

There is no need for a one-off wealth tax, but knowing ...

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As the [Guardian](#) reports this morning:

The government has been urged to launch a one-off [wealth tax](#) on millionaire households to raise up to £260bn in response to the coronavirus pandemic, as the crisis damages Britain's public finances and exacerbates inequality.

The [Wealth Tax Commission](#) — a group of leading tax experts and economists brought together by the London School of Economics and Warwick University to examine the case for a levy on assets — said targeting the richest in society would be the fairest and most efficient way to raise taxes in response to the pandemic.

In a highly anticipated report, the group, which has drawn attention from the Commons Treasury committee and the former head of the civil service, Sir Gus O'Donnell, said its proposals would be preferable to a broad-based tax raid on workers' incomes and consumer spending.

This is not true. The Wealth Tax Commission - which is actually academics Arun Advardi and Andy Summers plus tax QC Emma Chamberlain - did not call for a wealth tax in their report, out today. They [said this](#):

In particular, as we have made clear from the inception of this Commission, it is not our business to make recommendations on the rates or thresholds that should apply under a wealth tax. Nor do we endorse any specific revenue target. These are archetypal matters of political judgement and democratic deliberation, since they form the main levers that determine the distributive effects of the tax; i.e. who pays and how much. Our own views on such issues carry no special weight, and indeed since we do not agree amongst ourselves on these questions, it would not in any case be possible for us to venture a consensus opinion.

In other words, the Commissioners did not say tax rises are appropriate now. And I know that this is because they heard my representation that overall this is not the time to raise tax and that the so-called national debt need not be repaid, because I

discussed this paragraph with them a week ago.

That said, the Commission did find three things. The first was the a one off wealth tax of 1% per annum for five years on all net asset worth over £500,000 could potentially raise £260 billion in total.

Second, such a charge could be more effective in revenue raising than other taxes. Alternative tax rises which could also raise £250 billion over five years include:

- Basic rate of income tax to rise by 9p (20p to 29p)
- All income tax rates to rise by more than 9p from 20p to 26p)
- Corporation tax to rise by 5p and VAT to rise by 4p.

Third, such a tax could be efficient. In other words, it would be cost effective and hard to avoid.

Does this matter? I think it does. Firstly, this is a good piece of work. We need them.

Secondly, what this report does say us that there are options available with regard to tax increases if any Chancellor was to think them necessary. In other words, the age old claim that taxing wealth will not solve the problem can be dismissed. This report shows that there is an option to increase tax on the wealthiest, and leave the tax take contributed by most people at the level at which it currently stands, and still raise revenue.

I stress, very strongly, that there remains no reason to raise new revenues. Whatever the national debt might be, it is under control. What is certain is that new taxes will at present reduce demand in the economy, and that will be bad for employment, when unemployment risk looms large on the horizon. There is, then, no reason to raise taxes. But, that will not stop the threat. This report counters that threat on a basis that those raising it will both understand, and recognise as a counter argument. And for that reason this report is welcome.

But, it should be noted, the Guardian's claim is wrong. The authors of this report did not urge the introduction of this tax. I have their personal assurance that they did nothing of that sort and that is not what the report says.