

Funding the Future

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The TUC has this morning called [for a national debate on the taxation of wealth](#). They have got wide coverage for doing so. I admit that I had no idea that they would do this on the same day as I launch the Taxing [Wealth Report](#), but I think that the coincidence is fortuitous.

The TUC's logic is impeccable: any incoming government will, without a shadow of a doubt, need to raise new tax revenues during the course of the next parliament. If any of the multitude of crises that this country now faces are to be tackled during that period then new taxes are unavoidable because the economy is at or near full employment and inflation would otherwise arise if government spending was increased without taxes rising.

Larry Elliott, discusses this issue in the [Guardian this morning](#). Like me, he has reservations about the need for a wealth tax. We are agreed that these would be inefficient. But, as he notes, whilst she has ruled wealth taxes and some other changes out of consideration, the reality is that Rachel Reeves has not ruled out changes to existing taxes in the pronouncements that she has made. As a result, he notes the work that I am now doing and says:

By ruling out a new wealth tax, Reeves appears to be denying herself a lucrative source of revenue, but things are not necessarily that bleak, according to Prof Richard Murphy, a tax expert. He says Labour is right to rule out a bespoke levy – something that he says would be difficult to collect, owing to the ability of the super-rich to employ the best financial advisers and lawyers – but it can more easily tax the wealthy through the current system. To take one example, the better-off get higher rates of tax relief on their pension contributions than those earning less. Restricting pension tax relief to 20% would [raise up to £14.5bn a year](#), according to Murphy's calculations.

There are other options, too. For example, national insurance is currently paid by workers, but not by landlords. Capital gains tax could also be raised. Financial services could lose their exemption from VAT. In total, Murphy has a list of 30 reforms that he says would raise £50bn a year for Reeves, enough to pay for both better public services and tax cuts for the less well-off.

It is Larry's opinion that Rachel Reeves will have to use the wiggle room that she has created by not ruling out changes of the type that I am going to propose to raise the revenues that she will undoubtedly need if she is to be Chancellor of the Exchequer in the next Labour government. This is interesting to note, and provides valuable support as this work gets underway.