

Funding the Future

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The [Guardian](#) featured an article yesterday that was promoted with this tweet:



It's time for a new tax on the UK's wealthiest 1% – arguments against it don't add up | Ben Tippet



It seems like AOC did a good job with that dress, but I was more interested in the message in the underlying paper that supported the claims in the article. Ben Tippet and his colleagues [said in that paper](#) that:

This paper analyses the revenue potential of a progressive annual net wealth tax in the UK. A progressive net wealth tax is a tax on the stock of net wealth that is designed to raise revenues primarily from the wealthiest households. We present a baseline progressive net wealth tax that only taxes the top 1% wealthiest households. Households with net wealth above £3.4 million (the top 1%) are taxed at a marginal rate of 1%; above £5.7 million (the top 0.5%) at a marginal rate of 5% and above £18.2 million (the top 0.1%) at a marginal rate of 10%. We estimate that this tax would raise roughly £70-130 billion a year after administration costs and tax avoidance/evasion: £70 billion if 50% of the tax is evaded and £130 billion if 15% of the tax is evaded. This is equivalent to roughly 9-16% of total tax revenues taken by the UK government each year.

Those are some pretty dramatic rates of assumed evasion: I suspect that the rates would be at the low end of this scale, even given that the rich are very good at tax evasion, as research has shown.

It so happens that this estimate is in the range of potential tax revenues that I estimated in 2020 when [I suggested](#) that if the tax rates on income and the increases in wealth some have enjoyed in the UK were equalised then £174 billion of additional tax a year could be raised in the UK. As I suggested then, and as this new research finds, there is considerable capacity to tax wealth in the UK.

Let's be clear why we would want to do this. It's not because we need extra revenue to fund government spending: as modern monetary theory shows, in a country like the UK with its own currency and central bank and which only notionally borrows in that currency there is no central government spending that is funded by taxation. In that case the need for this tax is to tackle inequality. It may also have an impact in controlling inflation, most especially within asset prices, which has been out of control when consumer price inflation has not been.

And it is very apparent that tackling inequality is now a priority. Many of the crises that are now being faced within society are the result of economic distortion, including most especially the enforced reduction in wage rates as a part of national income since the 1980s as a part of the relentless neoliberal desire to increase the share of wealth going as profit to a few in society at cost to most who have to work for their entire living. Something like 10% of national income has been redirected as a result (the precise sum can be argued over; I think that figure pretty certain).

That's more than £200 billion a year now that is not going to those who might I once have enjoyed it. I think additional taxation of wealth is part of the rebalancing equation that is now necessary to correct for this. That is why I featured it so heavily in the work I did in 2020 on Tax After Coronavirus (TACs). And such is the priority I have to add that we cannot wait for a wealth tax. We do instead need to start with adjustments to existing taxes. This list would do for starters:

- * [There is significant room for wealth taxation in the UK](#)
- * [The UK could tax wealth more](#)
- * [The relationship between income, wealth and tax](#)
- * [The TACs approach to wealth taxation](#)
- * [Reforming taxes on wealth by equalising capital gains and income tax rates](#)
- * [The need for an investment income surcharge](#)
- * [Capping total ISA contributions](#)
- * [Abolishing the personal savings tax allowance](#)
- * [Restricting pension tax relief](#)
- * [Abolishing higher rate tax relief on gifts to charity](#)
- * [Reforming council tax](#)

We cannot afford to wait to address this crisis. People are living with the daily reality of low pay, low benefit and high tax now at a time when they face the most profound crisis of all, which is in their inability to provide for themselves and their families.

Redistribution is not the only solution to this problem: real wage increases are also essential. The rebalancing of the economy has to happen as well. But, redistribution is an essential pathway to achieving this goal now, and can be done.

The time for greater taxation of wealth has arrived.