

# The Taxing Wealth Report 2024

Every politician's guide to  
"How to pay for it".

## Report Introduction

### Brief summary

This note summarises the issues that the Taxing Wealth Report 2024 seeks to tackle.

Doing so, it notes that the research within that report will show that:

- The wealthiest people and highest earners in the UK are considerably undertaxed at present.
- There is ample scope to increase the tax paid by those two groups, whose members largely overlap, without ever having to resort to a wealth tax, as some are proposing, but about whose practicality we have concerns.
- There is as a result significant scope for additional tax to be imposed in the UK if the demand for government spending and fiscal policy requires it in coming years.

It suggests that:

- The funding for the Green New Deal that this country requires is readily available.
- A wealth tax is not needed in the UK.
- A comprehensive range of tax reforms can be created in the UK to tackle inequality and support additional government spending needs.

<sup>1</sup> This note forms a part of 'The Taxing Wealth Report 2024' published by Finance for the Future LLP, which is UK LLP number OC329502, registered at 33 Kingsley Walk, Ely, Cambridgeshire, CB6 3BZ. See <https://www.financeforthefuture.com/taxing-wealth/>. This note was written by Richard Murphy FAcSS FCA FAIA (Hon), Professor of Accounting Practice, Sheffield University Management School, who is a director of Finance for the Future LLP. Richard Murphy's CV is available at <https://www.taxresearch.org.uk/Blog/about/richard-murphy/>. © Finance for the Future LLP 2023.

The Taxing Wealth Report 2024 is a joint project between:

**Finance for the Future**

and



Sheffield  
University  
Management  
School

- There is no need for any politician to ever again claim “there is no money left” when that is not the case because a wide range of choices on how to raise required funding is available.

### The question that this report tackles

The biggest single unanswered question that those engaged with the climate transition face is perhaps the most difficult one of all, which is “How are you going to pay for it?”

Richard Murphy, and Colin Hines, working together as Finance for the Future LLP, have been working to address this question for some time. They created the concept of green quantitative easing in 2010<sup>2</sup>. They have also previously suggested reforms to tax incentivised saving (ISAs and pensions) in the UK to provide funds for this purpose<sup>3</sup>. However, there are some politicians, lobbyists and campaign organisations who want suggestions as to how tax systems might also be used to address this question.

The request is topical. In the summer of 2023 Labour shadow cabinet member Lucy Powell MP claimed<sup>4</sup> “there, just frankly, is no money left.” Soon thereafter, Labour shadow Chancellor of the Exchequer, Rachel Reeves MP, suggested that she was not willing to bring in a wealth tax, or increase the top rate of income tax or increase council tax charges on high value properties to fund Labour spending commitments during the course of the next parliament<sup>5</sup>. The question that both MPs leave unanswered is how additional spending commitments that any government of which they are a member might be met. It is widely anticipated that such spending is inevitable<sup>6</sup>. The question “How are you going to pay for it?” seems to be a lot bigger in significance now.

In response Finance for the Future is publishing a series of new reports that will, when all are available, make up what we are calling the Taxing Wealth Report 2024. The aim of the publications is to show that:

- The wealthiest people and highest earners in the UK are considerably undertaxed at present.

<sup>2</sup> <https://www.financeforthefuture.com/GreenQuEasing.pdf>

<sup>3</sup> <https://www.taxresearch.org.uk/Blog/wp-content/uploads/2021/10/The-QuEST-for-a-Green-New-Deal.pdf>

<sup>4</sup> <https://twitter.com/ITVNewsPolitics/status/1681227743575277568>

<sup>5</sup> <https://www.theguardian.com/politics/2023/aug/27/rachel-reeves-rules-out-wealth-tax-if-labour-wins-next-election>

<sup>6</sup> <https://www.ft.com/content/cdd0ac80-e67b-43b6-ae1-b51c58d1ddbb>

- There is ample scope to increase the tax paid by those two groups, whose members largely overlap, without ever having to resort to a wealth tax, as some are proposing, but about whose practicality we have concerns.
- There is as a result significant scope for additional tax to be imposed in the UK if the demand for government spending and fiscal policy requires it in coming years.

To put it another way, in a country where total wealth exceeds £15 trillion<sup>7</sup> there is ample money left.

