



INVESTING IN HOPE

Molly Scott Cato

Finance and Economy Spokesperson

The Greens' five-point budget proposal:

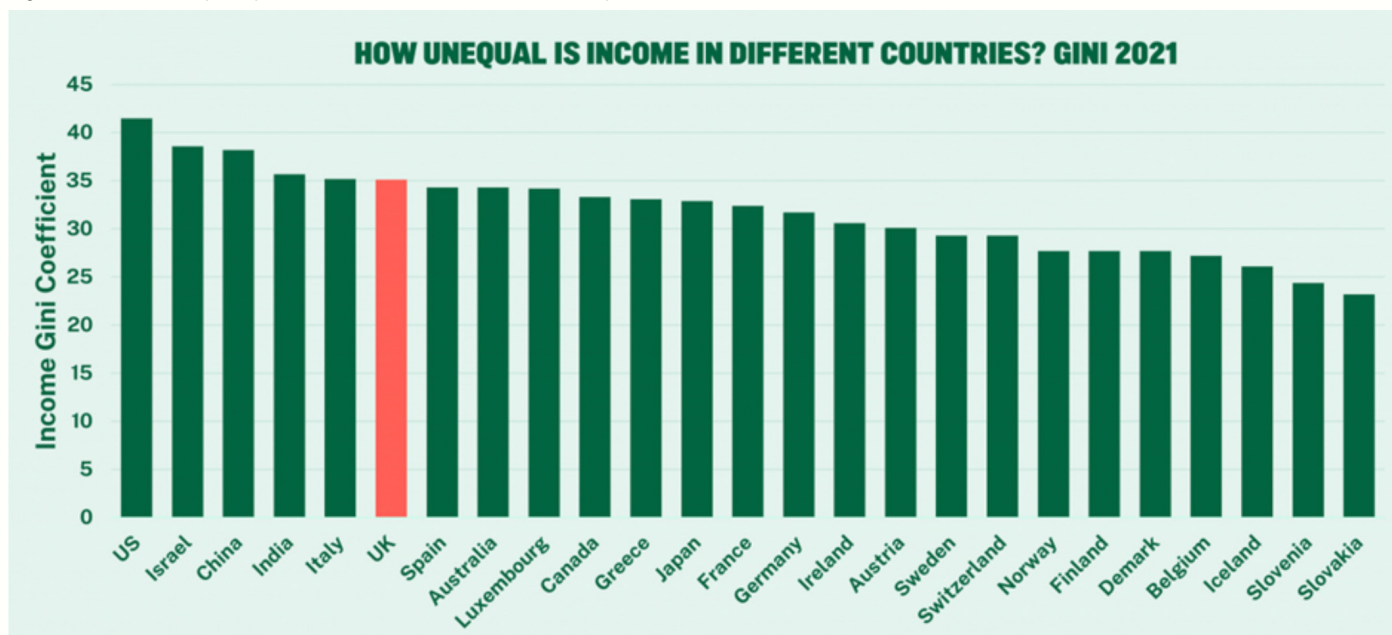
- Tax wealth fairly to raise more than £50bn annually for government spending by the end of the next Parliament;
- A green investment programme to match the scale of the climate challenge;
- Invest in health and social care to guarantee dignity for all and to end the blight of long-term sickness;
- Address the housing crisis by increasing funding for local government housing programmes;
- Support the culture and hospitality sector by cutting VAT.

What our country is crying out for is investment. The economy is stalling because millions of potential workers are waiting for hospital treatment. People cannot get to work because decades of under-investment in our railways and a failure to settle pay disputes means constant disruption. We see filth in our rivers because the money we pay for services has been sent to wealthy investors rather than improving our sewers. And most importantly of all, we are not addressing the climate crisis with anything like the speed required, because the government is blocking the green investments that are necessary.

Yet neither the Conservative government nor the Labour opposition are proposing investment on anything like the scale we need to see. The government are projecting further cuts so that they can cave in to the pressure from the wealthy to see their taxes cut. This despite clear evidence that support for cutting taxes is a 'minority sport'. Recent pollingⁱ indicates that 64% of Britons (rising to 73% of Conservative voters) support maintaining or increasing taxes and only 16% support cutting taxes if it means cutting public services.

Meanwhile, Labour is falling into their trap, by focusing on impressing the City and the newspaper barons at the expense of the future of the country. Nothing is more depressing than seeing a Labour Chancellor refusing to make all the obvious changes to increase tax yields, while cutting back essential programmes of investment in climate action and the health and social care sectors.

Figure 1. Income Inequality between Countries as Measured by the Gini Coefficient



Source: Wealth Gini coefficient, Global Wealth Databook 2022, Credit Suisseⁱⁱ

It is not that there is no wealth in the UK but that it is distributed unequally. Compared to other developed countries the UK has a very unequal distribution of income, with a Gini coefficient of 0.351 (see Figure 1). Because of decades of unfair tax policies, the UK has one of the highest levels of income inequality in Europe, on a par with countries such as India and the USA and out of step with other European countries.

