

Taxing Wealth More: How to invest in our schools and avoid cuts



May 2025

Tax Justice UK

Tax Justice UK campaigns for a fairer and more equal tax system that actively redistributes wealth to tackle inequality and fund high quality public services. Our work is supported by over 60,000 members of the public, as well as a wide range of organisations.

The National Education Union (NEU)

The National Education Union (NEU) brings together the voices of more than 500,000 teachers, lecturers, support staff and leaders working in maintained and independent schools and colleges across the UK, to form the largest education union in Europe.

Background

Across the UK, living standards are falling and millions live in poverty at the sharpest end of an ongoing cost of living crisis. Public services we all rely on – our schools, hospitals, councils, public transport and social security have been decimated after more than a decade of cuts. In recent months, the government has announced further cuts to disability and health-related benefits, as well as the international aid budget.

School cuts have left education in crisis, and children are paying the price. Though head teachers, teachers and school staff have done their best to continue delivering high standards of education, our education system is under extreme pressure. Whole subjects are being lost to cuts, with children missing out on life-changing opportunities to study arts, sports, and music. Vital SEND provision is insufficient, leaving thousands of children with special educational needs and disabilities without appropriate support.

The extra funding announced at the recent

spending review was a welcome first step but will do little to reverse the cuts that schools have faced over the last decade. It is likely to only prevent the steep drop off in real terms per pupil funding that was scheduled over the next few years without providing much real terms growth, and that is only if inflation holds at close to 2 per cent and pupil numbers continue to fall.

Avoid cuts by taxing extreme wealth more

It doesn't have to be this way. The UK has the sixth largest economy in the world, yet this wealth is a largely untapped resource, held by a small proportion of the population. This is partly because of the UK's unequal and outdated tax system, which is stacked in favour of the super-rich. A myriad of unfair loopholes and far lower rates of tax on income from wealth than work mean the wealthiest in our society often pay proportionally lower taxes than the average person. This means the richest get rich at a faster rate, fueling inequality.

Over the past few decades, the UK's super-rich have accumulated record levels of wealth. According to Equality Trust, this year's rich list revealed that in 2025, the two richest UK billionaires held more wealth between them than all the billionaires in the 1990 list combined. What's more, the UK's 50 richest families now hold more wealth than the poorest half of the population (over 34 million people). This is a stark and sobering picture of the state of inequality in the UK today.

Taxing wealth more would ensure wealth is distributed more equitably throughout society and raise billions of pounds to fix our public services, improve living standards and tackle the climate emergency. In the immediate term, it would enable the government to avoid unnecessary cuts, which harm our children, wider communities and the economy.

“ It is a constant struggle to make the money the school has, to stretch to meet all the requirements and needs of the school community. Less trips, less maintenance of the school and reduced staff, especially support staff. It affects how we support our children, academic, SEND, mental health – to know a few things. There is nothing left to cut without it having a major impact.”

Nigel Attwood, Headteacher Bellfield Junior School, Birmingham.

The state of our schools following fourteen years of austerity

Fourteen years of national cuts have left school funding in desperate conditions. Right now, our schools are underfunded, understaffed and crumbling. **70 per cent of schools** in England have less funding in real terms than in 2010. That's 13,144 schools.

It's simple: less money means fewer resources. Head teachers have rebalanced budgets, shaved costs and made impossible choices again and again to keep our schools running.

Cutting school budgets year after year has left devastating impacts on schools.

Our class sizes in the UK are among the highest in Europe. **A million children are taught in classes of 30 or more.** Class sizes have a huge impact on the learning that pupils receive as they are not able to access as much one-to-one and personalised support. **Nine out of ten teachers** say class sizes are having a negative impact on pupil progress, attainment and behaviour.

School staff are being driven to burnout. **One in four teachers** leave the profession within three years of qualification, and a third within five years. Government pay freezes and below-inflation pay increases have seen the value of school teacher pay cut by around a fifth against RPI inflation since 2010, even after the above inflation pay increase of September 2024.

Classrooms are crumbling – it's a national scandal. The current state of school buildings presents a very real '**risk to life**', as was recognised by the Department for Education. **57 per cent** of teachers find their school's facilities negatively impact the learning environment for their students. 68 per cent of teachers work in buildings which have leaks from rain water, with over a quarter of teachers (29 per cent) reporting leaks of sewage or wastewater.

