

Why only taxing billionaires will never fix the UK econ...

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Many think a “billionaire tax” could solve the UK’s problems — but there are only 156 of them. The real wealth — and the real untaxed income — is spread far wider. In this video, I explain why looking beyond billionaires, to the top 1% and top 10%, is essential if we want a fair tax system.

<https://www.youtube.com/watch?v=d3YcZWDYMXs?si=tBjpHoE5gPviDQo7>

This is the audio version:

https://www.podbean.com/player-v2/?i=bh5js-1937ca6-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

There are a couple of quite dangerous tropes going around the tax world at present, and I want to tackle them both.

One of them says, "We should be taxing wealth and not work.", but that's wrong, because the reality is the world is not divided like that.

And the other trope is that "Wealth taxes should only apply to billionaires", and I just want to point out one simple, very straightforward fact, and that is that there are

probably no more than 156 billionaires in the UK at present, according to the Sunday Times Rich List, and they are not a sufficient base on which to charge the taxes that are going to transform our economy.

So these two ideas are not right, and I cannot put it more bluntly than that.

Let's deal with the first: tax wealth, not work.

This implies that workers aren't wealthy, and it implies that the wealthy don't work. But that is simply untrue. There are many workers who are wealthy, and there are very many wealthy people who do work, and so this artificial divide, which suggests that somehow or other there is this strict dividing line between the wealth and work, is untrue.

It's as untrue as saying that there is a dividing line that we can draw between millionaires and billionaires, which is also deeply misleading. And just to put this in context, a millionaire has one thousand thousand pounds, but a billionaire has one thousand million pounds, and the difference between a millionaire and a billionaire is therefore quite staggering in scale, and we really shouldn't be ignoring the gap between the two.

So we need to work out what we really need to do.

Wealth and work are not separate worlds. It's time we stop pretending that they are. Humans populate both groups often at the same time, and as a consequence, the boundary between these two is blurred when we get to the top of the wealth and income ranges. And the boundary is always confused at that level and nowhere else.

So to pretend we are not going to be taxing work more or income more, which is the claim being made, because people are saying only wealth taxes are required to put the problems in the UK, right, is just wrong.

The same as it's wrong to say that 156 billionaires can provide all the solutions to all the problems we have when, in practice, the top 1% of households in the UK - 330,000 odd of them, by the way - own more than those billionaires between them. And there are in fact 6 million millionaires in the UK, and so you shouldn't be too surprised if you know one, because you probably do.

The top 1% are already far removed from the rest of us, though. Even amongst those millionaires, they stand out as exceptional. They're not like the billionaires, and I accept that, of course: they've got much less wealth than the billionaires, but they still are quite different from us. And so we need to look at this because if we look at the wealth distribution in the UK, split into ten equal groups right across the tax-paying population, because that's the way in which most tax data is sorted in this country, with each of those groups having about 3.3 million people each in them, then you will see that the

average personal wealth spreads remarkably widely across the population as a whole.

Decile	Average personal wealth £
1	12,835
2	34,375
3	86,897
4	197,251
5	319,703
6	479,481
7	673,191
8	901,276
9	1,315,695
10	2,347,094
Top 1%	5,350,117

Those in the bottom half of the population from groups one to five have at most, on average, £300,000 of wealth, and some of them have almost none at all.

Those going from groups six to eight who are moderately wealthy have wealth from about £500,000 to £900,000, much of which will be represented either by the equity in their homes or their pension funds, and then we get to groups nine and ten.

Group nine has wealth of over £1,000,000 on average. As I said, there are a lot of millionaires in the UK now, although most people won't recognise it, and again, that is, in most cases, represented by their houses or their pension funds.

But when we get to the top 10%, that group also has significant financial wealth and quite a lot of personal property as well.

And when we get to the top 1% who are of course, and I stress this point, part of the top 10% as well, then the average wealth is over £5,000,000 of which only £2,000,000 will be in their property, and the rest is some form of financial wealth over which they are most likely to have significant financial control. And I promise you, over £3,000,000 worth of financial assets in some form or other is beyond the imagination of most people in the UK, and I don't blame them because it's rightly beyond the imagination of most people in the UK because they have probably never met somebody who's got that much money because only 1% or less of the population have.

