NATIONAL RENEWAL TAX

How a tax on the super-rich will create a fairer, greener UK

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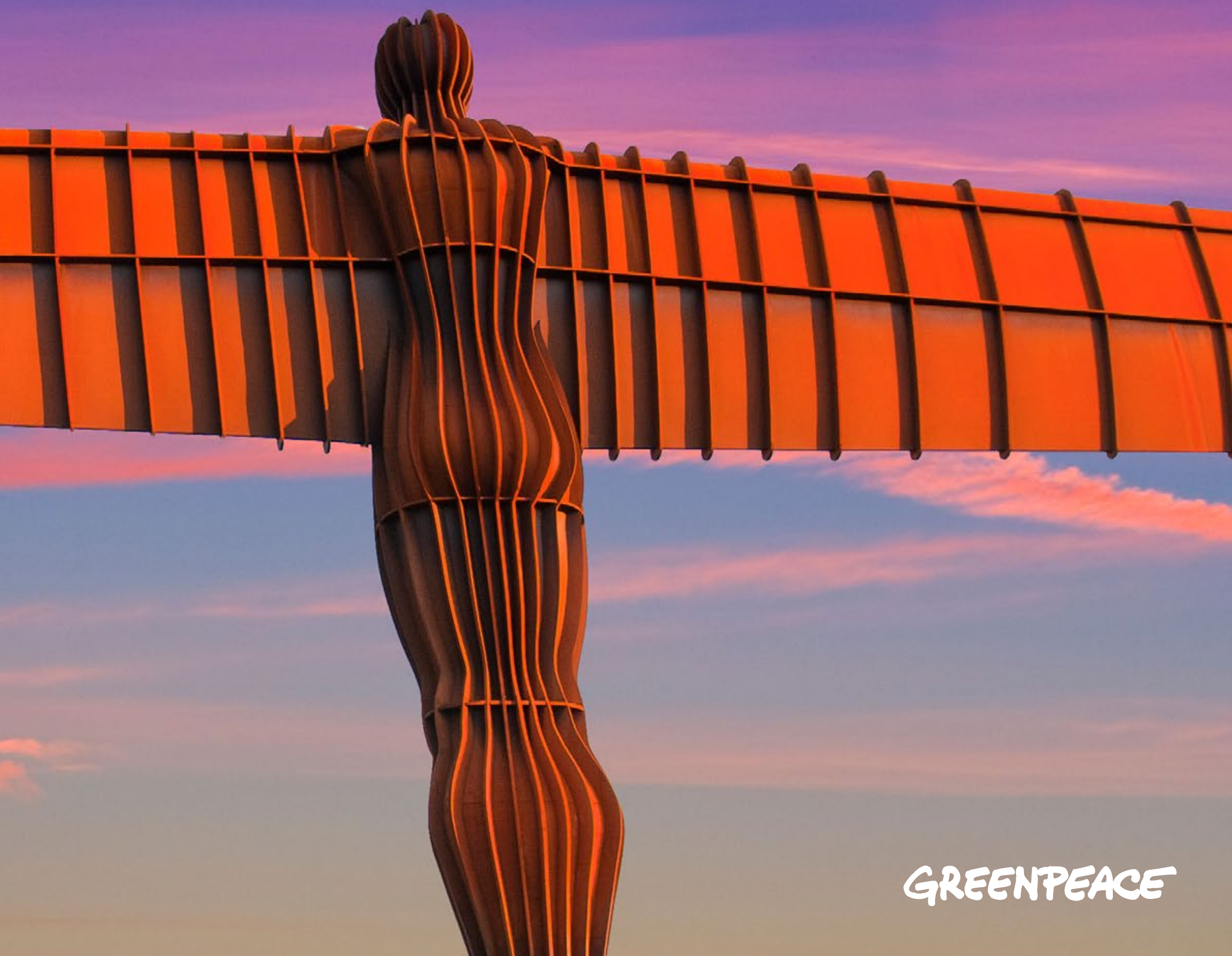

GREENPEACE

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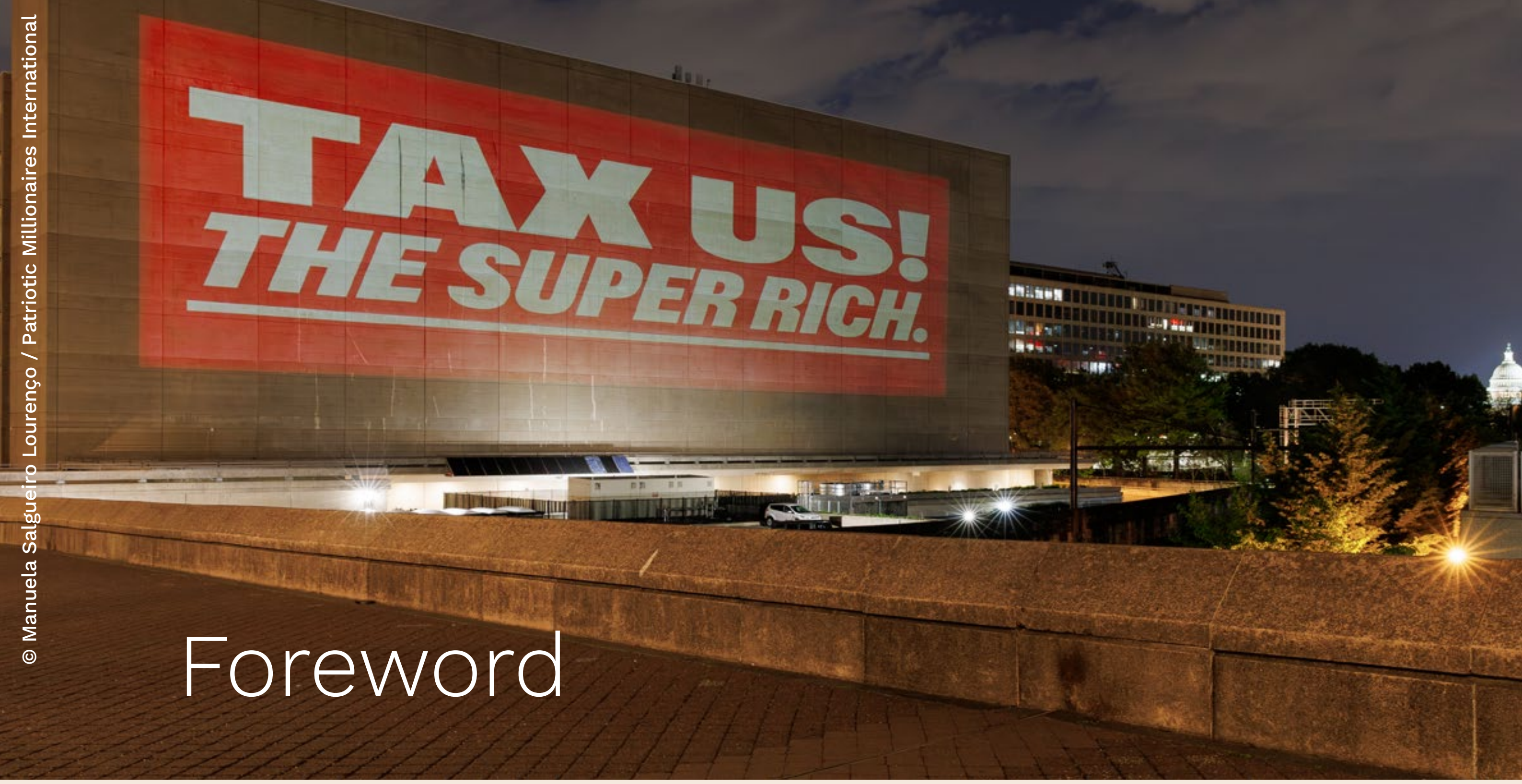
Cover image: Angel of the North, Gateshead, UK © Ashley Cooper pics / Alamy Stock Photo
Antony Gormley's Angel of the North is a symbol of hope and renewal, standing on a former coal mine. The sculpture highlights the call for a fair transition for workers.

