Funding the Future

The Taxing Wealth Report 2024 - the launch video

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This video, made by me and my son, Thomas, is an introduction to the Taxing Wealth Report 2024:

https://www.youtube.com/watch?v=Iuknxb3yNQQ

The transcript is as follows:

I wrote the Taxing Wealth Report for three reasons.

The first was to show that the claim being made by UK politicians that there is no money left is wrong.

I have proved that. The report suggests that up to £92bn of extra tax could be raised each year in the UK, and on top of that, up to £100bn of additional funding for investment purposes could be found by changing the rules on tax incentivised savings, like ISAs and pensions. There is money left.

Second, I wanted to show that the wealthy people of the UK and those who have the highest incomes, and of course the two groups largely overlap, are undertaxed at present. I did that by looking at their incomes between 2010 and 2020, i. e. after the global financial crisis of 2008 and before Covid hit. In that period, they enjoyed quite phenomenal increases in the value of their assets, which were very largely untaxed. The average tax rate on that growth was just 4. 1%. whereas the average tax rate on income during that same decade was 32.1%. The result that I have estimated is that £170 billion a year is undertaxed on those with wealth in the UK. There is, then, ample capacity to charge those with wealth and high incomes in the UK to more tax, and they will still be better off than those on lower incomes.

Thirdly, I wanted to show that we could solve the problems that this under-taxation of wealth gives rise to, not by creating some grand new schemes like a wealth tax or land value taxation or anything else, which will be incredibly complicated to put in place, to negotiate, and even to manage in the future, but simply by changing the existing rules within our tax system, where they basically provide massive subsidies to those with wealth.

Again, I think I have shown that. In thirty separate recommendations in the report, I outline a whole range of changes to our tax system:

- to income tax
- to national insurance
- to value added tax
- to corporation tax
- to inheritance tax,
- and to capital gains tax,
- as well as to the UK out system as a whole
- plus one or two other changes which will, in fact, reduce the taxes paid by the wealthy at present because they're unfair.

Now, put all that together, and I came up with the Taxing Wealth Report. It's a big document. It's 126,000 words in all. But there are summaries which are available. The report as a whole suggests that we can tackle the unfairness inside the UK tax system by making some simple changes to it.

Let me demonstrate what those simple changes might be. For example, if we charged capital gains - that's the profit people make on selling assets - to tax at the same rate as income tax in the UK we could raise another £12bn pounds of tax a year

If we charged a VAT on the supply of financial services to people in this country - and of course, financial services of the sort that I'm describing are almost entirely consumed by those with wealth - then we could raise £8.7 billion of extra tax a year.

If we applied the national insurance that is made on people's earnings right across the board on all incomes at the same rate then we could raise maybe £10bn pounds of extra tax a year, having allowed for some of the recent cuts that Jeremy Hunt has put in place.

If we were to reduce the subsidies to savings in the UK, in particular the subsidy that is given to the pension contributions made by those who are higher rate taxpayers in the UK each year, so that they only got tax relief at the same rate as people on basic rate income tax, then we could save £14.5 billion pounds a year of money that is spent by the government to make the wealthy wealthier, which makes no sense at all.

And we could make one final change in these big number changes that I'm noting here. If we charged the equivalent of national insurance on investment income - that's from dividends, rents and interest plus payments from trusts and capital gains - if we charged the equivalent of national insurance on all of those sources of income at 15 per cent - which is still lower than the combined rate of national insurance paid on earnings when you put together the employees and the employers' rate of national insurance - then we could raise £18 billion pounds a year.

I hope you're beginning to get a feel for what I'm saying in this report. By simply removing the anomalies within the tax system by smoothing off the rough edges which make it very unfair at present, we could transform the tax system and make it fair.

And we could make this country a fairer place by providing people who work for the public services with the pay rises that they deserve.

We could properly fund education.

And we could properly fund social care and the NHS.

We could even bring the water companies back into public ownership and fund the necessary transitions in investment that are necessary so that we have clean water and beaches in the future.

And we could, if we made the changes that I propose to pensions and ISAs - where I suggest that the money that is invested with the benefit of tax relief should be used for public benefit itself - in other words, that tax relief should result in some gain to society and not just a gain to those who are saving - then we could raise up to a £100 billion to fund the climate change transition.

Now, in fact, the total numbers that I am talking about - £92bn of extra tax and £100bn for investment - are bigger than any government could possibly want to spend at present, or could realistically spend, because there aren't the resources for that amount of money to be spent upon in the UK economy without creating inflation.

So what does the Taxing Wealth Report really do? It provides politicians who are looking to answer that question that journalists always ask of them - which is "How are you going to pay for it?" whenever somebody's got a good idea - with a whole range of options that they can choose from to suggest how they will indeed pay for the changes that we need to make our society fairer.

We don't need to do all the changes in this report to still have a massive impact upon our well being. Some will do.

That's why I think this report is important. That's why I hope you will read it. And that's why I hope you will follow this series of videos, which are going to explain some of these changes in more detail so that you can see just how fair they are, and how it is true that the wealthy in our society should pay more to make sure that we all, the wealthy included, have a future that we can rely upon.