Tax Justice UK

A Fairer Tax System for Wales

February 2026

About us: Tax Justice UK campaigns for a fairer and more equal tax system that makes life better for all of us.

Background

In recent years, the UK's super-rich have accumulated even more wealth, while our public services have been decimated and inequality has soared. Increasing numbers of people are being pushed into poverty, at the sharpest end of an ongoing cost–of-living crisis. Research from the Equality Trust has shown that the 50 richest families in the UK currently own more wealth than the poorest 34 million people.

Both the UK and Wales's unequal tax systems are stacked in favour of the super-rich, fuelling this inequality. 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, ensuring they get richer at a faster rate.

Wales has less wealth than the rest of the UK following decades of underinvestment and the ongoing impacts of deindustrialisation. According to CenTax, Wales holds only 2% of all UK capital gains - less capital gains than the London borough of Kensington - despite having 50 times the population. Wales has 5 billionaires (just 3% of the UK's total of 156 in 2025), with some of the most extreme levels of poverty in the UK. One fifth of the population lives in poverty, with lower incomes and wealth than the UK average.

Despite this, through introducing progressive tax reforms, the Welsh Government has the opportunity to demonstrate real leadership and best practice to the rest of the UK. By making its tax system fairer and more equal, Wales can invest in public services, tackle inequality and build an economy that delivers for ordinary people, not just the super rich.

A Fairer Tax System for Wales

The Welsh Government has had a notable increase in tax raising powers since devolution. The Senedd can now legislate and reform a considerable range of taxes - predominantly on property, land and business rates. Currently, Welsh taxes form around 20% of the Welsh Government's budget.

We want to see the next Welsh Government take full advantage of these new powers in order to generate much needed revenue to fund vital public services and public investment. This is the only way to sustainably grow the economy and improve living standards for ordinary people in Wales. In addition, Welsh politicians must use their position and voices to push the UK government to adopt a more ambitious and progressive tax agenda, for the benefit of all communities across the devolved nations.

Strong support for taxing wealth more

'Taxing wealth more' has strong and growing support, from respected economists, think-tanks, major unions and international organisations including the OECD and International Monetary Fund (IMF). Polling from IPPR and Patriotic Millionaires UK shows that 75% of the public and 80% of millionaires themselves would support the introduction of a 2% wealth tax on assets over £10m.

Below we outline fair and progressive tax reforms the Welsh government should take to tackle inequality and economic unfairness, reduce the cost of living for ordinary people and drive economic growth.

1. **Fairly reform council tax, with regular revaluations and a proportional property tax**

Council tax is one of the most regressive, outdated and unfair taxes across the UK today, and is due a complete overhaul. Wales has an opportunity to build the most progressive property tax system in the UK - and show real leadership to the other UK nations on how this can be done. Property is one of the biggest sources of wealth in Wales, so reforming how it is taxed would be a major step towards taxing wealth more fairly.

The current Welsh Government has committed to revaluing property tax bands in 2028, having last revalued them in 2003, following fair and progressive improvements last year. This will rebalance the system so owners of more valuable properties pay a fairer share, and positively set Wales apart from England and Scotland, whose council tax is still based on 1991 values with no current plans for revaluation. The upcoming revaluation is welcome, but should be a stepping stone towards completely fixing the property tax system.

The next Welsh Government should complete reform of the system by replacing council tax with a proportional property tax, to make the system fairer and in line with international best practice. The institutional capacity for regular automatic revaluations has been put in place through the revaluation of council tax bands, and can be assisted through modern data analysis methods. There is very strong support in Wales for taxing the most expensive properties more, with a range of different supported approaches. It would result in a net tax cut for the poorest 4 quintiles, whilst raising taxes on the richest quintile, according to the IFS. This should also include a fair funding formula, so that councils with lower value properties don't lose out on essential funding.

Currently, Welsh Councils have the ability to charge up to 300% council tax on second homes and long term empty properties - this should be retained and enhanced in the new system so that the wealthiest who own multiple properties pay more.

2. Rebalancing the Land Transaction Tax

Alongside reforming the Council Tax system, the next Welsh Government should seek to rebalance the Land Transaction Tax so that the wealthiest people with multiple properties - and therefore the most wealth - pay more. The Land Transaction Tax is Wales's version of Stamp Duty Land Tax, a tax paid when purchasing property worth more than £225,000.

Many parts of Wales face depopulation due to homes being bought up as holiday lets and second homes by wealthier people, driving up prices and depriving local people of a place to live. Second homes are currently charged 3-5 percentage point higher rates of LTT. We believe they should be charged a significantly higher rate of LTT - alongside holiday lets - so that wealthy property owners pay more to properly invest in the communities and public services they benefit from. A higher rate of LTT would not only rebalance the incentives towards more available housing, but also raise revenue to potentially invest into building more social housing, including council homes.

3. Reforming Business Rates

The UK government is in the process of reviewing Business Rates, and Wales should follow suit. In the current system, bricks-and-mortar SMEs often pay higher effective rates of tax than big multinationals like Amazon. Whilst taxing Big Tech companies is something only the UK government can do, Wales can take steps to make Business Rates fairer.

The next Welsh Government should overhaul Business Rates, so the tax system is a "slice" rather than a "slab" system, with regular revaluations to prevent cliff edge changes in tax take. There are several options to achieve this, including a land value tax for businesses, which won't penalise firms for investing in their property, or a simple proportional property tax. The Welsh government should also reduce and simplify the number of reliefs and exemptions, which as noted by the CBI are often overlapping and confusing.

This change would provide a big boost to Wales's high streets and town centres, reducing cliff edges in tax rates and dramatic shifts in response to revaluations, which would give businesses greater certainty and stability.