Executive summary

- A one-off "National Renewal Tax" of 2.5% on individual wealth above £10m, to be paid annually over the five years of this parliamentary term, could raise between £130bn and £183bn. This tax would be paid by 0.1% of the UK population.
- The National Renewal Tax on the super-rich could raise between £26bn and £36.6bn on average each year.
- The £130bn figure above takes into account substantial potential tax avoidance and evasion of up to 42.5% and the costs of administering the tax, based on the Wealth Tax Commission's estimations. This revenue is equivalent to 1% of GDP and 3.1% of total tax revenues taken in by the UK government each year.
- The £183bn figure assumes a lower degree of 17.5% tax avoidance and evasion based on the Wealth Tax Commission's estimations. This revenue is equivalent to 1.4% of GDP and 4.4% of total tax revenues taken in by the UK government each year.
- The money raised by the National Renewal Tax would be more than enough to pay for:
  - Insulating 19 million poorly insulated homes
  - Supporting the most vulnerable households with energy bills over the winter months, preventing hundreds of avoidable deaths
  - Capping bus fares outside of London at £1.65 and providing free bus travel to everyone under the age of 25
  - Implementing a scrappage scheme for the most polluting vehicles
  - Retraining 3.2 million workers in high carbon sectors for green energy jobs
  - Upgrading Britain's ports to support supply chain job creation
  - Supporting farmers to clean up our waters and return 30% of land to nature by 2030.



Foreword

Patriotic Millionaires UK are calling for taxes on wealth to be introduced

By Julia Davies, Patriotic Millionaires UK

As a member of Patriotic Millionaires UK, I am proud to invest in Britain and its communities and want to see taxes raised on wealth. I would personally see paying the National Renewal Tax on the super-rich proposed in this report as doing my bit in a time of great need for our nation. I want to be proud of the care our elderly people receive, not ashamed. I want our children and young people to have the best chance in life and the best opportunities – not to face greater struggles than my generation faced. I want to see no communities left behind, as so many were when coal mines were shut down suddenly with no transition plan in place.

We know the challenges we face and we know that we need to invest rapidly and at a national scale to help our country take a leap forward into a cleaner, more sustainable, healthier, higher welfare and kinder future. There is no time to keep dragging our feet. A stitch in time saves nine, and unmaintained schools and hospitals crumble and cost more to repair in the long run.

We would all benefit from living in a country with good public services, a future-facing sustainable economy, a well-trained and healthy workforce, and a cared-for natural world.

The fact that pensioners and families are living in damp and draughty homes isn't just a matter of national shame. It represents bad financial management of our public funds – costing more in the long run by causing ill health and straining precious NHS capacity as our elderly people are unable to return to homes that made them sick in the first place.

We are suffering the consequences of underinvestment in every part of British life. The costs of this rack up by the day, causing us to fall further and further behind countries like China and the US that recognise the need for a rapid, government-led transition both to tackle the climate crisis and be competitive in a fast-changing world.

We need government-led investment now in affordable, accessible public transport for all, in retraining workers for the clean energy jobs of the future, in nature-friendly agriculture that delivers better food security and thriving wildlife, and in making British homes better insulated and less costly to heat.

It simply isn't true that we can't afford to make this investment urgently. The truth is that we can't afford not to.

And it certainly is not true that the money isn't there. It absolutely is there, and it's time for this government and the British people to demand that this investment is made by those of us who can afford to make it.

For too long, our country has undertaxed wealth and overstretched those who are working hard and still struggling to feed their families and pay the bills.

For too long, our government has dished out sticking plasters instead of tackling the root causes of fuel poverty, inadequate public transport, disappearing wildlife and an ever-widening gap between the 'have absolutely shedloads' and the have nots.

I am fortunate enough to be in a position where I would have to pay this tax if it were introduced. I can tell you that paying it would not impact my lifestyle or how I am able to provide for my family one bit.

We teach our children the importance of fairness and sharing, so it's about time that we applied these principles to the super-rich.

The super-rich have the money needed to tackle the climate crisis, allow our wildlife to recover and improve people's lives. But right now, most of them are not only failing to use their wealth to do so – they are actively choosing to put their own amusement and lavish lifestyles above the survival of entire communities and species, with private jet usage and extreme overconsumption on the increase.

