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Executive Summary

At this Budget, the Chancellor should immediately:

- Equalise the way the tax system treats different forms of income by completing reform of Capital Gains Tax (Equalisation of Rates and closing unfair loopholes by abolishing the death uplift and implementing a settling up charge, alongside introducing an investment allowance) - which will raise [£11.3bn](#) as well promote economic growth.
- Expanding the scope of NICs to include income from investments and partnerships to raise [£6.1bn](#) a year.
- Introduce Public Country by Country Reporting - this was already legislated for in 2016 and is estimated to [raise around £5bn](#) a year by the end of this parliament through reducing ed profit shifting by multinational corporations.

Over the remainder of the Parliament, the government must look at longer term structural reforms, to unlock the revenue needed to deliver the government's ambitions plans and meet the country's needs, including an ongoing cost of living crisis and growing wealth inequality. These include:

- Council Tax Reform - replacing Council Tax and Stamp Duty with a [proportional property tax](#), cutting taxes for 75% of households and raising £5.6bn a year.
- Strengthening HMRC capacity and powers to properly measure and collect tax from the wealthiest individuals and help to close the tax gap of [nearly £60bn](#), such as by restoring the High Net Wealth Individuals Unit.

Introduction and Rationale

The priority for the new Government is to deliver the positive change people have been promised. Changing the way we tax wealth, and importantly extreme wealth, is not a silver bullet, but it is a crucial first step in both raising significant revenue to fund ambitious plans to fix our public services and enable devolution, and tackling the wealth inequality crippling the UK. There is more than enough wealth in this country to ensure all our communities can thrive. What's needed is a Government with the political will and courage to unlock it.

The cost of living crisis remains the defining challenge facing people in the UK, regularly shown by polling of public opinion, such as a [YouGov 2026 poll](#). Over a decade of harsh

austerity measures alongside the rising cost of essentials have squeezed living standards for years and left millions unable to afford the basics. [Record numbers](#) of people face food insecurity and [two fifths](#) of UK households report struggling to pay their energy bills. At the same time, wealth inequality is spiralling out of control as levels of extreme wealth continue rising. Equality Trust [revealed](#) that billionaire wealth has grown by 842% since 1990, and the 50 richest families in the UK currently own more wealth than the poorest 34 million people. This inequality is [starkly reflected](#) between regions - the South East is the wealthiest of all regions with median household total wealth of £503,400, over twice the amount of wealth in households in the North of England. The wealthiest people and corporations are also fuelling climate breakdown, through excessive consumption and harmful investment choices.

The new Government's package of cost of living measures signal movement in a positive direction, but if Labour is serious about rebuilding public confidence, demonstrating it is a party for ordinary people instead of the extraordinarily rich, and delivering material improvements to people's lives, it must be prepared to address one of the structural causes of these problems: a tax system that continues to favour wealth over work.

The UK's unequal tax system is stacked in favour of the super-rich. Unfair loopholes and 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. In effect, this is a systemic enabler for the already wealthy to accumulate even higher levels of wealth as their income from assets and wealth is treated preferentially over someone who earns an income from work. While the top rate of income tax (for those earning more than £125,140 annually) is 45%, [evidence](#) shows that once capital gains are taken into account, the range of effective tax rates is much wider, with almost a quarter of people with £3 million or more in assets paying no more than 12%.

Taxing extreme wealth more would raise tens of billions of pounds each year. Vital funds which could be used to kickstart a national mass council housing building programme, develop a new social care system that properly supports our loved ones and is accessible to all, and invest in our villages, towns and cities that haven't shared in the benefits of growth and globalisation.

Reforming the tax system will not be achieved through a single measure or a single Budget. But early action is essential to tackle inequality, strengthen public finances and demonstrate that this government is willing to get the economy working for everyone.

Support for taxing wealth more

Taxing wealth more has strong and growing support, from [respected economists](#), [think-tanks](#) and international organisations including the [OECD](#) and [International Monetary Fund \(IMF\)](#). Polling by IPPR and Patriotic Millionaires UK shows that [75% of the public](#) and

[80% of UK millionaires](#) themselves want the wealthiest to pay more, and are more likely to vote for a party that commits to higher taxes on the super rich to invest in public services.

Immediate Domestic Priorities for this year's Budget

In order to create a fairer tax system, which rewards working people while supporting economic growth, the Government must ensure different sources of income are taxed equally. The two key ways the Government can achieve this, while raising significant revenue, are by reforming the Capital Gains Tax system and extending the scope of National Insurance Contributions (NICs) to investment and partnerships income.

