# Win-Win-Win

FAIRNESS FOUNDATION

## Taxing wealth for fairness, revenue and growth

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15 October 2025

**We are grateful for the support of Thirty Percy, who made this report possible.**

**The full, online version of this report is at https://fairnessfoundation.com/win-win-win.**

## Executive summary

This report, authored by Martin O’Neill and Howard Reed, presents a comprehensive analysis of the case for reforming the UK’s approach to taxing wealth, with three objectives in mind: greater fairness, increased revenue, and stronger economic growth. The central argument is that high levels of wealth inequality are not only morally troubling but are actively damaging our society, our democracy and our economy, and are holding back the prospects for boosting economic growth. The report examines the case for addressing wealth inequalities, while raising much-needed revenues and simultaneously driving growth, through higher taxes on wealth. It looks in detail at the options for both reforming existing taxes and introducing new taxes on wealth.

Wealth inequality damages equality of opportunity, social status, democracy, and the distribution of power. Wealth concentrated in the hands of a few perpetuates unfair advantages across generations, exacerbates social and regional divides, and disproportionately benefits certain groups at the expense of the 50% of the population who own practically no wealth. It also distorts the economy and undermines growth, by enabling and incentivising wealth extraction at the expense of genuine wealth creation (through mechanisms such as financialisation and rent-seeking that undermine productive investment and innovation), by reducing consumer demand, by blocking opportunity and wasting talent, and by undermining competition through the development of oligopolies. Increasing private wealth has coincided with a dramatic fall in public wealth over recent decades, damaging public services and the broader public realm while wealth and power is increasingly concentrated in fewer hands, not least in critical sectors such as finance and energy. Over the coming years, we can expect wealth inequality to rise dramatically through a combination of rising asset prices, the very unequal handing down of inherited wealth across generations, and the overwhelming likelihood that wealth gains from artificial intelligence and other technological advancements are concentrated among those with the most wealth already, at the expense of those without. So the time to act is now.

Reforming the tax system is key to tackling wealth inequality, but it also has the potential to directly address key fairness concerns with the current system, by removing arbitrary differences between the taxation of individuals with similar levels of income from different sources. Of course, increasing taxes on wealth can generate significant revenues for the Treasury. And by tackling wealth inequality and mitigating some of its spillover impacts on growth – as well as by removing distortions that incentivise harmful behaviours – these reforms can also boost economic growth.

We under-tax wealth in the UK significantly (wealth is taxed at an average rate of 4%, compared to 33% for income), and as a result we only generate a tiny proportion of government revenues from taxes on wealth. Many existing taxes on wealth - such as capital gains tax, inheritance tax and council tax – unfairly enable some people to pay much less tax than others for arbitrary reasons. This not only reduces tax revenues but also exacerbates wealth inequality and allows its spillover impacts, including collapsing public faith in democratic institutions, to spiral out of control.

Reforms to existing taxes on wealth have the potential to address many of these problems. Options include aligning capital gains tax rates with income tax while tackling loopholes and exemptions (raising over £11 billion per year), extending the scope of national insurance to cover income from property (£3 billion) and partnerships (£2 billion), and replacing or supplementing council tax with proportional property taxes (£1.5 billion).

As the Institute for Fiscal Studies noted earlier this week, reforms must go beyond simply increasing rates, but "improving the design of the tax base (entailing some giveaways) and then more closely aligning overall tax rates across different forms of income and gains would produce a fairer and more growth-friendly system". For example, increasing rates on capital gains tax should be accompanied by an allowance to drive investment, and exit tax on people leaving the UK, and the end of relief for inherited assets. Reforms of this nature will generate revenues that can be used to invest in public services, reducing some of the barriers to growth posed by wealth inequality, as well as directly boosting growth by ending distortions in the tax system - such as the productivity drag that arises from people shifting employment income into capital gains so as to reduce tax liabilities.

However, there are also arguments for introducing new taxes on wealth, to tax stocks of wealth rather than transfers of wealth – in other words, a wealth tax (whether one-off or recurring). There are many challenges to implementing such a tax, but many of the common criticisms are overstated and can be addressed through careful policy design and adequate investment in HMRC capacity. A recurring (perhaps annual) wealth tax is the most ambitious option, and the most challenging, but would be one of the only ways to significantly reduce levels of wealth inequality and mitigate its many harmful spillover impacts, even if there are many policy levers outside of the tax system that can also be used to this end (as detailed in our Wealth Gap Risk Register).

A key design question for a new tax on wealth is whether it would sit alongside or replace existing taxes on wealth. Another is whether it might be a precursor to reducing taxes on work or consumption, such as income tax, national insurance or VAT, or whether a government in desperate need of additional revenue might take the opposite approach, and increase taxes on the wealthy to create the political space to allow it to follow up by raising broader-based taxes.

These questions are of crucial importance in the long term, and must be addressed in the short term. However, in the immediate context of the November 2025 budget, the Chancellor has an opportunity to achieve a win-win-win – increasing fairness (and reducing wealth inequality), generating additional revenue, and creating the conditions to enable future economic growth – by making a series of well-evidenced, feasible and popular reforms to existing taxes on wealth, as well as boosting HMRC's capacity to collect them (and to introduce new taxes on wealth).

Reforming the way in which we tax wealth in this country is not only politically and morally necessary but also economically prudent. Well-designed reforms to taxes on capital gains, inheritance, property and other forms of wealth can raise substantial revenues, restore public faith in democratic government, reverse the decline in public wealth, and start to tackle the corrosive wealth inequality that undermines growth and social cohesion. Those who benefit most from the status quo must contribute proportionately to the common good.