With research showing that the super-rich and their lifestyles are fuelling the climate crisis at a much higher rate than ordinary people, it's only fair that a smidgen of their wealth be contributed in tax to tackle the problems they have made worse.

There is a growing movement of people, including those who would have to pay it, backing this tax.

The very wealthiest in the UK can afford to invest in a country embracing a decade of national renewal and a brighter future for the British people. It's time to ensure that they do so.

Julia Davies
Member of Patriotic Millionaires UK

1

Docklands Light Railway (DLR) train in East London

Why tax the super-rich to support national renewal and a fair transition?

The UK government has a legal obligation to reduce emissions to net zero by 2050. It also has a moral obligation to ensure that as we transition away from high carbon industries, we do so in a way that is fair to people across the country. That means the government must support measures to cut energy bills, keep our homes warm, make public transport cheaper and help workers to access green jobs.

Every sector must undergo rapid decarbonisation if we're to successfully meet our climate targets and limit the already catastrophic impacts of rising temperatures, from food insecurity to the tragic loss of life from floods and fires around the world.

The climate crisis is humanity's greatest challenge, but addressing it through large-scale green infrastructure investments presents one of the greatest economic opportunities of our time – creating jobs, stimulating the economy and contributing to long-term prosperity for everyone in our society.

Borrowing to invest in green infrastructure, such as renewables manufacturing, port and grid upgrades, battery storage and green steel manufacturing, would not only boost the economy in the way that our government aims to do; it would also put the UK at the forefront of the industries of the future. Major economies like the US, China and the EU are already racing to dominate green technology by investing hundreds of billions to attract global capital.

In addition to public borrowing, the UK government must implement tax reforms to ensure that the wealthiest individuals and most polluting companies take on their fair share of the costs.

The case for a National Renewal Tax on the super-rich to fund a fair transition

Globally, the richest 1% emit as much carbon as two-thirds of all humanity (Khalfan et al., 2023). In the UK, the richest 0.1% emit 22 times more from transport than low earners and 12 times more than the average person (Frost and Hobbs, 2024). This is a clear rationale for ensuring that the super-rich play a role in fixing the crisis that they have an oversized role in creating.

Just as windfall taxes on oil and gas giants will help fund our transition to clean energy, it is only fair that super-rich individuals – who possess vast wealth and are the biggest emitters – pay their fair share to help get us all back on track.

This report details how introducing a 2.5% National Renewal Tax on wealth above £10m each year for the rest of Labour's parliamentary term could generate at least £130bn (an average of £26bn per year). This is equivalent to 1% of GDP and 3.1% of total tax revenues taken in by the UK government each year. These figures take into account substantial potential tax avoidance and evasion as well as the administrative costs of the tax.

What a National Renewal Tax on the super-rich could pay for

Using the revenue raised from this tax, the government could insulate the 19 million homes that are EPC D or below (House of Commons Environmental Audit Committee, 2021) over the course of ten years and reduce energy costs for those on the lowest incomes – slashing emissions and lowering bills forever for those who need it most.

This money could subsidise public transport and introduce a scrappage scheme for polluting vehicles – making train and bus travel cheaper for all (Greenpeace, 2023), helping to reduce car use and easing the switch to electric vehicles for those who still want or need to drive.

It could support 3.2 million workers in high carbon sectors (IPPR, 2021) to access new, secure green jobs in all four corners of the country, by ensuring that they can retrain and switch to well-paid jobs in the industries of the future.

It could support agroecological farming and land management, enhancing our food security and contributing to the government's goal to protect at least 30% of our land and seas for nature by 2030 (Wildlife and Countryside Link, 2023).

A National Renewal Tax on wealth above £10m could help us successfully and fairly tackle the climate crisis and ultimately create a society that is more equal and just – where families can afford to feed their children as well as heating their homes, people in towns and cities can breathe clean air, and young people can secure good green jobs wherever they live.

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Flooding in Oxfordshire, UK

How a one-off National Renewal Tax on the super-rich would work – and how much it would raise

This report proposes a new, temporary wealth tax on individuals who own more than £10m in wealth. All wealth above £10m would be taxed at 2.5% each year for the next five years of the parliamentary term. This tax would apply to an estimated 74,628 individuals – roughly the top 0.1% of the population. No one with wealth below £10m would have to pay a penny, as shown in Table 1. The tax rate and threshold are in line with existing wealth taxes. For example, Spain's wealth tax also has a tax rate of 2.5% on wealth above €10m.

Table 1. Tax rates and thresholds and estimated number of individuals affected

Individual wealth bands	Tax rate	Number of individuals
£0 to £10m	0%	63,532,255
>£10m	2.5%	74,628

In 2020, the Wealth Tax Commission[1] set out several features that a UK wealth tax should adopt (Advani, Chamberlain and Summers, 2020). Firstly, the tax should apply to the worldwide assets of individual residents of the UK, to fit into the existing tax system. Secondly, it should adopt the broadest definition of net wealth, including all financial, physical, property, pension and business assets net of liabilities. This approach is necessary to prevent tax avoidance, as discussed below. Lastly, assets should be valued according to open market valuation – what the asset would fetch if it were sold on the market today.[2]

How the National Renewal Tax on the super-rich would work

Suppose an individual currently owns £50m. They would only pay tax on £40m of their wealth – the amount above the threshold. They would pay £1m in tax in the first year (2.5% of £40m). Their wealth in the second year, assuming it doesn't grow, would then be £49m (£50m minus the

1 The Wealth Tax Commission was a group of experts in 2020 studying the desirability and feasibility of a wealth tax in the UK.

