

Funding the Future

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There has been a marked absence of willing to tax wealth in the UK. I have always felt this a serious error of judgement and [discussion on the late Duke of Westminster's tax avoidance](#) just highlights that.

I wrote a paper on this a while ago that did not see the light of day at the time but which [I share now](#). The summary says:

This brief report looks at the financial wealth of the UK, its distribution and its taxation and suggests reforms to:

- * *Create a fairer tax system;*
- * *Reduce inequality;*
- * *Release funds for use to benefit those who have lost out under Conservative and Coalition governments;*
- * *Boost investment;*
- * *Encourage greater tax compliance.*

It does this by:

- * *Suggesting an investment income surcharge be included in the income tax system that would increase the tax rate on the savings and investment income of higher rate taxpayers by 15%. This might raise £6.5 billion of new revenues per annum;*
- * *Reforming capital gains tax to:*
- * *Halve the annual allowance*
- * *Have the tax paid at income tax rates*
- * *Abolish entrepreneur's relief*
- * *Improve tax compliance*

These reforms might raise £9 billion a year;

- * *Restrict some inheritance tax reliefs in advance of more thorough-going reform to raise £0.5 billion a year;*
 - * *Review the long term possibility of a wealth tax.*
- These changes raise a total of £16 billion a year.*

The report also looks at the interaction of tax reliefs and pension contributions given that 40% of UK wealth is in private pension funds. It suggests:

- * *Restricting all higher rate pensions contribution reliefs, raising maybe £8 billion of tax*

a year;

** Requiring that 20% of all pension contributions be invested in employment creating opportunities in exchange for the tax reliefs available to pension funds. This might direct £20 billion towards new employment creating opportunities a year. In total then this report suggests the source of £24 billion of tax revenues and £20 billion of investment funds a year as a result of a review of the relationship between wealth and taxation in the UK.*

And I would stress that was before looking at major inheritance tax reforms whilst suggested land taxation reforms were not counted in totals a the benefits would go to local authorities.

I stress, it was just a working document that I have dragged out as it seems relevant today. But I hope it suggests that there are ways to create a more equitable tax system.