

We need to raise a lot more in tax from the wealthy but...

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I am aware that my old friend, Howard Reed, has produced the data for the TUC's proposed new wealth tax.

As [the TUC say:](#)

The TUC has called for a national conversation on taxing wealth, as it publishes new analysis today (Friday) which shows a modest wealth tax on the richest 140,000 individuals – which is around 0.3% of the UK population – could deliver a £10.4 bn boost for the public purse.

The analysis sets out options for taxing the small number of individuals with wealth over £3 million, £5 million and £10 million, excluding pensions.

The TUC says these options are illustrative examples of what a wealth tax could look like, using Spain's [existing policy](#) as a potential model.

"It's time for a national conversation"

I certainly agree with the last point. That is why I have spent much of the summer, so far, working on proposals to collect more tax from those with wealth and high incomes. Sixteen proposals have now been drafted. I think there are eight more still to come, although that number might still grow a bit.

As the TUC says on their proposal:

The TUC says it is publishing the analysis to "kickstart a conversation" about tax – with the TUC general secretary Paul Nowak declaring "now is the time to start a national conversation about taxing wealth".

According to analysis commissioned by the TUC, conducted by Landman Economics, cumulative one-off wealth tax (excluding pensions wealth) on:

* *A wealth threshold of £3 million with a marginal tax rate of 1.7% would yield £2.7*

billion (with the tax payable on wealth above £3 million by 142,000 individuals or 0.27% of adults in the UK)

** A further wealth threshold of £5 million with a marginal tax rate of 2.1% would yield an additional £3.2 billion (with the tax payable on wealth above £5 million by 48,000 individuals or 0.09% of adults in the UK)*

** A further wealth threshold of £10 million with a marginal tax rate of 3.5 % would yield an additional £4.6 billion (with the tax payable on wealth above £10 million by 17,000 individuals or 0.02% of adults in the UK).*

Together this could raise more than £10 billion for the exchequer.

I am very familiar with the data that Howard used to prepare these estimates. I am also using it. And, based on it, Howard's proposals make sense.

My concerns are threefold, at least.

First, I think this would be an immensely difficult tax to administer, assess and collect. Valuation disputes would drag on for years and be immensely costly. This is not an efficient way to raise additional tax in that case.

Second, there are vastly easier ways to find £10 billion, or much more. Simply introduce tiered interest payments on central bank reserve accounts as [I proposed this week](#) and I suspect the revenue saving might be three times that from this proposed wealth tax over the next three years, with very little effort expended.

Alternatively, just remove the inheritance tax exemption on residual sums in pension funds when a person dies and considerable sums might be available. Pension pots of over £1 million have a value of at least £1,323 billion as [I also showed this week](#). Bring even part of that sum within the scope of inheritance tax and vastly more than £10 billion a year might be raised.

I am not saying Howard and the TUC are wrong. I am saying that this conversation on tax needs to focus on what is most efficiently done. I don't think that suggests that a wealth tax is appropriate.