2 For a more detailed overview of these design features, see Tippet, Wildauer and Onaran (2024).

£1m in tax they paid the previous year) and they would pay £975,000 in tax (2.5% of £39m). This would continue for the remaining years of the parliament.[3]

Imposing a wealth tax will inevitably lead to some form of tax avoidance and evasion by the super-rich. To take these behavioural responses into account, it is assumed that the wealth tax will reduce the tax base by 17.5-42.5% for an individual who faces an average tax rate of 2.5%. These estimates are derived from the Wealth Tax Commission (Advani and Tarrant, 2020) and explained in greater detail in the methodology section below.[4]

Introducing and administering a new wealth tax would incur new costs for the government. This report estimates that the maximum cost of administering this tax would be £485m per year, as set out in the methodology. There are an estimated 74,628 people with wealth above £10m in the UK and a further 124,266 people with wealth between £5m and £10m (i.e. just below the threshold of the wealth tax) who may be required to submit a tax return. HMRC should focus most of its attention on those with the very highest wealth (i.e. above £100m), given that these individuals will contribute a significant proportion of the tax revenues. As discussed below, the revenues that could be generated from a well-administered wealth tax vastly outweigh the administrative costs.

The wealth of the super-rich is expected to grow each year over the next parliamentary term. To take this into account, this report assumes a nominal yearly growth in wealth for all individuals of 3% – the average yearly increase in wealth for those on the Sunday Times Rich List over the last parliamentary term (2019-2024).

How much a National Renewal Tax on the super-rich would raise

Table 2 presents the expected revenues that could be generated from a National Renewal Tax once tax avoidance/evasion and administrative costs have been taken into account. The figures in the table show that the tax would raise between £24bn and £38bn each year over the next five years of the parliamentary term (based on a range as opposed to an average quoted in the Executive Summary above). On average, this is equivalent to 1-1.4% of GDP and 3.1-4.4% of total tax revenues taken in by the UK government each year.

Table 2. Estimated wealth tax revenues over the parliamentary term

	2024-25	2025-26	2026-27	2027-28	2028-29
Tax revenues (£bn)	24-35	25-36	26-37	27-38	28-38
% GDP	0.9-1.3	0.9-1.3	1.0-1.4	1.0-1.4	1.0-1.4
% Total tax revenues	2.9-4.2	3.0-4.3	3.1-4.5	3.3-4.6	3.4-4.6

Notes: The tax revenues are estimated net of behavioural responses and administrative costs. To model behavioural responses from tax avoidance and evasion, we assume an individual facing a 2.5% average tax rate would not declare 17.5-42.5% of their wealth. Administrative costs are estimated at £485m per year.

3 This assumes that there are no behavioural responses. The methodology section has a more detailed example with behavioural responses.

4 The Wealth Tax Commission assumes an elasticity of taxable wealth of 7-17% for an average tax rate of 1%. Therefore at 2.5%, taxable wealth is expected to decline by 17.5-42.5%.

Avoiding pitfalls: learning from other taxes on wealth

A common objection to wealth taxes is that they have already been tried in several countries and have been proven not to work. In 1990, 12 OECD countries had wealth taxes, while today only Switzerland, Norway and Spain do. So why were so many of these taxes ineffective, and what can be done to guard against this in future?

In an evidence paper for the Wealth Tax Commission, Perret (2020) argues that wealth taxes that have been unsuccessful share similar features, from which important lessons must be drawn. Wealth taxes tend to fail when certain types of wealth are excluded from the tax. This can be due to political pressure from vested interests, or because the assets may be particularly illiquid (i.e. hard to sell and convert into cash) or costly to value at a large scale. Once an exemption has been given, the revenues and equity of the tax is undermined, as people move their assets into the exempted assets to avoid the tax.

To be effective, wealth taxes must include as broad an asset base as possible. Moreover, keeping the tax threshold higher (i.e. only including the very wealthy) means a much smaller number of people need to be administered by the tax. This enables tax authorities to run the tax more fairly and efficiently, and minimises the concerns about high administrative costs that have previously been used to justify exemptions.

Having a high threshold for the wealth tax also limits potential liquidity concerns. For example, if the threshold is relatively low, there will be pressure to exclude illiquid assets such as pensions and primary residencies from the tax. Taxes that only include multi-millionaires, who hold most of their wealth in business and financial assets and tend to make higher returns, will not face the same liquidity issues. In other words, it is easier for a rich person to swap illiquid for liquid assets than it is for an average person, who holds most of their wealth in their house or pension.

The National Renewal Tax proposed in this report is similar to the Spanish and French wealth taxes in having a high threshold that primarily raises money from the super-rich. However, both the Spanish and French wealth taxes provide a clear warning of the need to keep the asset classes included in the tax as broad as possible. In Spain, an exemption for business and financial assets for owners induced tax avoidance, undermining the revenues collected (Alvaredo and Saez, 2009; Agrawal et al., 2024). In France, business groups successfully lobbied for exemptions that allowed certain rich households to reduce their wealth tax liability by 75% (Perret, 2020). The National Renewal Tax could learn from and avoid the pitfalls that prevented these wealth taxes from raising substantial revenues.

Tax avoidance and evasion – and measures to prevent them

Individuals may respond to the wealth tax by changing their economic behaviour (savings and investment decisions), legally hiding taxable wealth (tax avoidance) or illegally not declaring wealth (tax evasion). While there is little evidence that individuals change economic behaviour in response to wealth taxes (Advani and Tarrant, 2020), the potential for tax avoidance and evasion from a wealth tax is real and needs an appropriate response.

One widely discussed way that individuals may legally avoid a wealth tax is by giving up their resident status. However, there are several ways that the wealth tax could be designed to limit the potential for this capital flight. For example, exit taxes could also be applied to reduce the incentives for residents to leave the country. The temporary nature of the wealth tax proposed in this paper also limits the incentives for individuals to make a permanent decision to leave. Recent research by the London School of Economics and Political Science (London School of Economics and Political Science, 2024) suggests that high-net-worth individuals are disincentivised to move to tax havens by the lack of cultural and social assets these countries have compared to the UK.

Another concern is that individuals may try to hide their assets offshore and not declare them to HMRC. This type of tax evasion is illegal and comes with a serious risk of criminal prosecution. To guard against it, substantial administrative resources should be given to HMRC to track the wealth of the very richest households. Alongside the increase in information sharing across financial jurisdictions, this will help to limit illegal tax evasion.

Lastly, as discussed above, the asset classes included in the tax must remain broad and exemptions should not be given. This is primarily an issue of power and political economy, as exemptions are usually the result of substantial political pressure from those who have to pay the tax.