That's the point here. That group, the top 1% are definite outliers, so far out of the

ordinary that, of course, they can be subject to extra tax. And that might be true of others in that top 10% group as well.

And when we look at what HM Revenue and Customs say wealthy people are. They reckon that anyone with over £2,000,000 of wealth is wealthy, and that probably means they're looking at 2% or 3% of the UK population as a whole.

Now that's a pretty large number of people. It's coming on for a million households that might be considered to be wealthy. So why are we only going to look at 156 billionaires when we're talking about the taxation of wealth? That makes no sense at all.

We can leave out 95% plus of households. I entirely agree they should not be impacted by the taxation of wealth in all probability, and most of them won't be. But anyone who's got wealth of more than £2,000,000, and in particular, if a lot of that wealth is recorded in financial assets and not in their home, is going to be extremely financially secure. , Outlook on life is going to be fundamentally different from the person in the bottom half or maybe even the bottom 80%, of the wealthiest in the country, because austerity has no impact on them, and there's no bill that's ever going to arrive in their household that is going to cause a panic as to how it's going to be paid.

They are therefore in the scope for more tax, and that's why I'm a little flexible about where this border is, because let's be realistic; those who are living in comfort should be contributing more if we live in a country where there are vast numbers of people, including millions of children who are living in poverty.

When we look at income, the situation is also remarkably wide.

1st percentile	£12,800
5th percentile	£14,100
10th percentile	£15,500
25th percentile	£20,000
50th percentile	£28,400
75th percentile	£43,000
90th percentile	£64,800
95th percentile	£90,500
99th percentile	£201,000

Source: HMRC table 3.1 2022/23

This data is for the tax year 2022-23, which is the most up-to-date that we've got because the Revenue does take time to pull together all their information, so this is a couple of years out of date now , but even so, it's indicative of where we are.

This is the income of people who are taxpayers in the UK. Again, there are roughly 3.3 million people in each of the ten deciles that are created to represent that income in the UK, but this income is actually presented by percentile. In other words, this represents the income in a 1% band, but you must remember that there are 17 million adults in the UK with no taxable income at all. They're not reflected in that number whatsoever. Just imagine it: 17 million people who have less than £12,800 of income a year, which is what the people in the bottom 1% of income earners who can pay tax get. And when we go right to the top, the people in the 99th percentile, in other words, the highest earning people on average, have income of over £200,000 a year. To give some indication of how far removed they are from the rest of us, the people in the 95th percentile only have an income of £90,000 or so a year: only I say as if that's some remarkably small number, which it is only in comparison with the situation of those who are in the top 1%. But the point is having a high income does also give you a capacity to pay tax, which is real, and let's not deny it.

This is something that has to be taken into account, and if we take HM Revenue and Customs view that anybody with not just £2,000,000 of wealth, but also with income of £200,000 a year is wealthy, then clearly we have a cutoff at around the 1%, but in practice I think that's slightly wrong, and I think the figure should be lower because these bands are actually about after tax allowance income, and so if we were looking at these bands, I'd be putting the cutoff at around £150,000 to allow for all the allowances and reliefs that the wealthy can claim, and that would therefore suggest that again, maybe 2% to 3% of people in the population might be subject to this consideration of being not just wealthy, but also being exceptionally high earners and therefore potentially subject to additional tax.

So should we be raising tax on work, which is what the trope is all about, and by and large, I'd say, well, actually no, we shouldn't. By and large, I'd say that work is being fairly taxed at present in the UK, and indeed, on some of the lowest earners, might be being overtaxed. There is a case for saying, for example, that we should have a 10% tax rate again for those at the very lowest level of earnings, but with a guarantee that the benefit could not be passed on to those on high levels of income. That would be possible. It could be done, and I think it needs to be looked at because we take people into tax at very low levels of overall income at a relatively high rate of 20%, which, when combined with national insurance, is quite penal.

So there are arguments for reforming tax downwards at the lower level. And maybe there's some argument for extending tax by increasing national insurance paid throughout the employment income range, but I'm going to leave that aside for a minute, because what I'm really talking about is the fact that those figures for income combine income from work, and income from wealth, and at the top of the range, there will be significant amounts of income from wealth in there, and not all of that will necessarily be taxed at appropriate tax rates.

In fact, the point is that if we look at this chart, which shows effective tax rates, you will

see there's an enormous bias inside the tax system.

