

Ten tax reforms to raise £60 billion for public services and a fairer economy

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With a general election called for the 4th of July, political parties are setting out their stall to voters. Whoever wins the election will face a reality check in government: the country is falling apart. The UK desperately needs investment to deliver a fair economy, and revive crumbling NHS services, schools and councils. Fair, progressive tax reforms will be essential to address the overriding sense of decay and crisis. Make no mistake, tax will define the next parliament. An incoming government will face the choice of who to ask to contribute more or deliver a brutal round of austerity to already decimated services.

That's why [Tax Justice UK](#) and [Patriotic Millionaires UK](#) are making the case for fair tax reform, calling for political parties to consider ten tax policies to reduce inequality and help to support high quality public services. These ten reforms - from taxes on wealth to the closure of tax loopholes - are sensible, credible policies, with widespread support from economists, think-tanks, millionaires and the public. The policies are designed to place the onus of raising revenue on the very wealthiest people and richest companies rather than the average tax-payer. In recent decades the UK's super-rich have benefitted from a boom in wealth while [inequality](#) has widened and public services have been decimated. Therefore, it is only fair that those with the broadest shoulders are asked to pay a fairer share to breathe life back into the UK.

Polling shows the [public](#) and [millionaires](#) want the wealthiest to pay more, and would be more likely to vote for a party that committed to higher taxes on the wealthiest to invest in public services. Voters [believe](#) that both Conservatives and Labour would put up taxes. [Three in five millionaires](#) believe that for any kind of economic growth to succeed, taxes are going to have to rise to pay for further national investment. Politicians have an open goal to raise money to revive the country and keep the majority of the public on-side, with just over £60 billion available from various tax reform policy options.

1. Apply a [2% wealth tax on assets over £10 million](#), raising up to [£24 billion](#)¹ a year

Setting a wealth tax at a high threshold of £10 million in assets ensures that a tiny proportion of the population are impacted - just 20,000 people, which is 0.04% of the population. This makes it far easier for HMRC to administer and ensures people have a diversity of assets, ensuring their ability to pay without selling property. It would ensure that those who have benefited enormously from structural economic changes over the last decade contribute fairly and create significant revenue to repair the country. Huge momentum is growing, with a [former advisor to Tony Blair](#), [millionaires](#), [unions](#), [journalists](#) and [newspapers](#) joining calls for a wealth tax.

2. Equalise capital gains and income tax rates, to [raise £16.7 billion](#)² a year

¹ This figure includes behavioural response.

² It should be noted that this is a static estimate, assuming no inflation allowance and no behavioural response.

This would simplify the tax system by treating income from wealth and income from work in the same way. There is no obvious reason why someone going to work should pay more tax on their wages than someone living on the income they derive from their investments. This has huge cross-party support, including centre-right [think-tanks](#) and [Conservative politicians](#). The [Institute for Fiscal Studies recently said](#) it would be a positive measure for growth if it was accompanied by higher allowances.

3. Apply [National Insurance to investment income](#), raising up to [£10.2 billion](#) a year

Currently National Insurance is just paid on income from work but a new government should expand the tax base to income from investments – such as dividends from shares, rent from property, and interest on savings. This would equalise and simplify the treatment of different types of income under the taxation system, and ensure that income from wealth is taxed at the same rate as earnings from work.

4. Close inheritance tax loopholes to [raise £1.4 billion](#) a year

Inheritance tax has a multitude of reliefs ([88 at the last count](#)) that enable wealthy estates to engineer their finances to pay low levels of tax. This is [evidenced](#) by the fact that estates worth over £10 million pay an effective average tax rate of just 17% despite a headline inheritance tax rate of 40%. As a starting point, curbing business and agricultural property reliefs, could [raise £1.4 billion a year](#). [Evidence shows](#) a small minority of very wealthy estates use these loopholes to avoid paying their full rate of inheritance tax.

5. Close the loopholes in the new non-dom scheme to raise up to [£1 billion](#)

At the Spring Budget, the Chancellor Jeremy Hunt announced he would close the non-dom loophole. This was a huge [campaign win](#) for tax justice advocates as we had long [called](#) for this unfair tax loophole to be closed. The government has since set out the new arrangement for non-doms and amidst reports of heavy lobbying from the private wealth industry, the scheme has been revealed to be littered with loopholes. Two exemptions within the current scheme's design could cost in the region of £1 billion³ in the first year, with [concerns raised by academics Andy Summers and Arun Advani](#). One loophole enables non-doms to avoid paying UK inheritance tax on their worldwide estates if they are shielded in a trust by April 2025, potentially [costing £430 million a year](#). Another loophole provides an arbitrary 50% discount to tax paid on overseas income and capital gains in the first year, potentially [costing £600 million](#). UK residents do not benefit from such exemptions, therefore there is no reason such inequities should be included.