Even with these safeguards in place, there will undoubtedly be some response of the rich to the wealth tax. This report assumes relatively high rates of avoidance and evasion – i.e. individuals facing a 2.5% average tax rate would reduce their declarable wealth by 17.5-42.5%. While these effects may seem large, this demonstrates that even with significant behavioural responses the tax would still generate large revenues – £130bn over the next five years. If the National Renewal Tax is well designed and incorporates lessons from other wealth taxes, the revenues could potentially be higher.

Millionaires willing to be taxed

Some very wealthy people in the UK believe that they should contribute more to help make the UK more economically, ecologically and socially stable. For example, Patriotic Millionaires UK, a nonpartisan network of British millionaires, has been putting forward the voices of those who believe that their wealth should be redistributed to fight the many challenges we all face. This report demonstrates that by contributing 2.5% of their wealth each year, people in the top 0.1% have the power and the opportunity to create a much fairer and greener society. Given that wealth is likely to grow by 3% each year (based on past trends), even with this one-off wealth tax over a single parliamentary term, on average the top 0.1% are still likely to see their wealth increase over the lifetime of the tax.

3

Construction of new wind turbines in the UK

What the National Renewal Tax on the super-rich could pay for

The one-off National Renewal Tax on the super-rich could be used to dramatically improve the lives of millions of people in the UK as we transition to a green future, by funding warm homes, cheaper transport, green jobs, and healthy food and farming. Some of the key policies the wealth tax could fund are outlined below and summarised in Table 3, from suggestions put forward by Greenpeace in its manifesto recommendations for 2024 (Greenpeace UK, 2023).

Warm homes

Everyone deserves to live in a warm home, free of mould, but 58 people have died on average every day each winter since 2013 due to cold homes (Taylor, 2024). Meanwhile 19 million homes have a low energy efficiency rating of EPC D or below (House of Commons Environmental Audit Committee, 2021) – leaving families exposed to draughty homes and higher bills.

Labour's Clean Power by 2030 commitment (Labour Party Manifesto, 2024b) could reduce household bills over the medium term because renewable energy is cheaper than gas. But currently people's bills are high due to our dependence on oil and gas, the prices of which are affected by war and instability in Europe and around the world. One of the best ways to tackle this is to reduce the amount of energy we need to heat our homes in the first place, through investment in things like home insulation. Properly funded and government-approved home insulation can bring people out of fuel poverty and reduce household bills.

Labour have recognised in their Warm Homes Plan the need for a gear shift on insulating Britain's homes and have committed to bring all 19 million poorly insulated homes up to an energy efficiency rating of at least EPC C (Harris, 2022). This is also necessary to meet our legally binding climate targets (Climate Change Committee, 2022).

At least £60bn is needed over the next decade to deliver this, and £30bn over the next parliamentary term. However, to date only £18.2bn has been committed.[5] This means an

5 Labour have so far committed to a total of £6.6bn over this Parliament, on top of previous government commitments of £6.6bn from now to the end of this Parliament; existing funding for the ECO energy efficiency scheme amounts to a further £5bn until 2030 at current rates. The difference between what is needed (£30m) and the amount already committed (£18.2m) is £11.8bn.

additional £11.8bn of revenue is needed for energy efficiency measures this Parliament in order to ensure that all poorly insulated homes are insulated in ten years' time. The Chancellor should reiterate the government's support for all of these objectives and provide the additional £2.36bn each year over the parliamentary term to deliver the full scale of funding required.

Alongside this, in the short term the government needs to continue existing measures or introduce new measures to reduce energy bills. With £2bn per year, the government could cover the cost of the winter fuel allowance at £1.5bn (House of Commons Library, 2024a), and more.

Cheaper transport

If fewer people were reliant on private cars to get from A to B, everyone could have cleaner air to breathe – which is especially important for the health of children and older people. As well as affecting our health, road transportation is also the UK's biggest carbon polluter (Department for Transport, 2023). But right now, too many towns across the UK are underserved by bus and rail, while some workers can't even afford to fill the tank of their own car to get to work. To give everyone a better offer on public transport and encourage a wider shift away from private vehicles, the government should indefinitely cap single bus fares outside of London at a maximum of £1.65 and provide free bus travel for the under-25s. Together these policies would cost £1bn per year (Greenpeace UK, 2023).

These measures could be implemented alongside incentives for rail travel like those seen in Europe – such as a climate ticket allowing free travel outside London in exchange for a nominal payment each month (Greenpeace, 2024a). This would incur minimal or no cost to the Treasury.

Electric vehicles increase in popularity year on year, and the second-hand market is nearing price parity with petrol and diesel models. But the cost of switching from a polluting vehicle remains a barrier to many people. A national scrappage scheme would support some of those with the most polluting vehicles to transition to more sustainable transport options – in particular public transport but also electric vehicles – at a cost of £1.5bn per year (Greenpeace, 2023).