4. Vacant Land Tax

In 2018, the Welsh Government requested the UK Government for powers to introduce a Vacant Land Tax. Almost a decade on, this has still not been agreed and implemented, so we urge the next Welsh Government to take swift action to progress this. The tax, based on similar taxes in the Republic of Ireland, would levy taxes on unused land with planning permission, which has been shown to incentivise efficient use of land in other countries. The Irish tax requires land owners to pay an annual charge of 3% of the market value of vacant sites which have been granted planning permission, but are not yet being made use of.

In particular, it would encourage developers or wealthy individuals who have empty land to build homes or sell it to those who would make better use of it. This would support local economic growth, generating revenue for local authorities to invest in the community and public services. Since the tax would fall on landowners and developers with planning permission who haven't made use of land, ordinary farmers, property owners and businesses wouldn't be affected.

5. **Resourcing the Welsh Revenue Authority and HMRC**

The Welsh Revenue Authority is responsible for collecting Welsh-made taxes. With an expanding number of devolved taxes, it is essential that it is properly resourced in staff, training and technology, to ensure it can perform its role effectively and collect tax owed, particularly from the super rich. HMRC should also receive more resources at a UK wide level, including in its Welsh offices, to ensure its share of the Welsh tax take is collected fairly and effectively.

The UK's official tax gap estimate sits at a huge £46.8 billion and HMRC has very limited understanding of the tax affairs of the super rich. According to the Public Accounts Committee, HMRC does not even know how many billionaires are in the UK or how much tax they pay. Recent estimates suggest that at least £2.1bn extra could be raised from closing the wealthy tax gap, which experts suggest is most likely a significant underestimate. The government must provide funding and resources to improve HMRC's institutional capacity to properly measure and collect tax from the very richest and close the tax gap, in line with recommendations made by the Public Accounts Committee.

HMRC and the WRA currently don't produce a tax gap estimate for Wales (the difference between what tax revenue should be and what is actually collected). Alongside increasing investment and skills to properly measure and collect tax owed, HMRC and WRA should produce a tax gap estimate for Wales and take concrete steps to sustainably reduce and eventually close this. Publishing the gap demonstrates transparency and will build public confidence in the government's ability to collect tax from the wealthiest and most powerful.

The Role of the UK Government in Taxing Wealth More

The next Welsh Government can and must go further in progressively reforming Wales's devolved taxes. But the Senedd alone cannot deliver a fair and sustainable tax system - much of this can only be done by the UK government.

It is vital that the next Welsh Government uses its platform to advocate for UK-wide tax reform that ensures the wealthiest pay their fair share, to support economic growth which benefits communities in Wales and across the wider UK. Tax Justice UK and Patriotic Millionaires have a full policy platform which could raise over £60bn a year to generate much needed revenue for public services and invest in the economy.

1. **Apply a 2% tax on assets over £10 million, to raise up to £24 billion[1] a year**

A wealth tax on assets exceeding £10 million would require individuals with total wealth above this threshold to pay a 2% 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 - just 0.03%, or 22,000 people - raising significant funds for public services and tackling the massive inequalities in the UK. 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.

A 2% annual tax on wealth over £10 million has significant support; polling shows 75% of the public and 80% of UK millionaires are supportive . And the groundwork is already well-developed; The Wealth Tax Commission provides a comprehensive framework showing how it could work in practice.

2. **Complete reform of the Capital Gains Tax system through increasing rates and closing loopholes, to raise around £11.3 billion a year**

Capital Gains Tax (CGT) - the tax paid on profits made on the sale of an asset - is one of the UK's most dysfunctional and economically inefficient taxes, characterised by unfair loopholes and rates. A full package of reform could raise £11.3bn a year, create a more equal tax system and support economic growth.

To achieve this, as outlined by CenTax, the government should equalise CGT rates with tax rates on income and close down avoidance loopholes by removing the unfair death uplift and implementing a settling up charge alongside an 'investment allowance'. This proposal has huge cross-party support, including from centre-right think-tanks and Conservative politicians. 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.

3. **Extend the scope of National Insurance Contributions to include investment and partnerships income, raising up to £6.1 billion a year - £4.2 billion and £1.9bn respectively**

Currently National Insurance is paid on income from work but not investment, such as rent from property and interest on savings. This means that landlords who don't have a mortgage, earning huge sums of money during a housing crisis, are paying a lower tax rate than their renters whose only income is from their job. It is fair and right that the government should expand the tax base to income from investments.

[1] This figure includes behavioural response, calculated by Arun Advani.

The government should also end the differential rates of NICs for partnerships to raise £1.9bn a year. Partners in firms are taxed at a different rate to regular employees - sometimes resulting in junior staff in partner firms paying higher tax rates than senior, better paid partners in the firm. Nearly half of all partnership income was received by the highest earning 0.1% of earners, often in legal and financial services.

These changes - supported by policy experts at CenTax and Demos - will help promote efficiency in the tax system as well as greater fairness in tax rates.

4. **End and redirect fossil fuel subsidies for oil and gas companies to raise £2.2 billion per year**

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. 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 skyrocketing energy prices. The OBR estimates that between 2022 and 2027, £25.3 billion will be spent on new oil and gas projects.

By ending and redirecting fossil fuel subsidies towards clean energy solutions, the Government could raise much-needed revenue, tackle climate breakdown and encourage companies to invest in climate-just alternatives to support the UK's goal of becoming a 'Clean Energy Superpower'.

For more information: please contact Joe Wright (Policy and Advocacy Manager at Tax Justice UK - joe@taxjustice.uk)