The climate crisis is only set to intensify the problems faced with school buildings. At present, many schools are not fit for purpose during the hotter months. There is an urgent need for education buildings to be retrofitted or upgraded to help adapt to climate change – so that they are more resilient to heat and cold, more energy efficient and ultimately net carbon zero. Simple adaptations can improve energy efficiency as well as health and well-being.

“ Cuts mean families who are already financially insecure are being served by a school which is being stretched to the limits of its resources, in terms of staffing, educational resources, building maintenance and extra-curricular experiences.”

Emily Coleman, Teacher Birchfields Primary School, Manchester.

What can we expect now?

After years of school cuts under the Conservatives, we expected change from the new Labour Government.

Instead, the government has provided a 4 per cent pay rise for teachers for 2025/26, but with only 3 per cent of this funded. They expect schools to find the additional 1 per cent through “improved productivity and smarter spending to make every pound count.” This will only lead to more cuts.

Head teachers have cut programs, shaved costs and made impossible choices again and again to keep our schools running. There is nothing left in school budgets to cut.

These cuts will lead to further losses in schools. Schools cutting subjects, losing support staff, and cutting back on basic maintenance to balance the books. Many primary schools will also be hit by falling pupil rolls/numbers, which combined with cuts to funding could force them to close.

This government is short-changing our schools by up to £600 million. They will ensure almost every school in the UK has additional cuts on top of more than a decade of austerity. This is the fourth year in a row that schools have had their spending power cut and it takes school spending power to its lowest level since at least 2010.

It is clear that these cuts are not necessitated by the economic climate, they are a political choice to continue stripping our schools of resources.

What do we need instead?

We can't fail another generation of children. To give all children a decent education alongside the right care and support, schools must be adequately funded and properly resourced. At the recent spending review the Government increase the Core Schools Budget by £4.1bn over the next three years and increased capital expenditure by over £2bn. This is a positive step but does not go far enough in solving the crisis in school funding.

We need to see education funded at 4.5 per cent of GDP – roughly an additional £6.2 billion real terms increase over three years, on top of the announced spending review plans.

Broken down it would see a £4.4 billion rise in the Core Schools Budget and a £1.8 billion rise in capital funding.

Funding stream	2028-29 planned	2028-29 required	Total increase
Core Schools Budget	£69.5bn	£73.9bn	£4.4bn
Capital	£7.7bn	£9.5bn	£1.8bn

Securing long-term funding at the right level would not only give schools and colleges the security and stability they need to carry out their work effectively – it would enable the government to meet other key education policy goals like tackling teacher recruitment and retention, and improving social mobility.

Sustainable and broad-based economic growth means we must shift the focus of our economy from profits to wages. The Conservatives' low-wage, low-skills, low-investment economic policies have failed completely. The UK has been at the **bottom of the G7 league** for investment in 24 of the last 30 years. The government must instead invest in our public services and in those who deliver them – and introduce policies which encourage investment in the real economy, driving productivity and economic growth.¹

Spending on education is an investment for our entire society, generating multiple gains in return. Education should be funded at a level that allows our children and young people to reach their full potential, which in the longer term will strengthen all our communities and the economy.

“ When it’s so, so cold, you start shivering, so your writing goes really wobbly when you’re actually writing it because our hands are shaking so much.”

Hettie, Student.

How do we get there?

Instead of making harmful and avoidable cuts to our schools and other public services, the government could choose to tax the wealthiest more. These changes would have a relatively small impact on their vast fortunes, but a significant positive impact on wider society.

There is strong and growing support for taxing wealth more, from respected economists, think tanks and international organisations including the **OECD** and **International Monetary Fund** (IMF). Polling from YouGov shows that **77 per cent of the public** would prefer the government raise taxes on the very richest than cut public services. Similarly, **65 per cent of UK millionaires** themselves are more likely to vote for a party that commits to higher taxes on the wealthiest to invest in public services.

We outline three ways the government could raise billions of pounds in a single year through closing unfair loopholes and introducing achievable, credible tax reforms.² These changes would provide schools with the funds they need to flourish, while enabling the government to avoid wider public sector cuts.