Capital Gains Tax Reform

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. While Rachel Reeves made small tweaks in the October 2024 budget, raising the main and higher rates to 18% and 24%, she did not complete reform at the 2025 budget, leaving the UK's CGT rate as the lowest in the G7 - something Britain's communities struggling with the cost of daily living cannot afford.

Capital Gains Tax is paid by a tiny handful of the very richest people, just 0.5% of adults each year – less than the number of Additional Rate taxpayers. By extension, the spread of capital gains wealth emphasises the wider regional wealth inequality present in the UK today. According to the [Centre for the Analysis of Taxation](#) (CenTax), one neighbourhood in Kensington, home to 6400 people, had as much gains from 2015–19 as everyone in Liverpool, Manchester and Newcastle combined.

Proposed Policy

Different forms of income should be taxed equally, regardless of their source. To achieve this, and in doing so, make the tax system fairer and less distorted, the Government should implement a comprehensive package of reform to the CGT system. As outlined by CenTax, this includes equalising CGT rates with tax rates on income, reforming the tax base through closing down avoidance loopholes - removing the unfair death uplift and implementing a settling up charge (exit tax), widely used by other nations around the world to prevent people from dining and dashing on the UK economy.

The current CGT system harms productivity and growth, because it encourages people to convert labour income into capital gains, hoard their wealth until death, and allows people to leave the UK to avoid paying their fair share. Through increasing the rates and closing unfair loopholes, there are strong arguments that the changes proposed would support investment, productivity and growth, if accompanied by an investment allowance to protect genuine investors, including from [IPPR](#), [CenTax](#) and the [Institute for Fiscal Studies](#).

Estimated Revenue Raised

The Chancellor's reforms are set to raise £2.5 billion by 2029-30, whereas a full package of reform could raise a further [£11.3bn a year](#), create a more equal tax system and support economic growth. It is worth noting that this is almost exactly the amount of government funding needed (£11.8bn) to build [90,000 new social homes](#) needed to resolve the UK's housing crisis and help end homelessness.

Implementation and Timetable

CGT reform would be relatively quick and easy to implement. According to Centax, rate changes and closing loopholes could be brought in immediately, while an investment allowance could be brought in in the next tax year. Introducing a settling up charge (exit tax) would require some additional reporting process, but this should be straightforward to design and introduce given how widespread their use is globally.

Widening the Scope of National Insurance Contributions (NICs) to Investment and Partnership Income

Our outdated National Insurance system creates stark differences in how earnings are taxed according to their source. Currently NICs are paid on income from work but not investment - such as rent from property and interest on savings. This means that landlords without 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. This results in a system which favours passive rental income over work or investment in the productive economy.

Similarly, there is no equivalent to 'Employer NICs' on partnership profits - despite the fact these are some of the top earners in the country. According to [CenTax](#), the top 0.1% of UK taxpayers by total income received 46% of all partnership income in 2020, compared with less than 5% of all employment income. As a result, people can paradoxically see their effective tax rate go down when they are promoted in a law firm from solicitor to partner.

Proposed Policy

It is fair and right that the government should expand the NICs tax base to income from [investments](#) and [partnerships](#). This would remove economic distortions, ensure income from wealth is taxed at the same rate as earnings from work, and be [better for growth](#). Policy design can protect smaller partnerships and lower earners - [two-thirds of partners](#) (66%) would owe no partnerships NICs under the proposed system.

These changes would be a key step in making the tax system fairer and more equal, by removing distortions and complexity. As Demos [shows](#), applying NICs to partnership income would extend neutrality in the tax system, which can have benefits for growth. Reducing the appeal of investing in property would encourage some landlords to sell and invest in productive businesses instead. This could lead to a reduction in property prices, making them more affordable at a time where home ownership has become an unachievable goal for so many, especially young people. According to [CenTax](#) combining this with the CGT

reform would reduce the impact for landlords, as the investment allowance would ensure they are only taxed on profits not revenues.

Estimated Revenue Raised

£6.1billion a year after potential behavioural responses - [£3.1bn](#) from property income, [£0.6bn](#) from savings income, [£0.5bn](#) from other NDI income, [£1.9bn](#) from partnership income (£1.7bn if offsetting the effect on GPs). Just extending the scope of NICs to include investment income would raise the exact amount needed to fill the core schools funding gap ([£4.2bn](#)).

