

The UK undertaxes wealth - so why do politicians deny it...

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Regular commentator [JenW posted this comment](#) on the blog yesterday:

I sent an email to my MP regarding a wealth tax. His response, by letter, came today.

"While the UK does not have a wealth tax, we already have numerous measures in place that directly address your particular grievances across both asset and wealth taxes.

These taxes operate across many different economic activities, including the acquisition, holding, transfer and disposal of assets, and income derived from assets. The UK's taxes on wealth are broadly equivalent to those of other G7 countries.

The UK's progressive income tax system means the top 1% of income tax payers are projected to have paid over 29% of all income tax, and the top 5 % are projected to have paid over 50%, in 2019-20.

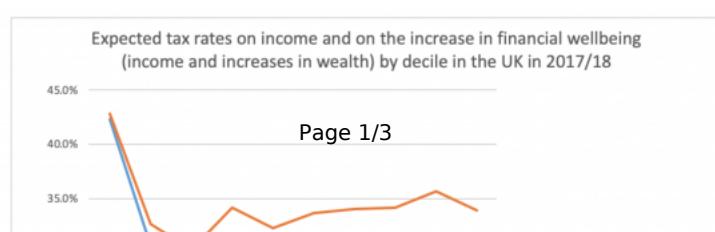
Thank you again for taking the time to contact me, please do not hesitate to do so again."

That was it.

How should I reply?

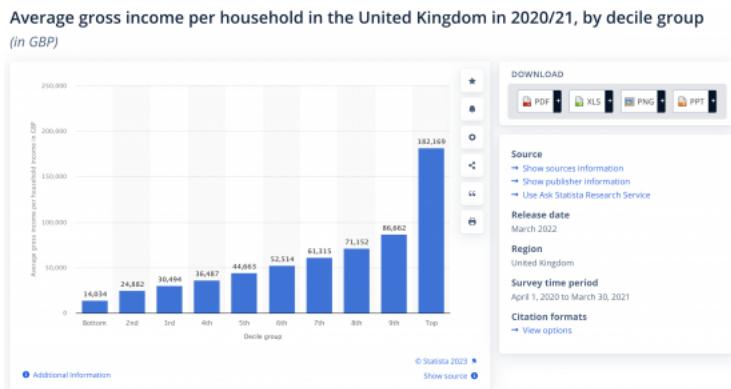
A good question. As I noted someone asking on Politics Live yesterday, "If Labour is not about shifting the burden of tax from working people and onto capital, what is it about?" I think that a variation on the theme.

I think my first response would be to [look at data I produced in 2020](#), which remains as relevant now as then. [I produced this chart then](#). What it did was compare total income with taxes paid, where total income was made up of both wages and the increase in wealth in a period:



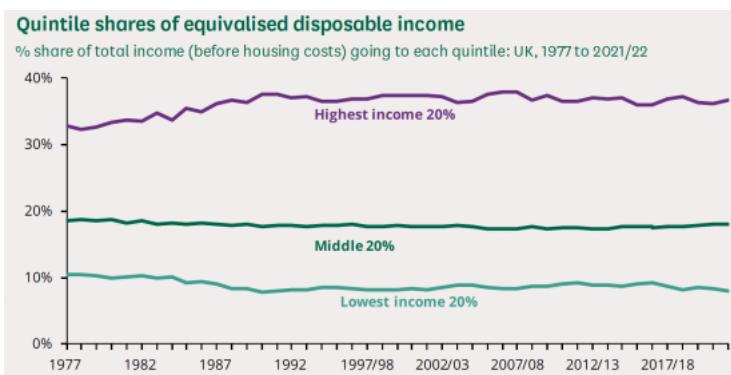
Those who pay the highest overall rates of tax are those on lowest incomes. That is because of the massively regressive UK indirect tax system. To claim that the system is progressive is not true: the top 10% actually pay less overall than the decile below them. And when increases in wealth are accounted for, based on ONS data the tax rate is almost persistently and profoundly regressive. Nothing in the UK tax system counters this. That is why we need a wealth tax or a range of better taxes on wealth.

The argument about the wealthy paying more income tax is also misplaced. Firstly, their [capacity to pay](#) is so much higher than everyone else's:



Of course they pay more tax than everyone else: the top 10% earn more than the bottom 55% (or thereabouts) combined. Their capacity to pay is enormously greater as a result.

This differential has also risen over time. This data is from the House of Commons Library and is unfortunately by quintile and not decile and so suppresses top-end growth:



It is still apparent that the lowest earners are getting worse off, the middle earners are stagnating, and the best off are gaining. And that is before increases in wealth - accruing almost entirely to top earners - is taken into account (see above).

So the answer the MP provided is grossly misleading and plays inappropriately with the

data in ways that do not give a true and fair view.

I would reply making these points.