BRIEFING FOR PARLIAMENTARIANS

HOW WEALTH INEQUALITY UNDERMINES GROWTH AND WHAT TO DO ABOUT IT

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Wealth inequality has been very high in Britain for several decades: the richest 10% own over half of the nation's wealth, while the poorest 10% have negative wealth (debt). In recent years, soaring asset prices have led to the absolute wealth gap between these two groups increasing in size by 48%, rising from £7.5 trillion to £11 trillion. The average person in the top 10% has £1.7m in wealth; the average person in the bottom 10% is £2,000 in debt.

DIAGNOSIS: HOW WEALTH INEQUALITY UNDERMINES GROWTH

Reduces demand	Just as **malnutrition** starves the body of energy, the concentration of wealth in few hands reduces consumer spending power, increases poverty, and drives up household debt, weakening demand and stalling growth.	*21% of people in the UK have zero or negative wealth. The poorest 20% of households spend an average of 39% of their income on housing costs. Household conception accounts for around two-thirds of GDP.*
Wastes talent	Like **cholesterol** that clogs up the body's arteries, inequality is a barrier to good grades and good jobs for millions of people, blocking the flow of talent and ideas, and so damaging innovation and productivity in our economy.	*Disadvantaged children are 19.2 months behind their peers by the time they take their GCSEs. Only 22% of disadvantaged graduates become top earners, compared to 46% of privately educated graduates.*
Extracts wealth	Just as **parasitic infections** siphon nutrients from the body, some companies and individuals control huge assets and charge others 'rents' to use them, extracting wealth at the expense of genuine wealth creation.	*Half of land in England is owned by less than 1% of the population; UK land increased in value by 64% between 2008 and 2016. All of the top 30 companies listed on the London Stock Exchange derive income from 'rents'.*
Skews investment	Like poor blood **circulation** that deprives key organs of oxygen, when too much investment flows to one sector (such as real estate) at the expense of more productive sectors, genuine wealth creation and economic growth suffers.	*In 2017, real estate loans accounted for over 78% of all loans to non-financial UK residents, while loans to UK businesses constituted just 3% of all banking assets – a much bigger difference than in Eurozone countries.*
Undermines competition	Just as a weakened **immune system** leaves the body vulnerable to disease, wealth inequality increases market concentration. Oligopolies reduce competition, increase prices, and suppress innovation and growth.	*The share of total revenue accounted for by Britain's 100 biggest firms increased by a quarter between 2004 and 2016. A recent government report said that the economy is moving towards an 'oligopolistic structure'.*

TREATMENT: HOW TO TACKLE WEALTH INEQUALITY, BOOST GROWTH AND RAISE REVENUE

Reform	Details	Inequality impacts	Growth impacts	Revenue impacts 2026/7
Equalise and reform capital gains tax	Equalise capital gains tax rates with income tax, introduce an allowance to drive investment and an exit tax on people leaving the UK, and end relief for inherited assets	Equalises taxation on income from work and wealth, redistributing a degree of excess wealth	Ends productivity drag from shifting employment income into capital gains and removes other distortions; investment allowance removes disincentive to invest	£11.3 billion per year
Widen the scope of national insurance	Apply NICs to non-dividend investment income (e.g. savings interest and property rent), and equivalent of employer NICs to partnership income	Equalises taxation on income from work and other sources of income, redistributing a degree of excess wealth	Reduces incentives to invest in unproductive assets (e.g. real estate) at expense of more productive assets, and addresses investment disincentives for LLPs	£6.1 billion per year (£3.1bn from property income, £0.6bn from savings income, £0.5bn from other NDI income, £1.9bn from partnership income)
Tax share buybacks	Apply a 4% tax on share buybacks	Reduces tax avoidance by companies	Encourages investing in the real economy	Between £0.1 billion and £2 billion per year
Reform property taxes	Introduce proportional property tax on homes over £2m and council tax premium on non-UK residents' second homes	Makes property taxation fairer, as council tax penalises people in less valuable houses and areas	Council tax premium could reduce house prices by discouraging the purchase of investment properties by non-UK residents	£1.7 billion per year (£1.5bn from proportional property tax, £0.2bn from council tax premium)
Raise gambling duties	Raise the rates of General Betting Duty, Remote Gaming Duty and Machine Games Duty	Reduces health, financial and work problems that affect six people for every problem gambler	Reduces knock-on effects of problem gambling on productivity and employment	£3.2 billion per year (plus reductions in gambling-related costs to exchequer of up to £7.2 billion per year)
Introduce a wealth tax	A 2% annual tax on assets over £10 million	Curbs concentration of wealth at top of society	Enables investment in public services	£24 billion per year
Improve compliance by wealthy taxpayers	Improve HMRC's capacity to tax wealthy taxpayers, as per the recommendations of a recent NAO report, and its use of its existing enforcement powers	Ensures that the wealthy are paying their fair share of taxes as part of a progressive and effective tax system	Enables increased investment in public services, boosting opportunity and productivity across the economy	At least £2.1 billion per year, but likely much more (HMRC estimates tax gap from wealthy at £2.1bn, but 24/25 wealthy compliance yield was £3.7bn)

We also recognise the importance of policies beyond redistribution through the tax system in spreading wealth more broadly across society, in a range of areas such as employment, housing and social security.