Implementation and timetable

The reform could be introduced in the Finance Bill for the next Budget, to come into force in the following tax year.

Public Country by Country Reporting

The UK and its Overseas Territories facilitate [a quarter](#) of all global tax avoidance each year, by multinational corporations and wealthy individuals using tax havens to underpay tax. This undermines financial and economic sustainability globally, and robs the UK of \$45 billion ([over £33bn](#)) a year. There is [considerable evidence](#) that profit shifting and tax avoidance by big corporations undermines economic growth and productivity, by distorting market competition and depleting public revenue. Inefficient allocation of resources and anti-competitive behaviour cements major established firms' position in the market compared to new challengers.

Proposed Policy

Public Country by Country Reporting (PCbCR) requires multinational corporations to publicly report how much profit they make in each country they operate in. This makes it possible to track profit when a multinational corporation shifts it out of the country where the profit was made and into a tax haven - allowing [civil society to recognise and scrutinise tax abuse](#) by giant multinationals. This additional scrutiny doesn't eliminate profit shifting, but it does make it more likely that multinationals will avoid using tax havens and properly pay the tax they owe.

The UK was the first to adopt PCbCR measures, included in the [2016 Finance Act](#), but has not yet exercised these powers. The Government should enact these existing statutory powers at the earliest opportunity, to crack down on tax abuse by multinational corporations and raise billions for the UK's economy. Increasing numbers of nations have moved ahead with requiring publication, from the EU to Australia, where there is [evidence](#) of reduced use of tax havens and profit shifting. When European banks were required to publish these reports in 2014, they reduced their profit shifting activities by just over a quarter.

Estimated Revenue Raised

Tax Justice Network estimates PCbCR would prevent 1 in every 4 pounds currently lost to corporate tax havens each year, bringing in roughly [£5 billion](#) a year for the UK.

Implementation and Timetable

The UK government can implement PCbCR by activating existing statutory powers under the Finance Act 2016. To do this, HMT would simply need to draft and lay a Statutory Instrument before parliament. This would require the published tax strategy of every multinational group within OECD CbCR scope (consolidated revenue above €750m) with UK entities or permanent establishments to include the group's country-by-country report, with the report for each financial year starting on or after 1 January 2027 published within 12 months of the balance sheet date.

Ending and Redirecting Fossil Fuel Subsidies for Oil and Gas Companies

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. By providing billions in subsidies to harmful fossil fuel producers, not only is the UK Government losing vital revenue, but it is pushing companies to continue investing in harmful fossil fuels rather than climate-just alternatives. This is funding that could, for example, support communities impacted by flooding or bring the UK closer to its goal of becoming a 'Clean Energy Superpower'. Therefore, the government should invest existing revenues differently, away from enabling polluting practices and towards climate action.

Estimated Revenue Raised

According to [OECD data](#), in 2024 the UK provided £3.2 billion to fossil fuel producers, and roughly similar amounts for recent preceding years.

Implementation and timetable

These reforms can be phased in during the remainder of the parliamentary term, and should be introduced alongside a programme of investment and job creation in the renewable energy sector, to ensure a just transition for oil and gas workers and move towards a more sustainable economy.

Longer Term Domestic Priorities (to begin implementation throughout the remainder of this parliamentary term)

Council Tax Reform

Council tax is one of the most regressive, outdated and unfair taxes in the UK today, with bands in England still based on 1991 property values. Similarly, Stamp Duty (the tax applied when buying residential property over certain thresholds) makes home ownership more expensive and harder to attain, while also discouraging people from downsizing. Council tax

bills are felt hardest by lower earners and those with lowest incomes, exacerbating an ongoing housing crisis in which skyrocketing rents and property prices see ordinary renters and aspiring home owners squeezed. As the Resolution Foundation outlines, for the poorest households, Council Tax can cost more than [5% of their gross household income](#) - in many cases more than Income Tax. For the wealthiest, Council Tax can take as little as 1% (or lower) of gross income.

