

Is Rachel Reeves going to extend national insurance to ...

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I received a pile of emails from estate agents and financial advisers — otherwise known as people living in fear of losing their sinecures — during the course of yesterday about the possibility that the government might impose National Insurance charges on the income of people who receive rents in the UK. This rumour is going the rounds today and has now reached [The Guardian](#), which has said:

The Treasury is reportedly considering a tax on landlords that will target income from rents in the autumn budget.

They added:

The proposals are centred on the expansion of national insurance to include rental income, which is currently exempt from the levy, as part of a broader push to plug a potential £40bn shortfall in the public finances.

Labour insiders [told the Times](#) that property income was “a significant potential extra source of funds” and landlords were seen as a way of targeting “unearned revenue”.

Currently, earnings from property, savings and pensions are largely exempt from national insurance. However, widening national insurance, which usually applied employee earnings at a rate of 8%, to include rental income could reportedly end up raising about £2bn.

I am, of course, pleased to note that the government is using some common sense on this issue. I recommended a charge equivalent to National Insurance on all forms of investment income [in the Taxing Wealth Report](#).

I suggested that this charge should apply to interest, dividends, rent, receipts from trusts, capital gains, and other unearned sources of increase in a person's financial well-being over the course of a year. There is no ethical justification whatsoever for people who are at work being required to both pay National Insurance themselves and also suffer reduced wages as a consequence of their employers having to do so, which is, in fact, what happens as a consequence of the employer's National Insurance

charge. I suggested, as a result, that the income tax rate on combined income from all these sources above a low limit of, maybe, £5,000 a year should be subject to a 15% income tax surcharge, which is still generous when compared to the combined 23% national insurance charge on most people's wages.

There is, of course, nothing new about this: a charge of this sort was introduced in the 1960s by a Labour government, and was not abolished until the mid-1980s by Margaret Thatcher. It would, then, be straightforward to reintroduce this charge.

Importantly, almost no changes to tax returns would be required, although, of course, the computation of tax liabilities would change a bit as a result.

I estimated that this would be one of the most effective changes that any Chancellor could make with regard to the taxation of income and gains derived from wealth, [believing it might raise up to £18 billion a year in additional revenue for the government.](#)

The rumour going around today suggests that what Rachel Reeves is considering would raise £2 billion, so it looks as if she might massively underutilise the potential in such a charge when if applied as I suggest, she could use it to provide her with the excuses she needs to:

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Remove the two-child benefit cap.

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Abolish the bedroom tax.

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Increase the personal allowance, at least for those on the lowest levels of earnings, so that some pensioners do not fall within the scope of tax charges on their investment income.

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Fully fund special educational needs programmes.

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Properly fund programmes to clear the asylum application backlog.

* Relax some of the rules around carers' allowances that have resulted in draconian penalties on some claimants.

* Increase disability benefits, which are currently under attack.

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And rather more besides.

I do, of course, stress that I know she does not need to raise revenue to do these things. However, since she insists that she does, my suggestion is that such a charge would provide her with the excuse to implement these essential changes, which will relieve stress in the UK and thus assist in the fight against fascism.

Will she actually make this necessary change? I obviously do not know. But I do think it would be appropriate if she did.

That said, I am aware of the backlash from pensioners if she were to impose this charge in full on them. In that case, it may be appropriate for them to have a higher tax-free allowance before this additional charge is levied. However, candidly, it is becoming increasingly hard to argue that pensioners on high incomes should be treated with such generosity.

All that being said, for once, it seems as if Racchel Reeves might just be moving very slightly in the right direction with regard to tax, and that has to be welcome if it is true.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions [here](#).
One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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