6. Introduce a 4% tax on share buybacks, raising approximately [£2 billion](#) a year

Some of Britain's largest companies are transferring profits to their shareholders at record levels. [According to IPPR](#), if the UK implemented a share buyback tax at 4%, the rate proposed by US President Joe Biden, it would have [raised approximately £2.2 billion in 2022](#).⁴ Taxes on shareholder transfers would

³ These numbers have been contested and should be taken as indicative.

⁴ It should be noted that this figure will change year on year depending on the level of share buybacks in a year. The figure we cite is an estimate based on 2022 estimates of share buybacks. More [recent estimates of buybacks set](#)

help to ensure that companies are not channelling profits to their shareholders at a time of national economic crisis and encourage investment in the real economy.

7. End fossil fuel subsidies for oil and gas companies to raise [£2.2 billion](#) a year

[Oxfam estimates](#) that taxpayers subsidise oil and gas companies in the North Sea for activities such as exploration and decommissioning to the tune of [£2.2 billion](#)⁵. The UK taxpayer should not be footing the bill for polluting, highly profitable fossil-fuel companies, nor their cleanups.

8. Close the loophole in the oil and gas windfall tax, costing [£2 billion](#) a year

Despite oil companies' record profits since the war in Ukraine, the UK taxpayer continues to fund a loophole for the industry that the [Institute for Fiscal Studies \(IFS\)](#) has characterised as a "huge tax subsidy". This is because the windfall tax implemented by the government contains what the IFS calls "[indefensibly generous](#)" investment allowances. This loophole enables oil companies to claw back roughly [£45 for every £100](#) spent on new UK oil and gas projects. This costs the taxpayer approximately £2 billion a year⁶.

9. Tax private jets to raise [£700 million](#) a year

Private jets release ten times more carbon per passenger than commercial flights. Despite this, most private jets pay no VAT, no fuel duty and most passengers pay the same low rate of air passenger duty as ordinary commercial flyers. There are many ways that private jets could be taxed, including proposals to levy VAT, which could raise [£180 million](#); tax fuel, which could raise [£200 million](#); and increase air passenger duty, which [could raise £320 million](#). The UK has [more private flights and more pollution](#) from private jets than any other country in Europe, therefore an incoming government should look to tackle the UK's outsized contribution to this problem.

10. End tax reliefs that benefit huge multinational corporations

The UK tax code is the most complex in the world, with over 1180 tax reliefs. Even HMRC - the UK's tax watchdog - [recently admitted](#) that it only knows the cost of 365 of the UK's tax reliefs. It is littered with inefficiencies, inequities and special treatment for favoured interest groups and the wealthiest. For example, Video Games Tax Relief (VGTR) [cost £197 million](#) in 2022, more than five times as much as it was anticipated to cost when it was introduced. Despite being designed as a relief to help independent developers produce "culturally British" games, evidence shows it is large, multinational firms that benefit

[them at £55 billion](#) and could take a tax of 4% to a slightly lower estimate of £1.9 billion. These figures do not take account of dynamic effects and will change if companies don't make buybacks.

⁵ Further information on the breakdown of the subsidies can be found in Oxfam's [methodology note](#). These reliefs are particularly complex in their design and while we recognise there may be broader policy change and detailed assessments to take into account, ultimately our tax system should not subsidise oil and gas extraction if we want to meet our climate responsibilities.

⁶ The OBR estimates that £25.3bn will be spent on new oil and gas projects between the second half of 2022 and the end of 2027, which the Stop Rosebank campaign calculates will result in £11.4bn in tax relief over the same period, source <https://www.stopcambo.org.uk/updates/uk-windfall-tax-explained>. Our calculation is based on the average yearly cost of the loophole.

from the lion's share: US-owned company Rockstar, who produce Grand Theft Auto, revealed it obtained almost £80 million in VGTR in 2021-2022 - [41% of all VGTR](#) paid out in the UK. This tax relief illustrates the issue with our complex, outdated tax code. It is one amongst hundreds of unfair, costly tax reliefs that need to be phased out by a new government.

These policies build on previous policy work from Tax Justice UK and Patriotic Millionaires UK, found in our '[Six wealth taxes](#)' and '[Close five loopholes](#)' pieces. We have updated sources and data where available. These revenue figures are estimates based on research from government institutes, academics and think tanks, in particular the work of economists [Dr. Arun Advani](#) (University of Warwick) and [Dr. Andy Summers](#) (London School of Economics), co authors of the final report of the [UK Wealth Tax Commission](#). The figures cited in this paper should be taken as indicative estimates, since revenue calculations for tax changes are difficult to estimate as dynamic and behavioural effects can be uncertain. The policies in this paper should also not be taken as exhaustive - they are indicative of the multitude of sensible policy options available and should be placed in a wider package of tax reform, including measures on tax avoidance, work on global tax governance, investing more resources into HMRC and [fixing the broken council tax system](#). This paper was written by Rachael Henry, Head of Advocacy and Policy at Tax Justice UK.