Proposed Policy

To make the system fairer and more straightforward, Council Tax and Stamp Duty should be replaced by a [proportional property tax](#) (PPT) - a single flat rate tax charged annually at 0.48% of a property's value - based on regular revaluations. The tax would be proportional to the value of a property, paid by the owner rather than the occupier, with adequate protections included so the costs can't simply be passed on to renters. Fairer Share outlines a [comprehensive framework](#) of how a PPT could work in practice. This is standard practice in [many OECD](#) countries, including Sweden, New Zealand and Ireland. Exemptions on undeveloped plots and second homes should be scrapped, and made subject to higher rates of tax, to ensure the wealthiest pay their fair share. This should also include a fair funding formula, so that councils with lower value properties don't lose out on essential funding.

This would ensure those with the broadest shoulders pay more, which would help tackle wealth and regional inequality and put money back in ordinary people's wallets. According to [Fairer Share](#), a 0.48% PPT would lower bills for 18 million households - with 75% of people better off than they are under the existing system. Yet it would yield enough revenue to fully replace Council Tax, Stamp Duty Land Tax and the Bedroom Tax. This change would also [boost economic growth](#) by incentivising more efficient use of the housing stock and rebalancing investment and house prices. Higher additional rates of tax for second properties and overseas buyers would help [disincentivise](#) the use of homes as investment property, making homes more affordable for ordinary people.

There is strong agreement among the public and politicians that council tax is unfair and in need of overhaul. A significant group of cross-party MPs (including Labour, Conservatives, Liberal Democrats) [support](#) its replacement with a PPT. The Welsh Government has set a positive example - committing to revaluing property tax bands in 2028, having last revalued them in 2003. Further, institutional capacity for regular automatic revaluations is already in place through the revaluation of council tax bands, and can be assisted through modern data analysis methods.

Estimated Revenue Raised

Fairer Share [estimates](#) that a 0.48% PPT would see HMT gain £5.6 billion annually, after replacing the revenues currently raised through Council Tax and residential Stamp Duty. This figure will change slightly depending on property prices, council tax bills and SDLT receipts. There is also the option of setting the rate lower if the Government wanted the reform to be broadly revenue-neutral.

Implementation and Timetable

This would take between 2-3 years to implement - according to [Fairer Share](#) - though the precise timetable would depend on how a government chose to structure the reform. It would require primary legislation to abolish Council Tax and residential Stamp Duty and establish the new PPT framework. The other major piece of work would be establishing up-to-date property valuations across England and the infrastructure for regular revaluations. This is entirely possible: mortgage providers value hundreds of thousands of properties each year, and a modern mass-appraisal system would make this considerably more straightforward than attempting individual physical valuations of every property.

Strengthening HMRC Capacity

The UK's official tax gap estimate - the difference between what the government should receive in tax and what it actually gets - currently sits at a huge [£59.2bn](#) or around 6.4% of tax due, possibly as high [as £100bn](#). A clear problem in tackling this is that HMRC has limited understanding of the tax affairs of the top 0.1%. Indeed, a recent Public Accounts Committee [report](#) found that HMRC does not know how many billionaires pay tax in the UK, and has very little information about the offshore tax gap. Further, HMRC only has a budget of £600,000 to assess over £200bn of spending on reliefs - this is less than any major department spends on their own finance and evaluation teams by some margin.

An [NAO report](#) found that between 2019-20 and 2023-2024, HMRC's costs of administering the tax system increased by 15% (£563 million). This was in part driven by an ever more complicated tax code, along with digitalisation and a rising number of tax payers. Meanwhile, the number of staff classified as tax professionals [fell by 40%](#) from 2016 to 2023, and salaries have fallen by 20% when adjusted for inflation since 2010. Whilst the government's announcement of 7,900 new staff is welcome, a [report](#) from TaxWatch has found that, at the time of writing, only 26 staff have been recruited and finished training, and 1,500 of these new staff are actually existing staff.

When combined with the significant cost of tax reliefs, the high cost of administering the tax system highlights the need to simplify and equalise the tax system (including through phasing out unfair and inefficient reliefs), in order to enable greater efficiency within HMRC and raise vital funds for our communities and public services.

