

GOD is right: we need to tackle wealth inequality throu...

020/07/03/god-is-right-we-need-to-tackle-wealth-inequality-through-the-tax-system-we-just-have-t

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As The [Guardian](#) noted last night:

The UK government's response to the coronavirus and the dramatic rise in public borrowing during the crisis should include a wealth tax on the richest in society, a former head of the civil service has said.

[Sir Gus O'Donnell](#), who served as cabinet secretary under David Cameron, Gordon Brown and Tony Blair, said the Conservative government could prove it was serious about fighting inequality and levelling-up Britain by increasing taxes on wealth.

GOD (as he was inevitably known in the civil service) makes an important point about symbolism and a direction of travel. A wealth tax is an important element in the long term fight against inequality, which is increasing, and more because of the impact of quantitative easing than anything else.

The Guardian also notes:

[John McDonnell](#), a former shadow chancellor, and [Richard Murphy](#), a UK tax expert, have previously made the case for increasing taxes on wealth as part of the response to Covid-19.

According to polling by [YouGov](#), 61% of the public support a wealth tax for individuals with assets worth more than £750,000, excluding pensions and the value of their main home.

I have made that point. But I have also made the point that UK wealth is, according to the ONS distributed like this:

	£ billion		Percentage Change
	July 2012 to June 2014	July 2014 to June 2016	
Property Wealth (net)	3,806	4,516	19
Financial Wealth (net)	1,564	1,630	4
Physical Wealth	1,130	1,230	9
Private Pension Wealth	4,385	5,354	22
Total Wealth (including Private Pension Wealth)	10,886	12,730	17
Total Wealth (excluding Private Pension Wealth)	Page 1 of 2	7,376	13

Once private property wealth and pensions are taken out of account something like 75% of wealth falls out of the tax base on this basis. Of the remaining wealth, physical wealth (from cars onwards) will be hard to tax. That leaves financial wealth outside pension funds, and of that £1.6 trillion some £700 billion is ISAs, and they are going to be hard to tax. So we're down to a tax base of £900 billion at best.

I am not saying a 1% tax on that would be inappropriate: I am saying it will not rock the boat or really tackle the issue of wealth inequality, but some boat rocking is required.

In that case my alternative argument that we must instead focus on taxing the income from wealth a great deal more equitably is more important if we are to achieve real change through taxation to address wealth inequality.