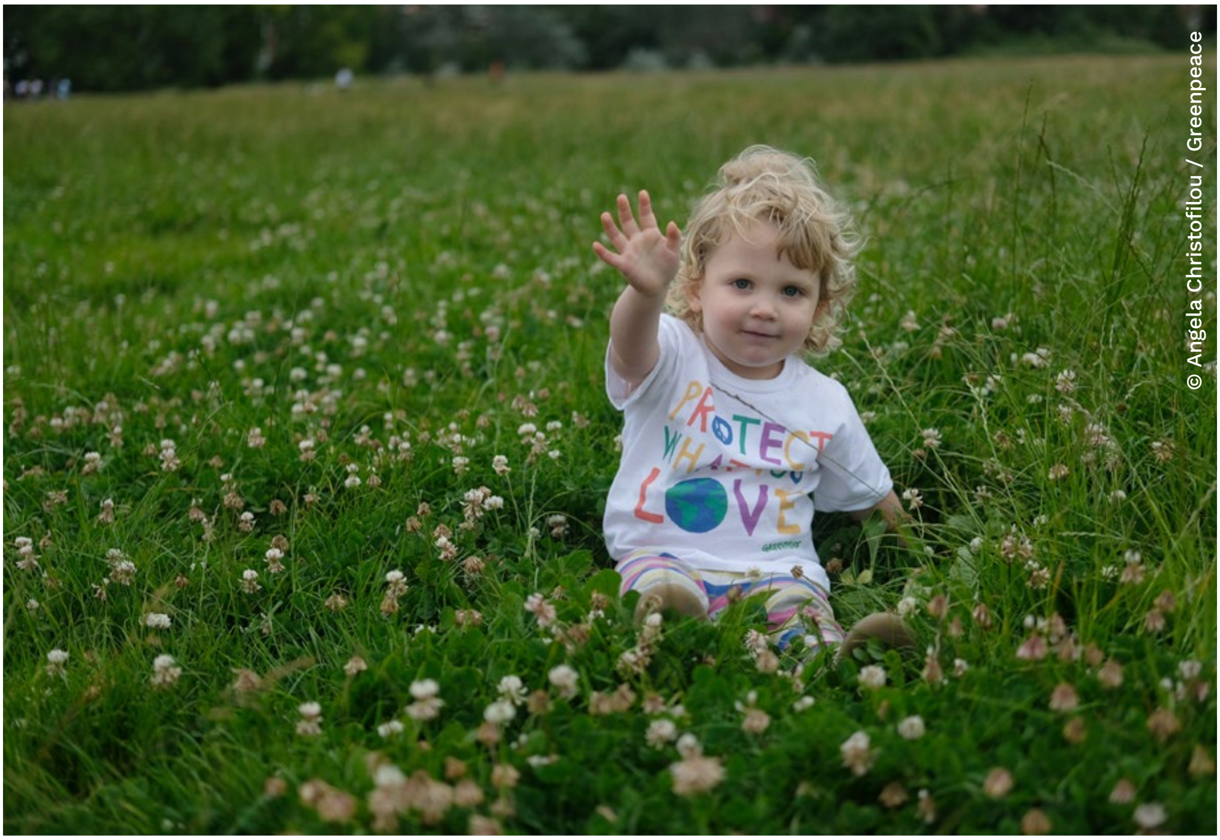
Green jobs

High carbon sectors, from oil and gas to the automotive and steel industry, have skilled workforces with high skills transferability, who are demanding clear, accessible pathways into green jobs. But these workers face costly training barriers when switching between industries, and there are currently no training schemes that provide them with paid time off to retrain. These are the very people whose valuable skills can make Labour's clean energy target a reality, and retraining options should be accessible to every high carbon worker. The estimated cost of retraining the 3.2 million workers who will need to move out of high carbon jobs by 2030 is £1.1bn per year (IPPR, 2021).

The UK's ports are crucial for the delivery of offshore wind and the expansion of UK green supply chains that create more jobs. However, chronic underinvestment in ports means that many of them don't have yards large enough for the fabrication and assembly of renewables, undermining the scope for domestic manufacturing and job creation. There is a need to rapidly invest in upgrading the UK's port infrastructure, making ports ready for the rollout of renewable energy and turning them into hubs for good, unionised jobs in clean energy supply chains. Nearly £4bn of investment is required (Durakovic, 2023) until the end of this parliamentary term to upgrade the UK's ports. As £1.8bn has already been committed (Labour Party Manifesto, 2024a), an extra £2.2bn needs to be raised.

Nature-friendly agriculture

UK agriculture is central to our food supply and the health of our rivers and countryside. But extensive pesticide use and intensive production methods contribute to river pollution, pollinator decline and soil degradation, reducing our resilience to climate impacts ranging from extreme heat to flooding. Subsidy reform is underway to provide new incentives for farmers to transition to more sustainable practices – but further funding is needed so that farmers can be properly supported to deliver agroecological farming and land management. This would help to boost rural livelihoods, enhance food security and contribute to the government's goal to protect at least 30% of our land for nature by 2030. An extra £3bn of investment (Royal Society for the Protection of Birds, 2024) is needed on top of the existing £3bn that has already been committed (UK Government, 2019) per year to achieve this over the next parliamentary term.



Farmers need support to protect our food supply and the health of our countryside for future generations

Table 3: What a National Renewal Tax on the super-rich could pay for

Sector	Theme	Total additional public spend needed	References
Warm homes	Home insulation for all 19 million poorly insulated homes	£2.36bn per year *£11.8bn in total this parliamentary term*	• (Greenpeace, 2023, p7) • See explanation for remaining additional spend (Greenpeace 2023, p9) • Greenpeace manifesto analysis, detailed scoring (Greenpeace. 2024b, line 13)
	Measures to support the most vulnerable households with energy bills	£2bn per year *£10bn until the end of this parliamentary term*	The current winter fuel payment scheme costs under £2bn per year (£1.5bn a year) (House of Commons Library, 2024a). Whatever the ultimate policy design, at least this amount is likely to be needed to ensure that a proper package of support is made available for the poorest households.
Cheaper transport	Capping single bus fares outside London at a maximum of £1.65 Providing free bus travel for everyone under the age of 25	£1bn per year (£0.36bn/ year for capping bus fares and £0.59bn/year for providing free bus travel to under-25s) *£5bn in total this parliamentary term*	(Greenpeace, 2023, pt. 3D) minus 'climate ticket' bonus package
	Scrappage scheme for the most polluting vehicles	£1.5bn per year *£7.5bn in total this parliamentary term*	(Greenpeace, 2023, pt. 3D) minus 'climate ticket' bonus package
Green jobs	Green Training Fund for 3.2 million workers	£1.1bn per year *£5.5bn in total this parliamentary term*	(IPPR, 2021, p72)
	Port upgrades	£440m per year *£2.2bn on top of the £1.8bn already committed, (Labour Manifesto, 2024a) so £4bn in total this parliamentary term*	(UK Government, 2023)
Healthy food and farming	Nature-friendly agriculture to clean up our waters and protect at least 30% of our land for nature by 2030	£3bn per year *£15bn by the end of the parliamentary term*[6]	(Wildlife and Countryside Link, 2023, p8)
Total extra government investment needed over this Parliament	£11.4bn per year *£57bn in total this parliamentary term*		

6 At least £3bn each year on top of the existing £3bn per year that needs to remain committed (UK Government, 2019). So a minimum extra £15bn is needed until the end of this parliamentary term, assuming the existing £3bn is maintained.