Proposed Changes

It is welcome that HMRC is currently working on its Wealthy Plan, following a report by the Public Accounts Committee on Collecting the Right Tax from Wealthy Individuals. This must proceed at pace, and include:

- Restoration of a dedicated High Net Wealth Individuals Unit, disbanded in 2017
- Setting a high threshold for eligibility as a 'High Net Worth Individual', at net wealth of at least £10m
- A dedicated Customer Compliance Manager for every wealthy individual

- Increased data on the wealthiest 0.1% and their tax affairs, including extensive reporting of their assets and wealth
- Greater transparency on ownership and control of property, businesses and other assets, including an asset register

Other institutions will also require investment and reform. The Land Registry remains incomplete, and Companies House needs to [further develop](#) its capabilities and systems to properly enforce and verify the stricter requirements on ownership and director identities introduced in 2024. There is also a pressing need for transparency in Britain's Overseas Territories, like publicly accessible registers of beneficial ownership, and for [greater transparency](#) in property ownership in the UK - with major capability and legislative gaps at HM Land Registry and Companies House.

Implementation and Timetable

The government should work to ensure that the Wealthy Plan, further plans for large corporate tax and hiring, training and onboarding the new HMRC staff is completed within this parliament. [It is essential](#) that the tax gap is brought down significantly during this Spending Review period in order to meet the government's fiscal rules. Some of this work, like forming a HNWI unit, can be completed within a year.

Working Towards an Annual Wealth Tax

The UK currently does not have a tax which targets someone's wealth in its entirety. As the Wealth Tax Commission [outlines](#), if the government's aim is to reduce wealth inequality, an annual wealth tax is the clearest way to achieve this via the tax system, as there are limits to what can be achieved through reforming existing taxes on wealth. Investing in HMRC's capacity, reforming property taxes, fixing the problems with our existing taxes on wealth and tackling the leaky tax code would put the UK on a path to introducing an 2% annual wealth tax on assets over £10m early in the next parliament, [raising upwards](#) of £24bn a year.

The European Commission earlier this year [published a comprehensive report](#) looking at taxes on wealth across Austria, Germany, France, Norway, Switzerland, Spain and Colombia over multiple decades, showing how to design an optimal wealth tax. The lessons are clear:

- High thresholds for payment
- Limited or no exemptions, carve outs or reliefs
- Strong institutional capacity with high-quality asset registers, extensive third-party reporting, robust enforcement, specialist High Net Wealth Individual units, and continued strengthening of automatic exchange of information between governments
- Alignment with other parts of the tax system

These measures would have the additional benefit of tackling tax abuse and illicit finance, by significantly enhancing transparency of ownership and control of property and business. They are also in line with EU Commission recommendations on how to effectively and fairly tax wealth - be it through existing taxes like Inheritance Tax, or new ones like an annual wealth tax.

Even without introducing a wealth tax, taking steps to strengthen and improve HMRC's institutional capacity will enable HMRC to more effectively measure and collect tax from the very richest, in order to reduce the tax gap, and help deliver the government's other priorities, such tackling illicit finance and the use of property for tax avoidance.

Proposed Policy

A wealth tax on assets exceeding £10 million would require individuals with total wealth above this threshold to pay a 2% tax on the amount over the threshold. Wealth would be measured by the overall value of someone's assets, minus any debts. For example, a person with assets worth £11 million would pay 2% on the £1 million above the threshold, generating tax revenue of £20,000.

Setting this tax at a high threshold of £10 million would ensure that only a tiny proportion of the population are impacted - just 0.03%, or [22,000 people using 2021 data](#) - making it much simpler and more effective for HMRC to administer. Yet, it would raise significant tax revenue (estimated at [£24bn a year](#)) which could be used to relieve the cost of living crisis, contribute toward fixing public services, and tackle wealth inequality in the longer term through redistributing wealth via government spending and investment that benefits the majority of the population.

Estimated Revenue Raised

According to CenTax this would raise up to £24 billion a year, once estimated [behavioural changes](#) have been accounted for. This is more than enough needed to enable the government to fund an NHS-style, free at the point of use, universal and comprehensive social care system ([£18.5bn a year](#) by 2035/36).

Implementation and Timetable

Primary legislation could be introduced in a Finance Bill, alongside required administrative reform at HMRC and the Valuation Office Agency. According to the Wealth Tax Commission, it would take around 2-3 years to build the necessary HMRC capacity and valuation infrastructure.

Comprehensively Auditing the Tax Code

The UK tax code is the one of the most complex in the world, littered with tax reliefs, many of which are unfair, inefficient, and favour vested interest groups and multinational corporations. The UK spends a staggering [7.27% of GDP](#) on non-structural tax reliefs, costing £207bn in 2024 and equivalent to just under 30% of government tax revenue. A

[2023 report](#) by the Treasury Select Committee found there were 1,180 tax reliefs - 841 structural and 339 non-structural. 815 (69%) of these have never been publicly costed.

