

Funding the Future

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I am taking part in a debate on tax justice at the [Class conference](#) this coming Saturday at TUC Congress House in London.

This session will have a pretty lively panel made up of Margaret Hodge, Ann Pettifor, Prem Sikka and me, with Stefan Stern giving the unenviable task of chairing us. The debate is scheduled to cover these issues:

- *What concrete policies are needed at national and international level to ensure corporations and the 1% pay their dues?*
- *What would a new and more redistributive tax system look like and is it realistic?*
- *How much can be achieved quickly?*

I have no idea what my friends and colleagues on the panel will say but I can give some indication of what I will suggest, given I will only have a few minutes.

Three concrete policies first of all:

- 1) The UK needs to abolish the [domicile rule](#) - a rule designed solely to benefit the 1% living in the UK. There is no excuse for continuing this policy which increases inequality in this country. Tax should never be based on an accident of birth.
- 2) Invest heavily in HMRC. We cannot beat tax abuse without having some of the best brains on the government's side, and like it or not that does not happen right now.
- 3) Create a proper General Anti-Tax Avoidance Principle instead of pale apology of an anti-abuse rule we now have that we have to get the permission of the tax profession to use, and make it applicable to tax treaty abuse.

Having dealt with my opener, what would a more redistributive system look like?

- 1) First, the bias against labour income that provides consistently lower tax rates on capital would be removed. That means either merging income tax and NIC — which would create enormous problems, especially relating to pensions — or instead creating

an investment income surcharge of 15% to replicate the NIC charge paid by labour on income such as rents, dividends and interest. And yes we would have to give an extra allowance to pensioners but this could still raise billions and level a playground field.

2) Second, we have to charge capital gains to tax at the same rate as income and reduce the absurd allowances for so called entrepreneurs — none of whom need this incentive because entrepreneurs are born and are not created by the tax system.

3) We need wealth taxes, on land via LVT, on dealing via a financial transactions tax, and in wealth itself by a proper gifts tax — that would also eliminate for ever the abuse created by trusts and corporate tax shelters beloved of the wealthy and their advisers.

When could this be done?

That's the easy bit: I have concentrated on tax changes deliverable in the first two years of a parliament.

I assure you, these things could easily be done. The only thing needed is political will, clear thinking and robust arguments. Saturday's panel can provide the second and third attributes by the bucket load. It is political leaders who must deliver the first.

Do they have the willingness to make this happen?

That is the question. Those debating the issue at [Class Conference](#) on 1 November may want to suggest answers.