

Why should work be taxed more than wealth?

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Unearned income—like dividends, rents, and capital gains—escapes the tax burden workers face. In this video, I argue it's time for economic fairness and tax justice. A surcharge on unearned income, equivalent to national insurance, could raise £15 billion a year. Why are we protecting the rich when ordinary people pay more, most especially if Rachel Reeves has a so-called 'black hole' to fill?

<https://www.youtube.com/watch?v=f26kOz28Hjg&si=3armZ7nfaMdHoRox>

This is the transcript:

People are saying that Rachel Reeves has a deficit of £40 billion in her budget that she's got to fill come October, when she'll stand in the House of Commons and tell us what tax increases, or not, that she proposes.

I'm not sure I agree with the £40 billion figure, but let's presume for a moment it's true.

I've already suggested that she could fill £15 billion of her deficit by simply cutting the interest that the Bank of England pays to the UK's commercial banks.

She's only got £25 billion to find. How could she do that?

Well, one very simple and very obvious thing that she could do is to create a bit more tax justice.

In the UK, people only pay national insurance on their earnings from work.

Suppose that everybody had to pay something equivalent to national insurance on all

their income, wherever it came from?

Wouldn't that be fair?

Wouldn't that be reasonable?

Wouldn't that be right?

Wouldn't that be proper?

Why should it be that people who have to work for a living pay more tax as a consequence than people who live off unearned income?

It's possible that we could create that equivalent to a national insurance charge.

We had one, which existed until 1985 when Margaret Thatcher got rid of it, and it was called an investment income surcharge.

It was charged at 15% on unearned income. Now, unearned income, I would stress above a certain limit, and I would suggest that limit should now be something like maybe £5,000 a year, and you've got to have quite a lot of savings before you get to that point.

What I suggest is that the surcharge, the extra 15% income tax that a person would pay on that unearned income, to create a charge broadly equivalent to national insurance, would be payable on all forms of unearned income, like dividends, interest and rents and distributions from trusts and other such things, and I would also like to extend it to capital gains because if it wasn't, there would just be an enormous incentive for people to try to earn capital gains instead of having income paid directly to them, and so for the sake of avoiding that massive amount of tax avoidance activity that would otherwise go on, let's pop it on capital gains as well.

The consequence will be that when people declare this type of income through their self-assessment tax return, and anybody who has that level of unearned income will have to complete a self-assessment tax return, they would simply automatically have this additional tax charge added on to their bill, simply creating a level playing field between them and people who have to work for a living.

Nothing complicated about this. Nothing costly to implement. No great legislation changes required. And it could be done overnight. But what it would do is recognise that social justice is required.

There would be one change that I would suggest, one limitation that I would suggest, perhaps more correctly, and that is that this shouldn't apply to pensioners because pensioners don't pay national insurance on their earned income either. But that's a question that everybody might want to ask some things about anyway.

But let's deal with this alone.

How much would it raise? £7 billion could be raised very easily if this applied simply to unearned income. If it were extended to capital gains, I think that sum could be easily doubled.

I think we would be in the region of around £15 billion, although the numbers are subject to wide degrees of variance in estimates simply because nobody can quite predict the future, and I'm not going to claim that I can.

The point is, that's a very easy additional sum that could be raised, and it would create a level playing field in our society and overcome a quite reasonable anger that people have about why the wealthy are favoured by the tax system when those people who have to go to work are prejudiced by it.

Isn't that a necessary step towards tax justice in our country?

And isn't that something that you would want to happen because this is about creating fairness for you?

Poll

[poll id="174"]

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.