> **Apply a 2% tax on assets over £10 million, to raise at least £24 billion a year³**

A wealth tax on assets exceeding £10 million would require individuals with total wealth above this threshold to pay a 2 per cent tax on the excess amount. Setting this tax at a high threshold of £10 million in assets would ensure that only a tiny proportion of the population are impacted – **around 20,000 people**, or just 0.03 per cent – yet would raise significant funds for our public services. These are some of the UK’s wealthiest people, who possess a diversity of assets. This means they would be able to pay without having to sell property or experiencing a significant change in their financial situation. The relatively small number of people impacted would also make this tax much easier for HMRC to administer. This change would ensure that people who have benefited enormously from economic changes and inherited wealth pay their fair share.

Momentum is growing behind a ‘£10 million tax’, with support coming from a wide range of voices, including **former advisor to Tony Blair**, trade unions such as **Unite** and **UNISON** and **newspapers** including the **Financial Times**. These calls are supported by the **general public** and **millionaires themselves**.

> **Reform the Capital Gains Tax system through increasing rates and closing loopholes, to raise around £12 billion a year⁴**

Capital Gains Tax (CGT) – paid on profits made on the sale of an asset – is one of the most economically inefficient and unfair taxes in the UK. While the Chancellor made small tweaks in the October budget, this still leaves the UK’s CGT rate the **lowest** in the G7 – something the UK’s crumbling schools cannot afford. A comprehensive reform package, outlined by CenTax **could generate a further £12 billion annually**, create a more equal tax system and support economic growth.

² These form part of a wider suite of policy proposals developed by Tax Justice UK and Patriotic Millionaires UK, which would raise over £60 billion in a single year.

³ This figure is calculated based on 2016–2018 HMRC data of 22,000 taxpayers with wealth over £10 million and includes a behavioural response, calculated by Arun Advani.

⁴ This figure is based on CenTax’s October 2024 proposed reforms to CGT, estimated to raise £14.3bn per year, minus £2.5bn (revenue forecast by 2029–30 from the changes to CGT introduced in the October budget – p118, no.27).

To achieve this, as outlined by CenTax, the government should equalise CGT rates with tax rates on income, reform the tax base through closing down avoidance loopholes – removing the unfair death uplift and implementing an exit tax – and introduce an ‘investment allowance’. This proposal has huge cross-party support, including from centre-right think-tanks. There are strong arguments that these changes would support investment, productivity and growth, if accompanied by higher allowances, including from IPPR, CenTax and the Institute for Fiscal Studies.

➤ **End and redirect fossil fuel subsidies for oil and gas companies to raise £2.2 billion per year⁵**

Taxpayers subsidise oil and gas companies in the North Sea for activities such as exploration and decommissioning, which is incompatible with the UK’s climate commitments and drives costly climate damage, which harms all our communities. According to Oxfam this would in practice mean choosing to invest existing revenues differently, away from enabling polluting practices and towards climate action.

They found that between 2017-2021, the UK provided around £2.2 billion of support per year to fossil fuel producers – funding that could, for example, support communities impacted by flooding or bring the UK closer to its goal of becoming a ‘Clean Energy Superpower’. The OBR estimates that between 2022 and 2027, £25.3 billion will be spent on new oil and gas projects. By providing billions in subsidies to fossil fuel producers, not only is the UK government losing this vital revenue, but it is pushing companies to continue investing in harmful fossil fuels rather than climate-just alternatives.

This revenue could be crucial in funding essential retrofitting of the school estate. Not only are many classrooms not equipped to deal with the high temperatures that we regularly now experience in summer, but there is also an established link between classroom air quality and children’s performance in school. Improvements in ventilation in schools would reduce the risk of Covid-19 and other viruses spreading. Retrofitting also provides an opportunity to address the dire need for repairs faced by schools across the country. This could include asbestos and RAAC removal, which has the potential to mitigate serious threats to health.

“ [I’m a] Parent and work in a school.
We cannot even afford glue sticks and heating is limited to a couple of hours in the morning.”

Donna, Biddulph.

⁵ This figure should be taken as indicative to account for fluctuations based on behavioural responses and compensation the gov would be liable to pay if it were to change the rules on decommissioning tax relief.