A [2024 report](#) by the National Audit Office criticised the Government's lack of evaluation of reliefs, outlining that HMRC had a relatively small £600,000 budget for evaluation and had only evaluated 25 non-structural reliefs since 2015. In 2023, the Institute for Government [concluded](#) that the evaluation of tax policies has somewhat improved, but remains too limited.

Tax reliefs can be exploited and stacked up by well established companies with access to wealth advisors and lawyers, who can afford to fill out the paper work and make the claims. This cements their position in the market and stifles competition. For example, Amazon receives [significant](#) tax breaks and subsidies, such as for creation of film and television, which means in many years it pays no Corporation Tax. In 2025, Amazon paid an equivalent Corporation Tax rate of just 7.1% according to the [Fair Tax Foundation](#), despite £32bn in revenue in the UK, by stacking up various reliefs.

Proposed Policy

The government should include tax reliefs in the Spending Review process, with them being assessed - both individually and collectively - on a “zero-based” approach as is done on a similar basis in the [Netherlands](#). As an immediate first step, as a Spending Review is not due for several years, the government must urgently begin reviewing all reliefs and exemptions, including how they interact with each other, and close the most egregious and unfair ones. Particularly egregious reliefs include the [SME relief](#) for AirBnbs - which has led to owners of second homes [avoiding](#) both Council Tax and Business Rates, the [Carried Interest Loophole](#), a £500m tax cut for private equity bosses, and Patent Box, a £2.4bn giveaway to global pharmaceutical companies, with the [UK receiving nothing](#) in return.

Estimated Revenue Raised

The UK currently spends over £200bn a year on tax reliefs - whilst many of these work well for the economy and society, it is clear that billions are being given away with little scrutiny. The amount raised will vary considerably, depending on the government's priorities and conclusions about each relief's effectiveness.

Implementation and Timetable

Ideally, the government should include all tax reliefs in the Spending Review process, in line with [recommendations](#) from the Institute for Government. However, the government could make a start on this now, and make progress on particularly egregious reliefs before the next Spending Review period.

International Priorities

As well as domestic tax reform, the government must also use this Budget to take steps on achieving international tax reforms, unlocking billions of pounds for public services, tackling tax abuse and leveling the playing field between giant multinationals and ordinary high street businesses. This will be essential to building a fairer, more resilient economy. Whilst much of this will be taking place separately from the Budget - the United Nations Tax Convention negotiations, the Illicit Finance Summit, and the G20 presidency - the Budget provides the government and Treasury with an opportunity to signal its intent and support for these processes.

Tackling Illicit Financial Flows

Hundreds of billions of pounds move through illicit finance globally every year, funding war and crime, eroding our democracies and defrauding governments, the public and businesses of huge sums of revenue, particularly in low and middle-income countries. Each year, a staggering [£788bn of illicit finance](#) - from financial crime, money laundering, corruption, illegal trade and tax abuse - flows through the UK, its Overseas Territories (OTs) and Crown Dependencies (CDs). These flows undermine sustainable economic growth, both in the UK and abroad, and deprive governments around the world of billions in revenue. It is essential that the government takes action at this budget to tackle the illicit finance flowing through the UK.

The UK Government's decision to host an International Summit on Illicit Finance this December is welcome and the presidency of the G20 provides further opportunities to lead on this issue. For the Summit to be a success - comparable to the progress that was made at the [Anti-Corruption Summit](#) the UK hosted in 2016 - the UK Government must demonstrate clear leadership and responsibility. Whilst the FCDO is leading the Summit, most of the domestic policy work that will be required to tackle Illicit Finance - banking and crypto regulation, HMRC resourcing, tax abuse, etc. - falls under the remit of the Treasury. Clear engagement, commitments and plans for collaboration with the FCDO on the Summit and beyond by Treasury ministers are crucial to translate the Summit's goals into concrete outcomes.

Proposed Policy

Recognising the role of global tax abuse - upheld by unfair tax systems and the professional enablers that accompany them - would better capture the full scope of financial pressures and corrupt actors undermining global economic resilience, draining money and stealing resources from lower and middle-income countries. The government must ensure regulatory agencies for the financial and legal professions have the powers necessary to effectively monitor and uphold high standards for these industries that enable illicit finance. The government must also increase the resources available to enforcement agencies - principally HMRC, the SFO and the CPS.