Conclusion

Neither the poorest nor the wealthiest person in the UK can escape the future we collectively create. We are all part of this society and everyone has their part to play. Looking at the current state of the country, there will be few who believe we are on a path to prosperity. We face humanity's greatest challenge – to rapidly decarbonise our economy to make sure that the life-supporting ecosystems on which we all depend remain intact.

To meet this challenge in a fair and effective way, those with the broadest shoulders must contribute more. This report has discussed the potential to raise much-needed revenue through a 2.5% tax on all wealth above £10m each year over the next five years of the parliamentary term in the UK. This "National Renewal Tax" would raise at least £130bn over the next five-year Parliament (£26bn each year, on average). This is equivalent to 1% of GDP and 3.1% of total tax revenues, once tax evasion, tax avoidance and administrative costs are taken into account.

The money raised from this one-off National Renewal Tax could be used to dramatically improve the lives of millions of people in the UK as we transition to a green future, by funding warm homes, cheaper transport, green jobs, and healthy food and farming. It would allow us to insulate 19 million mouldy and draughty homes; support the most vulnerable households with energy bills over the winter, preventing hundreds of avoidable deaths; cap bus fares outside of London at £1.65 and provide free bus travel to everyone under the age of 25; implement a scrappage scheme for the most polluting vehicles; retrain 3.2 million workers to transfer from high carbon sectors into green jobs; upgrade Britain's ports in readiness for the rollout of renewable energy; and support farmers to clean up our waters and turn 30% of land back to nature by 2030. By contributing in this way, the top 0.1% have the opportunity not only to fulfil their obligations to society but to transform their own lives and those of the 99.9%.

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Learning to cycle across a toucan crossing

Methodology

Data sources

This report is based on two sources of data: the 2018-2020 Wealth and Assets Survey (WAS) provided publicly by the Office for National Statistics (ONS), and the 2019 Sunday Times Rich List (STRL). As the 2018-2020 data is the latest wealth data available from the ONS, the corresponding data from the STRL is used (2019) rather than the latest available year for the STRL (2024). Wealth is defined as the sum of financial, physical, property, pension and business assets minus their debts. Individual-level data is used.

The ONS wealth survey data significantly underestimates wealth at the very top of the distribution, as wealthier households are less likely to respond to the survey (differential unit non-response), may under-report their wealth (item non-response) or may simply be missing from the sample (ONS, 2022). For example, the wealth of the richest person is £78m, which is less than that of the least wealthy person on the STRL (£100m). For this reason, it is standard practice in the academic literature to combine rich list and survey data and fill in the missing data by assuming that the top tail of the wealth distribution follows a Pareto type 1 distribution (Vermeulen, 2018).

This report does this by taking the 99th percentile (individuals with wealth above £2.1m) as the cutoff at which the data is adjusted. Using the methodology outlined by Vermeulen (2018), it finds that £2.25 trillion in wealth is missing from the top 1% of the wealth distribution. The top 1% share of wealth increases from 15% to 25% – to a level more broadly consistent with that of the World Inequality Database, which has a top 1% wealth share of 21% in the UK.

It is expected that UK wealth will grow over the next parliamentary term. The super-rich saw their wealth grow by roughly 3% per year in nominal terms over the last parliamentary term (2019-2024). Using data from the STRL, the total combined wealth of the richest 200 individuals in 2024 was £711,215,000,000. Their total combined wealth in 2019 was £591,545,000,000. This implies an average growth rate of 3% per year over the six years between 2019 and 2024 as (711,215,000,000/591545000000)^(1/6)= 1.03. This is also the same as the growth in average private wealth for all individuals, according to the World Inequality Database. Our calculations therefore assume that everyone's wealth will grow at 3% each year in nominal terms.

This report uses GDP and total tax revenues from the latest year available (2023). UK GDP for 2023 is £2,687bn and total tax revenues are £829.1bn (House of Commons Library, 2024b) in nominal terms. As the wealth survey data is from 2018-2020, all estimates of wealth tax revenues are conservative, as wealth has grown since then (HM Revenue & Customs, 2024).

Wealth tax design

Following the recommendations of the Wealth Tax Commission, this report treats the tax unit as individual residents of the UK (Chamberlain, 2020). The tax base includes all components of wealth: property (first and second homes), pension wealth, financial wealth, physical wealth and business wealth.

This report proposes a temporary wealth tax that will be paid annually for five years on the open market valuation (OMV) of an individual's wealth, limited to the course of the next parliamentary term. The temporary nature of the tax will limit incentives for tax avoidance and is partly based on the proposal made by the Wealth Tax Commission. One key difference is that the Commission argues for a one-off tax of a single year, while this proposal is for a temporary annual wealth tax for a one-off parliamentary term.

For a broader discussion of the design of a wealth tax, see Tippet, Wildauer and Onaran (2024).

Modelling behavioural responses

To model behavioural responses, this report follows existing academic literature and imposes an elasticity of taxable wealth. The elasticity of taxable wealth determines how much an individual will reduce their declared wealth for each 1% average tax rate levied. As a wealth tax has never been implemented in the UK before, imposing a precise estimate for this elasticity is impossible. Having reviewed the available literature, the Wealth Tax Commission argues that a wealth tax with the design features proposed in this report (broad tax base, resources to administer the tax, one-off temporary nature to limit incentives for avoidance/evasion, information sharing etc.) should reduce the tax base by 7-17% if levied at an average tax rate of 1%. An individual who pays an average rate of 2.5% would therefore see their declared taxable wealth decline by 17.5-42.5%. In the academic literature, average rather than marginal tax rates are used to determine the behavioural responses of the individual.

Average tax rates are defined as the total amount paid divided by the amount of wealth of the individual. Average tax rates are therefore higher for very wealthy individuals compared to individuals with wealth around the threshold (£10m). In other words, very wealthy individuals are assumed to evade the tax at a higher rate. For modelling the tax, this report assumes that behavioural responses will take place immediately following the announcement of the tax, given that rumours of the tax are likely to be leaked.

