

Funding the Future

The OECD thinks the UK needs tax reform. It's just a sh...

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The OECD [issued one of its periodic appraisals of the UK yesterday](#). Robert Palmer of Tax Justice UK has summarised some of the tax content in a Twitter thread and I think it important to note another international organisation criticising the UK, but don't have the time to do a post myself I am posting his thread instead. It may highlight slightly different issues from those I would have picked, and I would argue with some of the OECD comments a bit more, but overall it's good. [Links are in the original thread, here:](#)

 **Robert Palmer** @robertnpalmer

The @OECD calls for reforms of the UK tax system to make it more efficient and fairer as we build back from the covid crisis oecd-ilibrary.org/economics/oecd... 1/

9:46 AM · Oct 15, 2020 · Twitter Web App

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 **Robert Palmer** @robertnpalmer · 34m
Replying to @robertnpalmer

The OECD wants the UK to scrap tax reliefs that "do not serve an economic or social purpose". This includes current tax subsidies to polluting industries 2/

• Reducing tax expenditures would improve resource allocation. According to HM Resource and Customs, reliefs and exemptions from personal income tax alone amounted to GBP 34.5 billion (1.7 % of GDP) in 2018-19. In particular, ending relief or exclusion from the climate-change levy and the carbon price floor and removing zero-rating on value-added tax for passenger transport would help even carbon pricing across sectors and fuels.

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 **Robert Palmer** @robertnpalmer · 34m

Council tax should be replaced with a fairer proportional property tax while stamp duty should be scrapped - see work by @FairerShare 3/

The Council tax could be increased to raise tax on high housing wealth. At the moment, the tax is charged at a much lower percentage of property value for high-value properties than for low-value properties. As recommended by the Mirrlees Review (2011), it would be simpler and more efficient to use a simple percentage of property value. At the same time, this could be an opportunity to rebalance property taxes, moving away from stamp duties and transaction taxes. This would boost labour force mobility and encourage more efficient use of the housing stock. As the Council tax is local, resources could be used either to reduce the grant provided by the central Government to local authorities, or alternatively to finance services delivered at the local level which have been cut in the past years.

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 **Robert Palmer** @robertnpalmer · 34m

People shouldn't be able to pass pensions on tax free - this is currently a subsidy for some of the wealthiest people in the country 4/

Bringing accumulated pension wealth into the inheritance tax base would raise fairness. When inheritance tax is paid after a death, pension savings of the deceased person are not included in taxable base. This encourages the use of pensions as a savings vehicle for bequests and unfairly favours those who inherit pension wealth rather than other forms of wealth, while the income tax and national insurance contributions systems already provide generous tax treatment for pension savings.

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 **Robert Palmer** @robertnpalmer · 34m

HMRC should ramp up the number of targeted audits as part of drive to clamp down on tax dodging. This is in line with the findings from @arunadvaniecon that each extra tax auditor would bring in their own salary plus that of 4 extra nurses smf.co.uk/publications/u... 5/

Continuing to fight against tax evasion and avoidance can bring revenue gains as well. In addition to continue to actively participate in the G20/OECD initiative to tackle tax base erosion and profit shifting (BEPS), the United Kingdom could try to raise revenue by increasing the number of