise-billions-for-uk-say-ippr-and-common-wealth), the [IMF](https://www.theguardian.com/business/2021/apr/07/imf-wealth-tax-cost-covid-pandemic-rich-poor), the [Resolution Foundation](https://www.resolutionfoundation.org/our-work/wealth-assets/), the [IFS](https://ifs.org.uk/events/it-time-uk-wealth-tax), and even the Conservative-aligned think tank [Bright Blue](http://www.brightblue.org.uk/portfolio/rightfully-rewarded-reforming-taxes-on-work-and-wealth/) have [all called for higher taxes on wealth](https://www.neweconomybrief.net/the-digest/a-wealth-tax-consensus) in response to these crises. With the UK economy experiencing the slowest growth of any country in the G7, the government should announce fairer and more robust taxes on extreme wealth in its upcoming budget. This could enable investment in crumbling public services and help to improve economic dynamism and growth.

Higher taxes on the wealth of the super-rich enjoy widespread popularity among voters across the political spectrum. [Recent polling from YouGov](https://yougov.co.uk/topics/politics/articles-reports/2023/01/23/three-quarters-britons-support-wealth-taxes-millio) found that 78% of voters support an annual wealth tax on those with assets worth over £10 million, including **77% of Conservative voters and 86% of Labour voters**. A further [62% were found to support](https://benansell.substack.com/p/a-puzzling-inheritance) equalisation of tax rates on income from work and income from wealth.

The following six policies comprise [Patriotic Millionaires UK](https://patrioticmillionaires.uk/) and [Tax Justice UK](https://www.taxjustice.uk/)’s top policy recommendations for improving fairness, simplifying the tax system, and raising revenue ahead of the 2023 Spring Statement.

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*These revenue figures are estimates based on research from government institutes, academics, and think tanks. In particular, the work of economists* [*Dr. Arun Advani*](https://arunadvani.com/taxreform.html) *(University of Warwick) and* [*Dr. Andy Summers*](https://www.wealthandpolicy.com/wp/WealthTaxFinalReport_FAQ.pdf) *(London School of Economics), co-authors of the final report of the* [*UK Wealth Tax Commission*](https://www.ukwealth.tax/)*.*

1. **Apply a 1-2% wealth tax on assets over £10 million, raising up to £22 billion a year.**

A small wealth tax applied to those at the very top of the distribution would affect only 0.04% of the population. This makes it much easier to administrate than annual wealth taxes set at a lower threshold, as it would affect only around 20,000 UK citizens. It would ensure that those who have benefited enormously from structural economic changes over the last decade contribute fairly and create significant revenue for national renewal.

1. **Equalize capital gains with income tax rates, raising up to £15.2 billion a year.**

This would have the positive effect of simplifying the tax system and treating all forms of income in the same way. It has support from 62% of voters, according to [recent research](https://benansell.substack.com/p/a-puzzling-inheritance) from academics at the University of Oxford. There is no obvious reason why someone going to work should pay more tax on their wages than someone living from their investments, for example. [According to the Office of Tax Simplification](https://www.gov.uk/government/publications/ots-capital-gains-tax-review-simplifying-by-design), who advocated for this policy change in 2020, it could raise significant revenue for public spending.

1. ​**Apply national insurance to investment income, raising up to £8.6 billion a year.**

Instead of focusing on the rates of National Insurance, the government should expand the tax base by applying National Insurance to income from investments – such as dividends from shares, rent from property, and interest on savings . This would equalise and simplify the treatment of different types of income under the taxation system, and ensure that income from wealth is taxed at the same rate as earnings from work. [It would raise around £8.6bn.](https://warwick.ac.uk/fac/soc/economics/research/centres/cage/manage/publications/bn33.2021.pdf) Simplifying the tax system would also substantially reduce tax avoidance by limiting possible avenues for avoiding tax.

1. **End the inheritance tax loopholes that benefit the already wealthy, raising up to £1.4 billion a year.**

The government should scrap or reform Business Relief and Agricultural Property Relief on Inheritance Tax. There is evidence that these inheritance tax reliefs are being used as loopholes by a small minority of the very wealthy to avoid paying the appropriate inheritance tax on their assets. Abuse of Agricultural Property Relief is likely [pushing up the price of agricultural land](https://www.resolutionfoundation.org/app/uploads/2018/05/IC-inheritance-tax.pdf) for genuine commercial food production. Scrapping these could raise over [£1.4bn a year](https://www.gov.uk/government/statistics/main-tax-expenditures-and-structural-reliefs). Alternatively, the [Resolution Foundation has proposed reforms to prevent them being exploited](https://www.resolutionfoundation.org/publications/passing-on-options-for-reforming-inheritance-taxation/), generating a smaller saving.