If we look at what most people think to be work, because it's taxed on income, we will see that orange line, and this is data split by those 10% groups again, 3.3 million people roughly in each group.

If we leave the bottom 10% out for consideration, because they have very little income, so their tax rate looks to be very high, you will see that we have a slightly, and I stress slightly progressive tax system where the wealthiest - the people in the top 10% - get to an overall effective tax rate of less than 40%, which is why I'm slightly annoyed to hear people talking about the wealthy paying tax rates of 50% and 60%, because they aren't.

The only people who regularly pay tax rates of 50% and 60% in the UK are those in the lowest group of earners when they come off benefits and back into work, and then the marginal rates of tax are very high, but there are few such rates on the wealthy, so we should be ignoring that.

But what we should be noticing is that, of course, the money that we have available to us is not just made up of what we get from work. There's also an increase in our financial well-being made up from the increase in the value of our homes, the increase in the value of our investments, the increase in the value of our savings, and the increase in the value of our pension funds as a result of them accumulating money tax-free on our behalf.

When we take all those factors into account, and the incredibly low overall rate of tax on those increases in financial well-being, enjoyed by those who benefit from them, you will see the blue line, and the blue line drags down the overall effective rate of tax right across the tax spectrum so that the wealthy are paying little more than 20% in real terms on their income, plus their increase in financial well-being in a year, meaning that they are incredibly well off in the UK when it comes to tax and in fact, massively under contribute to the tax revenue of this country.

So what we need is to look at income as well as wealth when we are talking about how we are going to transform the taxation of this country to tackle the inequality that we face.

This idea that there's wealth and there's work, and one is income and one is wealth, and that income does not need to be considered, is wrong because there's under-taxation of income from wealth in the UK, and we need to increase the tax on dividends, and rents, and interest, and capital gains, and we also need to look at how we can prevent the penalisation of ordinary earned income.

So we must be much more flexible.

Not only can we just look at the 156 billionaires, we actually need to look at most definitely everyone in the top 1% and consider how they can pay more tax overall, and perhaps we need to look even further down the scale, well into the top 10% of wealth earners, because many of them also enjoy very high levels of unearned income, and that means that they're underpaying tax, and this group should therefore be contributing significantly more to the UK economy.

So what do we need to do?

We need to change our narrative. We need to reject simple tropes like "let's tax wealth, not work" because that is confusing, because work is confused with the income from wealth when it comes to taxation, and if we don't change income taxes and other taxes to make sure that we're picking up sufficient from investment income, we are not going to solve the problems we face. And wealth taxes by themselves will never raise anything like the amount of money that we require to transform the UK economy if we are to genuinely meet needs and redistribute income and wealth.

It's a simple, straightforward fact that is not possible by charging wealth alone.

So we have to look at how we redistribute through the income tax system as well. And that means we must look at people outside the billionaire class because they, too, have to pay tax and some people who even think of themselves as middle class are really very wealthy indeed, because there's a lot of evidence to show that people think that they earn much less in relative terms than they actually do.

Many of those people who are earning £200,000 a year will think they're really not very well paid. They'll think they are not particularly high up the income spectrum. They'll probably say they're only earning a little bit more than somebody on average earnings in the UK. This is commonplace, but they're talking nonsense.

We have to stop talking nonsense about tax. We have to change the system. We have to close the loopholes. We have to make sure that high incomes and wealth are fairly taxed. And we can't only look at billionaires because that's an excuse to not tax those who are extraordinarily wealthy just below that group, including lots of people who think themselves to be middle class, but who are in fact exceptionally wealthy.

Why would anybody want to create excuses to let these people off the tax that they should really be paying? I don't know, but I want it to stop, because I want tax justice and tax justice demands that we create a genuinely progressive tax system in the UK, and we're a long way from having that now.

What do you think?

Do you want a progressive tax system for the UK?

Do you want the wealthy and those on high incomes to make a fair contribution to the

UK economy when at present it looks like they're not?

Are you willing to pay more if you are in that category?

Do you think that this matters?

Or do you think, let the wealthy have their money and leave them in peace?

Let us know. There's a poll. We are looking for your opinions, and we do notice what you say because it impacts the way in which we create future videos.

Poll

[poll id="182"]

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One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.