To achieve the goals of the upcoming Illicit Finance Summit and international tax cooperation more broadly, it is vital that the scope of illicit finance is extended to include tax abuse in all its forms. [Experts](#) have long been calling for the definition of illicit finance to be extended to include tax abuse (both evasion and avoidance), and the United Nations already has a [formal statistical definition](#) of illicit financial flows related to tax, including ‘aggressive tax avoidance’. It is also, in practice, difficult to split legal but aggressive tax avoidance from illegal tax activities.

Estimated Revenue Raised

The [Finance Innovation Lab](#) estimates that £325bn of illicit finance flows through the UK each year, rising to £788bn when the UK’s Overseas Territories and Crown Dependencies are included. This breaks down as:

- Illegal Markets & Crime: £124 billion from drug trafficking, human trafficking, corruption, and the financing of crime
- Offshore Wealth Assets: £109 billion hidden as undeclared income associated with offshore wealth.
- Corporate Profit Shifting: £91.9 billion lost via the hidden movement of profits by multinational corporations.
- Direct Tax Dodging: At least £26 billion is lost specifically to aggressive tax evasion and avoidance

Although not all of this is recoverable to the Exchequer, it is clear that tens of billions is on the table, depending on the ambition of the government in forging a new agreement on tackling illicit finance.

Implementation and Timetable

The Illicit Finance Summit is due to take place in December this year. The government must swiftly implement domestic legislation for any agreements that are made, and could use its presidency of the G20 to showcase action in this area.

United Nations Tax Convention

The UN Tax Convention (UNTC) is a historic opportunity offering new hope for global tax cooperation, climate finance and sustainable development, through building a just, sustainable and democratic global tax system. Negotiations on the draft convention are expected to finish by the end of 2027, after nine rounds. It is a crucial opportunity for the UK to raise billions in revenue, and reinstate its role and responsibility as a global leader in tackling international tax abuse. Further, it could help countries - particularly but not exclusively in the Global South - to strengthen domestic revenue systems, reduce debt and reliance on aid, and curb illicit financial flows that deplete public resources. This would help the UK reach its sustainable development goals, particularly in light of significant cuts to the Overseas Domestic Aid budget.

The UK initially opposed the UNTC (it was one of just eight countries to consistently vote against it at the UN General Assembly) but recently has taken a more ambivalent approach. The UK has subsequently made promising interventions calling for the environmental dimension of sustainable development to be further developed, with the polluter pays principle as a key component. The UK could show real leadership in this area, for example, by imparting insights gained from its windfall tax on the profits of oil and gas companies.

Policy Proposal

The UK Government should support a strong and ambitious UNTC. A key proposal of the convention is the principle of Unitary Taxation of multinationals. The UK has endorsed [some language](#) on the equitable taxation of multinational enterprises, but the wording was vague and stopped short of calling for Unitary Taxation. Unitary Taxation would see big companies - with their dozens or hundreds of subsidiaries - treated for what they really are; a single large corporation. Corporation taxing rights will then be allocated on the basis of where economic activity actually takes place, rather than where it is booked by the accountants. For instance, in Europe [Google](#) and [Amazon's revenues](#) come from users spread across Europe, and yet the profits are all booked in low-tax Ireland and Luxembourg respectively. These companies would be taxed on the basis of where the customers and clicks come from - which is what makes them their money.

Estimated Revenue Raised

Earlier this year, the Tax Justice Network [published a major study](#) on the impact of Unitary Taxation on global corporate tax revenues. Corporation Tax revenues would increase by £370bn worldwide almost exclusively from the massive multinationals. If implemented, the UK is estimated to gain a hefty £12.8bn a year - enough to pay for the country's annual council house building needs according to [Shelter](#), or [two thirds](#) of the cost of an NHS-style Social Care system.

Importantly, it would see the Global South's Corporate Tax revenues surge, helping put low-middle income countries on a more sustainable footing. Rwanda would see [its revenue](#) from multinationals rise by over 1,000%, and Egypt by over 500%. The Global South would collect more corporation tax revenue in a single year than the entire amount owed by these countries to the International Monetary Fund in outstanding loans. This could help end the debt crisis that has plagued so much of the world for decades.

Implementation and Timetable

The UNTC negotiations will [continue until 2027](#) when the final draft text is expected to be agreed. The UK must fully commit to these negotiations, and a swift timetable for implementing the agreements in domestic legislation.