1. **Reform the rules on non-dom status, raising up to £3.2 billion a year.**

Non-domiciled residents in the UK (‘non-doms’) receive at least £10.9 billion in offshore income and capital gains each year, which they are not required to report to HMRC or pay tax on in the UK. Taxing this income would raise more than £3.2 billion in additional tax revenue each year and also remove the current disincentive to invest in the UK, [according to research by academics Dr Andy Summers and Dr Arun Advani.](https://www.lse.ac.uk/News/Latest-news-from-LSE/2022/i-September-22/Abolishing-the-non-dom-regime-would-raise-more-than-3.2-billion-each-year-finds-new-report)

1. **Introduce a 4% tax on share buybacks, raising approximately £2 billion a year.**

Some of Britain’s largest companies are transfering profits to their shareholders at record levels. [According to IPPR](https://twitter.com/GeorgeDibb/status/1626136155937808386?s=20), if the UK had implemented a share buyback tax at President Biden’s proposed 4% rate, it would have raised £2.2 billion in 2022. Taxes on shareholder transfers would help to ensure that companies are not channelling profits to their shareholders at a time of national economic crisis and encourage investment in the real economy.

**Additionally, implementing an emergency windfall tax on share buybacks**at a higher rate of 25% would raise a further £11 billion a year and could target fossil fuel companies experiencing excess profits due to rocketing fuel prices. A 25% windfall tax on share buybacks would raise £4.8 billion from Shell and BP alone.

**Frequently Asked Questions**

***Is an annual wealth tax on assets worth over £10 million difficult to administer?***

Setting a very high threshold for this tax makes it vastly easier to administer. At a £10 million threshold, it would only affect [0.04% of the population – approximately 20,000 individuals](https://www.wealthandpolicy.com/wp/WealthTaxFinalReport_FAQ.pdf). This minimises administrative costs. Furthermore, most individuals with over £10 million’s worth of assets already employ accountants and have a record of their net assets. In many cases, therefore, implementing this tax would only require compelling individuals to share this information with HMRC and verifying it.

If implemented in conjunction with other policies recommended in this document, such as equalisation of tax rates across income from work and income from wealth, the result would be a simpler tax system with lower administrative costs and fewer loopholes.

***Would an annual wealth tax affect pensioners and others who are not among the super-rich, but whose homes have gone up in value?***

No. Another benefit of the £10 million threshold is that people whose homes are valued within the £1-9 million range will not be affected. 0.04% is a tiny proportion of the population. This tax exclusively targets the super-rich.

When the introduction of a wealth tax is proposed, some parliamentarians worry about elderly constituents who have expensive homes but are cash poor – those who have worked hard all their lives and bought a house in a high-value area several decades ago, now worth around £1 million. The conversation here should centre around high thresholds for the introduction of a wealth tax, as well as a better understanding of how and when it is right to collect those taxes.

***Are wealth taxes popular with the public?***

Years of polling and focus groups have produced consistent evidence of the widespread popularity of an annual wealth tax set at a high threshold. [Recent polling from YouGov](https://yougov.co.uk/topics/politics/articles-reports/2023/01/23/three-quarters-britons-support-wealth-taxes-millio) found that 78% of voters support an annual wealth tax on those with assets worth over £10 million, including **77% of Conservative voters and 86% of Labour voters.** Polling from the University of Oxford found that [63% supporting](https://benansell.substack.com/p/a-puzzling-inheritance) equalisation of tax rates on income from work and income from wealth, including Capital Gains Tax (CGT) reform.

Some wealth tax policies, such as raising inheritance tax or annual wealth taxes set at a much lower threshold, have received more mixed responses in focus groups and polled less favourably. Introducing an annual wealth tax at a high threshold and reforming CGT are popular alternatives and potential vote-winners.

***Will wealth taxes lead to capital flight?***

There is a widespread perception that tax increases will lead to ‘capital flight’ – wealth holders leaving the UK. Studies have shown that most wealth holders who live in the UK have ties here, want to be here, and want to contribute as citizens, and that tax levels are a minor factor in the decision to relocate in comparison to factors such as family and social ties, schooling, and overall economic stability. Since the annual tax proposed in this briefing would only apply to assets above the £10 million threshold, someone with £11 million in assets, for example, would pay only an additional £10,000 in tax – a tiny amount relative to the net worth of their assets. This would create a minimal incentive for individuals to leave – which itself has significant costs.

