

Who and what should Labour tax?

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Labour gave no positive clues on where they might raise revenue during the election campaign. So, what might they do in the October budget? And what should Rachel Reeves trail today?

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This is the transcript:

Who should Labour tax?

It seems like a glaringly obvious question that should have been asked by Rachel Reeves a long time before she arrived in the Treasury, but it appears that she didn't. There is now a significant debate going on about what might happen in October's budget when you would have thought, given all the time that Labour had to prepare for office and all the opportunity that they had during the election campaign to explain what they might do, they would at the very least have worked out a strategy for what to do in this first budget.

But so far, we are completely in the dark as to what is to happen, except with regard to the fact that pensioners are going to be punished and children in poverty are going to stay in poverty.

Very few people think that strategy by Rachel Reeves is fair, and I am one of those. I believe that Rachel Reeves should not have cut the winter fuel allowance, and hands up, I would benefit if she had not.

I also do not think she should have left nearly a million children in poverty. I do not have children who will be in poverty, but I am entirely sympathetic with all those parents who are struggling to meet bills to try to provide their children with the means to survive, which Rachel Reeves is not helping.

I believe that Rachel Reeves should be taxing more. And I think so for a number of very good reasons.

Let's remember that tax is not just about raising revenue but if it were, there are some very easy ways to do that. I've explained it before, and I'll do so very briefly now.

She could, for example, align the income tax rate with the capital gains tax rate. And if that she did so, the amount of capital gains tax paid in this country would increase by about £12bn.

There are other easy ways to raise more tax. She could, for example, raise £5 billion by getting rid of unnecessary reliefs within inheritance tax on agricultural property and business property.

She could charge National Insurance at higher rates, i.e. on incomes over £50,000 a year, and raise maybe £10 billion a year.

She could also charge the equivalent of National Insurance on investment income arising in the UK, which at the moment is entirely free of it, although National Insurance is charged on all people who work, and raise £18 billion a year.

And she could restrict reliefs on pension contributions so that everybody gets the same rate of 20 per cent on the contributions that they make, which would be entirely fair, and the consequence would be that she could raise maybe £14 billion a year.

I have just offered her every opportunity that she wants to be able to raise additional tax if she needs it for revenue purposes, but I don't think that's the only reason why she should raise extra taxes, because revenue is not essential to fund government expenditure.

We know that.

We know that government expenditure is funded by the Bank of England.

We know that spending has to come before taxation.

And therefore, what I am suggesting is, in fact, that those with the broadest shoulders, who Labour have said during the course of election campaigns, and always have said historically, should bear the greatest burden of taxation liabilities, should do so.

Labour should want to reduce inequality in the UK, and that requires redistribution of income and wealth from those who have an excess of it, to those who have far too little of it.

The number of people with far too little income and wealth is significant. We know that there are many pensioners in poverty. Several million.

We know that the figure for children in extreme poverty is approaching half a million and in significant poverty, another half a million or so. We know that that is also only the tip of the iceberg. These measures are quite tight. There will be plenty more children who are living in hardship, but not in poverty.

These people need support. And there are, of course, people with disabilities who were penalised by the Tories, time and time again with their benefit reforms, all of whom now should be restored to the status they had in 2010, when the support provided by the state to those who needed assistance in that way was much better than now.

We should be getting rid, for example, of the bedroom tax. And we should be restoring a great many of the benefits that have been denied because people who are unable to work have been forced to do so simply because the benefits system has demanded it as a result of false standards of availability for work being set.

All of that is possible.

But it does require that Labour imagine that one of the reasons for tax is not to raise revenue, but to redistribute resources in society.

If so, it would be increasing capital gains tax for that reason.

It would be increasing inheritance tax for that reason.

It would be trying to create a genuinely progressive tax system, which the absence of national insurance on higher levels of earned income, and, on investment income in its entirety, prevents, because work is penalised and, by and large, those who work for a living earn less than those who have investment income.

It should also be wanting to reform land taxation in the long term so that council tax was not the only tax we have on land, but that we might be looking at tax on landed estates, for example, as an additional charge over and above anything else that might be paid by such properties.

We might be looking to increase inheritance tax in general, because the number of estates that are charged to inheritance tax at the moment is tiny. Maybe one in 25.

We should also be looking at increasing the amount of tax charged on property transactions. I know stamp duty is unpopular, but let's be clear about this. Something has got to be done to reprice property to make sure that young people can afford it when at present. Most think they never will.

These things are the essential basis for re-establishing equity in our society. So, Labour should be doing them, not because they have any jealousy or anything else. There's no envy in here. This is about trying to establish social justice and to make sure that people have a fair chance in life which then lets them go on and do all those other things like create businesses and opportunities and flourish which society would want of them but which are almost always deprived to those who simply struggle to make ends meet.

What else should we be taxing? Well, clearly we are under taxing with regards to climate change at present. We are not taxing the bads that are threatening our very well-being. There's insufficient tax on carbon, however much we might groan about the fact that petrol and diesel prices and so on are high.

There is insufficient tax on cars. It's one of the reasons why the size of cars has grown by about 50 per cent over the last decade or so. All the savings in efficiency that have come from smaller engines, higher fuel efficiency and so on have been absorbed by the fact that cars have grown enormously in size.

We should also be looking at the way in which we can increase taxation on other ways in which we consume carbon.

For example, excess consumption.

Why isn't there a yacht tax?

Why isn't there a private aircraft tax?

These things are deeply unnecessary in our society. No one needs them. And they do consume large amounts of carbon.

The same would be true of excess flying. I'm not challenging the right of people to go on holiday. A flight a year to go on holiday? No carbon tax. Five flights a year to go on holiday? I think that's a different story. I think we should be charging people to excess carbon tax on the cost of flying, based upon the fact that they're going to present the same passport each time they go, and therefore we can easily monitor their number of flights.

That would be true of business as well. The number of flights that are required for

business is not that high. But, by the way, only 8 per cent of all flights are business related, most are for our pleasure, and they are consumed by a tiny proportion of the world's population as a whole, and therefore there should be a tax on them.

I'm making the point that tax is not just in existence for the sake of raising revenue. I'm making the point that tax is there to reorganise the economy, to create social justice, to reprice those things that are harmful to society, and, maybe, to put into play those things that actually are beneficial to society.

And we should be using tax to change the way we consume. If we did that, Labour would come up with a progressive, modern approach to taxation.

Instead, it's walking around looking frightened. Looking frightened of the rich because it doesn't want to upset them because, apparently, they provide it with most of its funds.

Looking in a way that is frightened at large corporations, and yes, maybe they too should be paying more tax because of the privileges they get from society.

Looking too to be frightened because the mere mention of the word tax is enough to send a lot of the population into absolute fear, and yet it needn't because what I'm suggesting is about making the majority of the population better off.

And Labour could be saying that. But it's even too frightened to communicate the fact that what it could do would be for the well-being of most people in this country.

I don't understand where Labour is on tax. But what I know is that tax has the power to change the way in which we structure our society.

What should Labour tax? Those things that cause harm; those things that create inequality; those things that we should be changing to make sure we have a society in the future. I think that's a basis for taxation which is ethically justifiable, irrespective of the questions about revenue that might or might not arise.

Come on Labour, please let's have a decent tax policy and not something which is about pandering to the rich which is all it seems that, so far, you're willing to do. It's time for a genuinely social attitude on this issue.