### The basis of our work

The premise of the Taxing Wealth Report 2024 is that, as the research we have undertaken shows, there is significant capacity to raise additional tax in the UK from those with wealth and those with very high incomes, some or all of which is derived from that wealth.

Our estimates suggest that if the annual increase in the financial well-being of the wealthiest people in the UK was taxed at the same rate as earnings are in this country then an additional £170 billion of tax could be raised each year. This evidence will be in one of the earliest of the notes that will make up the whole report that we will be publishing.

### Why a wealth tax is not the answer

In practice there are two very good reasons why tax of this amount will not be collected. Firstly, it is unlikely that the economy will require such a sum to be raised. Secondly, in practice there would be considerable difficulty in raising revenue of anything like that amount.

In particular, we suggest that those difficulties would be most especially encountered if an attempt was made to create a wealth tax in the UK. Whilst such a tax is superficially attractive given the very significant amounts of wealth in the UK and the disparities in its ownership, the reality is that taxing wealth is exceptionally technically difficult and the yield from doing so might be both disappointing and deeply politically contentious. The disputes that such a tax might give rise to, not least with regard to asset valuations, might also incapacitate HM Revenue & Customs and the courts for reasons that we will explain in the Taxing Wealth Report 2024.

### The tax reforms we will be proposing

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<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2018tomarch2020>

This does not, however mean that the potential for wealth and high incomes to be a new source of tax revenue need be ignored. In the Taxing Wealth Report 2024 we will:

1. Explain how we estimate the potential amount of additional tax that might be paid by those with wealth in the UK without their overall tax rate exceeding that of those on lower incomes<sup>8</sup>.
2. Suggest why the approach that we suggest is theoretically sound.
3. Explain why a wealth tax is not the solution to this problem.
4. Explore ways in which the existing parts of the UK tax system can be reformed to increase the tax paid by those with significant income and wealth by increasing taxes due on:
  - Their incomes.
  - Their capital gains.
  - Their consumption.
  - Their gifts.
5. Explain how taxes on companies might be reformed.
6. Suggest reforms to VAT.
7. Suggest revisions to tax reliefs, rates and allowances that will reduce inequality within the UK tax system and within society more broadly.
8. Propose new taxes that might be considered in the future that might reduce some of the inherent injustices within some existing UK taxes.

### The aim of these reforms

The aim of these suggested reforms, which will amount to more than twenty in total, will be to:

- a. Improve the horizontal equity of the UK tax system, meaning that the likelihood that all income of similar amount will be taxed at equivalent rates whatever its source.

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<sup>8</sup> This might sound illogical, but as we will explain in the work we produce, raising the rate of tax paid by the wealthy in the UK to the rate that is paid by those on the lowest levels of income in the country may be very hard to achieve.

- b. Improve the vertical equity of the UK tax system, meaning that the tax system becomes more progressive than it is now (which would not be hard).
- c. Reduce the opportunities for tax avoidance within the UK tax system.
- d. Reduce the number of tax spillovers<sup>9</sup> within the UK tax system, which are the perverse incentives that exist within many of our taxes which undermine the effectiveness of other UK taxes.
- e. Provide a whole range of suggestions for ways in which additional tax revenues might be raised without harming the well-being of those on lower incomes in the UK who already pay the highest overall rates of tax.

### Publication dates

Publication of these proposals is intended to commence in September 2023 with the whole collection becoming available as the autumn of 2023 progresses.

The reports will be published on the Funding the Future blog<sup>10</sup> as they are produced.

The whole collection of reports will be made available together on a new site to which they will be added as they are produced<sup>11</sup>.

### Hoped for outcomes

It is our hope that the Taxing Wealth Report 2024 will achieve these outcomes:

- It will show that the funding for the Green New Deal that this country requires is readily available.
- It will explain why a wealth tax is not needed in the UK.
- It will lay out the most comprehensive range of tax reforms currently being proposed in the UK to tackle inequality and support additional government spending needs.

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<sup>9</sup> Tax spillovers are the consequences of the interactions between different tax systems or different parts of the same tax system that can often (sometimes unintentionally) reduce tax revenues and the size of a tax base.

<sup>10</sup> <http://www.taxresearch.org.uk/Blog/>

<sup>11</sup> <http://taxingwealth.uk>

- To stop any politician ever again claiming “there is no many left” when that is not the case because a wide range of choices on how to raise required funding is available.