Academics at the University of Warwick and London School of Economics are currently undertaking a specific study of the level of behavioural change that might result from higher taxes on wealth in the UK, to be published summer of 2023. However, [existing evidence](https://warwick.ac.uk/fac/soc/economics/research/centres/cage/manage/publications/wp630.2022.pdf) on reform of the non-doms status has shown that abolition of the regime leads lead to an extremely minimal number of individuals leaving. Reforms in 2017, which restricted access to the non-dom regime for long-staying non-doms, led to just 0.2% of them leaving the UK. Among more recent arrivals who had been in the UK for less than three years, only around 2% left. These findings refute concerns raised by Chancellor George Osborne and Shadow Chancellor Ed Balls during the 2015 General Election that abolishing non-dom status could ‘cost Britain money’ due to a mass exodus. For this to occur, the migration response would have to be more than 15 times larger than found by a study conducted by wealth tax experts Arun Advani and Andy Summers.

Furthermore, moving abroad doesn’t necessarily lead to the successful avoidance of wealth taxes. The final report of the [Wealth Tax Commission](https://www.wealthandpolicy.com/wp/WealthTaxFinalReport_FAQ.pdf) suggested a "tail" for wealth taxes, meaning that those who leave still pay for a few years.

***What will be the impact on business and the economy?***

There are many compelling arguments that higher taxation of wealth in the UK could contribute to a more dynamic economy and stimulate growth and that extreme concentration of wealth has several damaging economic effects. Investments made by the super-rich tend to be less productive for the real economy than those by working people. Investing in share buybacks and dividends, for example, diverts financial resources away from the ‘real’ economy and reduces productive investment. The Non-Dom status serves as a disincentive to investment in the UK. Higher taxes on income from work than income from wealth put pressure on working households and Small and Medium Enterprises (SMEs).

Redistribution can create a healthier economy in which working people have more financial freedom, thus raising demand for goods and services and benefiting British businesses and high streets. Wealth taxes could raise £50 billion annually to invest in health, education, research and development, and national infrastructure, creating a healthier and happier workforce and encouraging productivity growth. With the UK having suffered decades of low productivity growth and wage stagnation, fairer taxation of wealth is one path to a healthier and more dynamic economy.

In fact, there is significant evidence that low taxation of wealth increases economic and broader societal instability.The recent descent of the UK economy, after the Truss Government introduced a raft of policies that favoured the rich, brought into sharp focus how even our financial markets now recognise that policies that benefit the richest in society are unsustainable. Extreme wealth is a problem for ecological stability. Oxfam research shows that the ultra-rich are the biggest individual contributors to the climate crisis. The richest billionaires, through their polluting investments, are emitting a million times more carbon than the average person. [The wealthiest 1% are responsible for twice as many emissions as the poorest 50%](https://www.oxfam.org/en/press-releases/carbon-emissions-richest-1-percent-more-double-emissions-poorest-half-humanity).

***Billionaires create jobs (e.g., Amazon has over 1 million employees). Will they stop doing so if we tax them?***

High taxes on corporates and wealth existed side by side with record-high levels of job creation and increases in standards of living across the developed world for 50 years. The top rate of corporate tax in the US averaged above 50% in the 1950-1960s. Furthermore, slashing taxes means that governments have much less to invest in the economy, which itself stunts job creation. Many thousands of teachers, nurses, firefighters, and scientists cannot be hired when the super-rich do not pay their fair share in taxes.

***Why raise taxes on wealth when the richest 10% already pay the most in taxes?***

A billionaire should never be paying a lower percentage of their income tax than the secretary or the cleaner or the nursery worker in their office. While the top 1% of earners contribute 50% of all income tax received by the Treasury, income tax, VAT, and national insurance contributions mean that the the bottom 10% are paying more than twice the effective tax rate (44%) than those in the top 0.01% (21%).

***Do wealth taxes work?***

Wealth taxes have worked in many places around the world in recent decades. Net wealth taxes have declined since the 1980s not because they don’t work, but because the power of rich elites over policymakers has led to a decline in all taxes on the rich: today, at the global level, only four cents in every tax dollar now comes from taxes on wealth. This is the same in the UK - only 4 pence in every pound comes from capital.

Examples of success include Spain, where a net wealth tax was implemented again in 2011, has since increased the number of taxpayers and the amount of revenue it is collecting. Argentina has collected 223 billion pesos (around $2.4 billion) from its one-off pandemic wealth tax.

**Further Reading**

Wealth Tax Commission Final Report: A Wealth Tax for the UK. 2020.

*Emma Chamberlain, Dr. Andy Summers, Dr. Arun Advani.*

[**https://www.wealthandpolicy.com/wp/WealthTaxFinalReport.pdf**](https://www.wealthandpolicy.com/wp/WealthTaxFinalReport.pdf)

Reforms to the Taxation of Wealth: Tax Revenue Simulator. 2023.

*Dr. Arun Advani, University of Warwick.*

[**https://arunadvani.com/taxreform.html**](https://arunadvani.com/taxreform.html)

For further information, please do not hesitate to contact mfinnerty@patrioticmillionaires.uk.