Press Release

Taxing those with wealth over £2m would help the young and raise £18 billion a year

Taxation policy should be fairer on the young argues a new report calling for total wealth above £2 million to be taxed. With political parties shying away from wealth taxation pre-general election, The Intergenerational Foundation calls on them to think again if they really care about the young.

The report, entitled ***Tax wealth to help the young: The intergenerational fairness case for a wealth tax***, estimates that at least £18 billion could be raised annually which would allow policymakers to ease the pressure on the overburdened young by increasing the personal tax allowance to at least £13,800 with money left over for HM Treasury to spend more widely.

According to Intergenerational Foundation analysis, wealth inequality is now likely to exist as much between old and young as between rich and poor. Between 2010 and 2020, the median wealth among over-65s surged, increasing three times as much as the median wealth of 25-44 year-olds, largely driven by housing and pensions.

While wealth has increased sharply among older generations, the share of total wealth held by 18-44 year-olds has almost halved, falling from 28% in 2007 to just 15.5% in 2016 based on HMRC data. These figures do not take account of the huge increase in asset prices during the COVID-19 pandemic.

The report argues that taxing wealth is intergenerationally fairer than taxing income from employment or raising National Insurance contributions (NICs) because both fall disproportionately on the younger working-age population.

IF investigated three possible options for a wealth tax. The first option would be to levy low tax rates on a wide tax base of wealth over £1 million which would affect 3 million people. The second option, which IF favours, would be to levy moderate tax rates starting at 0.8% for wealth over £2 million and rising to 1.2% for wealth over £10 million, affecting only about 1% of the population. As an illustration, a person living alone in a house worth £2.2 million without any other assets or debts would pay £1,600 a year. The third option would be to levy higher rates on a small tax base on wealth over £5 million, which would affect the wealthiest 83,000 people.

Angus Hanton, IF Co-founder comments, “On intergenerational fairness grounds policymakers need to rebalance the tax system so that it is fairer on the young. It cannot be right that younger generations carry a disproportionate amount of the nation’s tax burden out of earned income.”

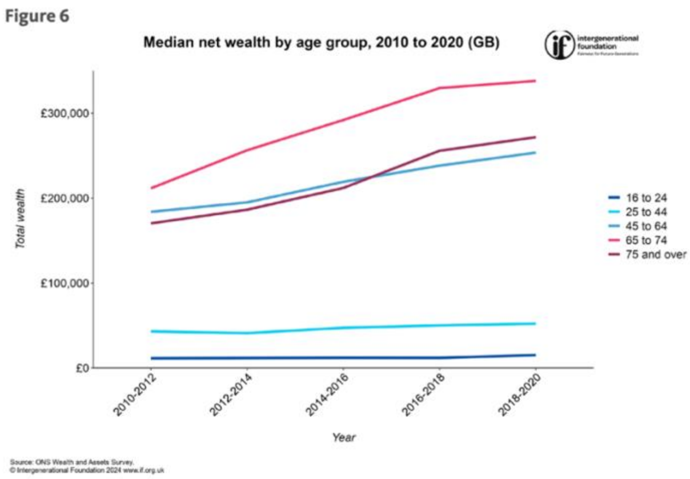
Nick Marple, impact investor and member of Patriotic Millionaires UK said, "The wealthy have benefitted hugely from rising asset prices, which comes with a high cost for our country, especially the young. It's only fair that our wealth is taxed in order to relieve some of the fiscal pressure on younger and future generations."

A progressive wealth tax, one that rises in line with levels of wealth, could allow governments to increase spending on vital public services in light of the UK’s rapidly ageing population; the housing crisis, the climate crisis; and finances post-pandemic without increasing income tax.

Report author Alec Haglund adds, “Welcome but challenging increases in longevity mean that the proportion of national income that must be spent on health, social care and the state pension will continue to grow. Where the tax revenue comes from to fund that spending is increasingly an intergenerational fairness issue.”

As previous IF research has shown, an increasing proportion of young people have zero property wealth and many have negative financial wealth, while older generations have enjoyed increasing housing and pension wealth.

Haglund concludes, “Even a very moderate wealth tax that only affects 1% of the population can raise significant tax revenue and begin to rebalance the tax burden in an intergenerationally fair way, while simultaneously helping to tackle wider wealth inequality.”



- ends -

Note to Editors:

Contact liz@if.org.uk **or call: 07971 228823** to arrange interviews

- Wealth taxes differ from taxes on income from wealth (such as capital gains taxes) as wealth taxes target net wealth rather than income generated from wealth, generally defined as the value of all assets minus any debts
- This report builds on IF’s previous taxation report: ***Play Fair: Equalising the taxation of earned and unearned income*** which IF estimates would raise around £30 billion a year
- Total wealth statistics from IF analysis of HMRC personal wealth data & Wealth and Assets survey data
- Total (aggregate) UK wealth is now 7 times national income, running at £15 trillion (Wealth Tax Commission 2020)
- The savings squeeze facing young people***: The Savings Squeeze: Young people locked out from the benefits of saving***
- IF recommends a progressive annual wealth tax (Option 2 in the report):
  - Wealth above £2 million - 0.8%
  - Wealth above £5 million - 1%
  - Wealth above £10 million - 1.2%

  This policy would raise at least £18 billion annually.
- There are 3 million over-65s (out of 12 million) living in millionaire households: ***3 Million Pensioner Millionaires: identifying the numbers***
- Spain, Switzerland and the Netherlands all levy wealth taxes
- Wealth Tax Commission Survey (2020) - 41% of respondents voted a wealth tax top of options offered to increase an existing tax or introduce a new tax
- 75% of taxpayers affected would be above the age of 55 according to the Wealth Tax Commission.
- No single adult over 65 years would face liquidity constraints if paying Option 2 - £2 million wealth tax - according to the Wealth Tax Commission