

Funding the Future

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Buffett's law is an idea gaining traction in the USA.

Of course it is wrong that billionaire's pay less tax on their overall income than their secretarial staff. The question is what do we do about it?

There are remarkably simple solutions, all of which suit the tax simplification agenda. First, we could abolish all allowances and reliefs for those earning over £150,000 a year. It's really not hard to do and the case for doing so is glaringly obvious: why should we even now grant up to £25,000 of actual cash saving a year to those earning more than £150,000 a year who want to put cash in their pension funds when they are already incredibly well off and we could instead have a teaching assistant in a school? The choice is a no-brainer, surely?

Second, we could align the income tax and capital gains tax rates and at the same time reduce the capita gains tax allowance which is ludicrously higher than for income tax and easily transferred between spouses. Nigel Lawson did it; let's do it again and began to tax wealth seriously as is essential if we are to build a just society.

Third, we need to set minimum tax rates if we won't limit reliefs so that whatever your gross income there is a minimum rate of tax you will pay.

The net result? More tax paid and massive tax simplification.

Oh, and I'll come back to the fact that we need to do this to multinational corporations as well later.

But let's not for a minute pretend that these issues cannot be solved: they can be, and we'd have a massively simpler tax code at the same time which the rich always say they want. Put the two together though and they always bleat. Which always suggests to me how hollow their real commitment to tax simplification is.