Estimating administrative costs

The government will incur new costs in introducing and administering a new wealth tax. We estimate that the maximum costs for administering this tax would be £485m per year. There are an estimated 74,628 people with wealth above £10m in the UK and a further 124,266 people with wealth between £5m and £10m who may be required to submit a tax return.

HMRC should focus most of its attention on those with the very highest wealth (i.e. above £100m), given that these individuals will contribute most to the tax revenues. There are an estimated 2,875 people with wealth above £100m. Assuming as an extreme case that HMRC employs one agent costing £100,000 to track each individual with wealth over £100m, the estimated administrative costs would be just under £300m per year.

For the remaining individuals with wealth between £10m and £100m (of whom there are 71,753), HMRC could audit all of these individuals at a cost of £180m. This assumes that it costs HMRC £2,500 to audit each return – the amount it currently costs it to audit self-assessment returns (Advani, Chamberlain and Summers, 2020).

Lastly, HMRC would also need to partially audit the returns of individuals who are just below the threshold of the wealth tax. Estimates of selected or partial audits for self-assessment returns are £150 per person. Given that there are 124,266 individuals with wealth between £5m and £10m, this would cost an estimated £19m.

An example of the wealth tax with behavioural responses

Suppose an individual currently owns £50m. If they do not respond in any way to the tax (i.e. no tax avoidance/evasion), they would only pay tax on £40m of their wealth. In the first year (2024/25) they would therefore pay £1m in tax (2.5% of £40m).

However, the individual is likely to respond to the tax by changing their behaviour. Assuming a 7% elasticity of taxable wealth, the individual would reduce their declared taxable wealth by £8.75m (2.5%×7%×£50m = £8.75m). In other words, they would only declare £41.25m of their wealth (£50m – £8.75m) and pay a total tax of £781,250 ((£41.25m – £10m)×2.5%).

In the next year (2025/26), the wealth of the individual is expected to grow at 3%, as discussed above. The individual's declared taxable wealth in 2025/26 would be £41.68: their declared wealth in the first year (£41.25m) minus the tax they have paid (£781,250) growing at 3% ((£41.25m – £781,250)×3% = £41.68m). In the second year the individual would therefore pay £792,000 ((£41.68m – £10m)×2.5%). This is repeated for the remaining years of the Parliament.

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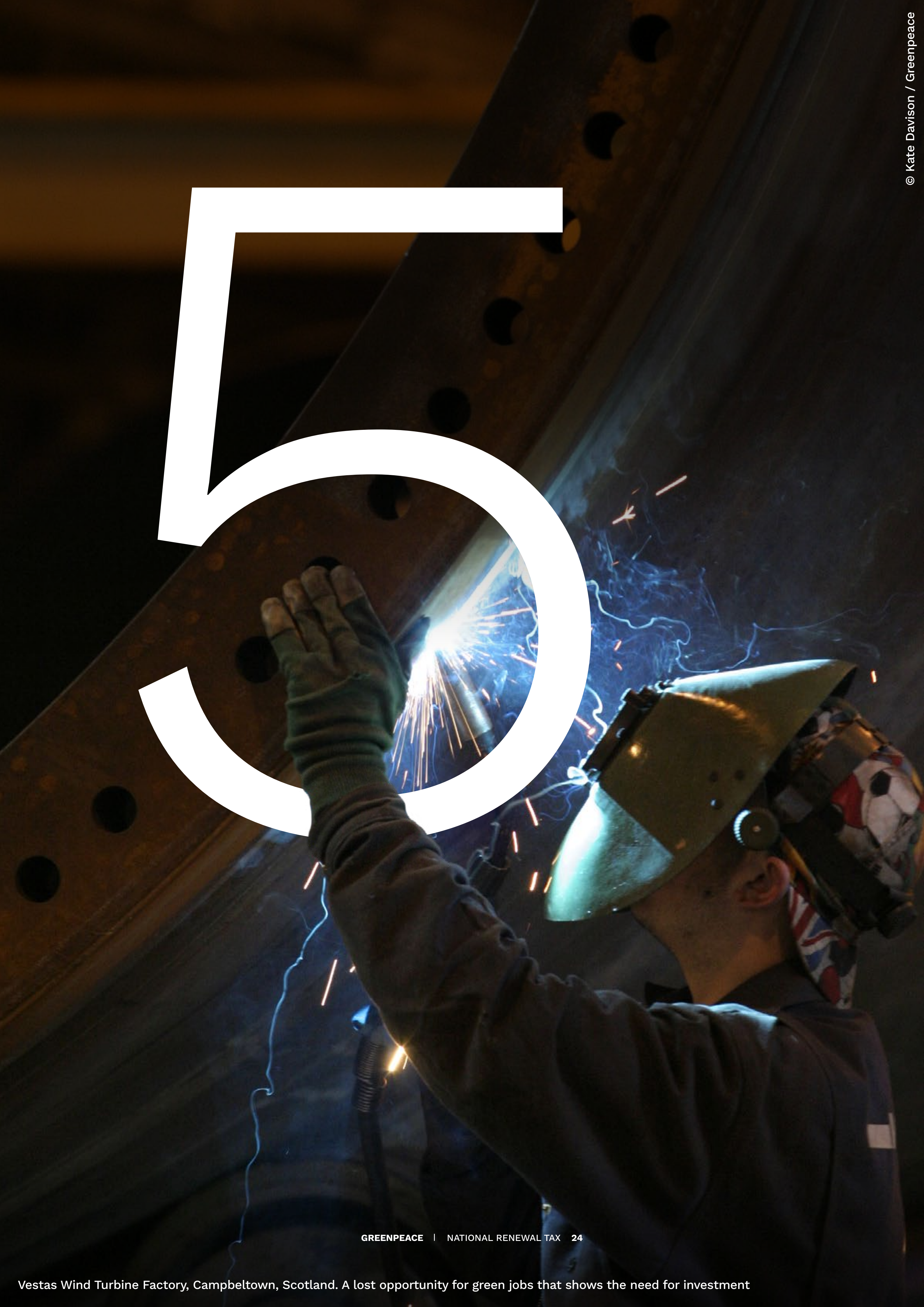

Vestas Wind Turbine Factory, Campbeltown, Scotland. A lost opportunity for green jobs that shows the need for investment

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