We are a wealthy country but our economy is failing because that wealth, rather than circulating and benefiting everybody, is held in the stagnant assets of the super-rich. This is why the Green Party's proposals for the budget this year focus on recirculating that wealth, tackling the shocking rise in wealth inequality over recent decades, and ensuring that the wealth of our country works for everybody.

TAXING WEALTH FAIRLY

While poverty is grindingly familiar to those who suffer from it, wealth exists in a number of forms, and is held and managed in different ways. Hence, we need a number of tax changes to ensure that we are taxing it fairly.

We plan to reform **Capital Gains Tax (CGT)** by aligning the rates paid by taxpayers on realised gains with their marginal rate of income tax. This could raise £19bn annually by the end of the Parliament. Two in three people (65%) supportⁱⁱⁱ reforming **Capital Gains Tax** so that income from wealth is taxed either at the same rate or at a higher rate than income from work, with only 15% opposed.

Only a very small proportion of taxpayers will be affected by this change; in 2021/22 CGT was paid by 395,000 taxpayers which was only 1.23% of all income taxpayers

We also plan to reform **National Insurance** contributions.

We would:

- Extend the tax base from employment income to investment income;
- Remove the Upper Earnings Limit which restricts the amount of employee contributions paid by high earners.

We estimate this would yield an additional £23bn annually by the end of the next Parliament.

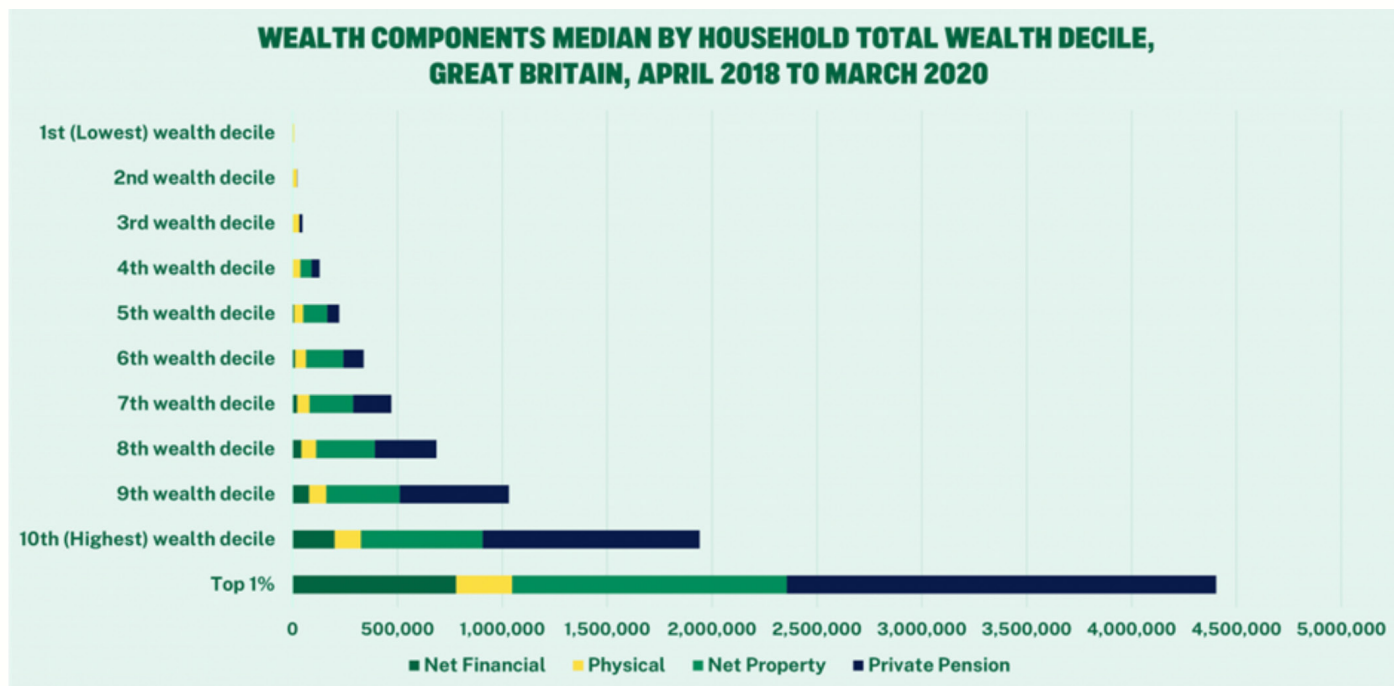
The change to the upper limit would end the unjust loophole whereby earnings above £50,000 are charged at a rate of only 2%. Those earning less than £50,000, the vast majority of taxpayers, would pay less in national insurance, but those on the highest incomes would pay considerably more.

These two changes would address much of the inequity in our tax system regarding the incomes of our wealthiest citizens. However, wealth is maintained by being held in assets, and this is the greatest source of inequality in our society. Wealth in Great Britain is even more unequally divided than income. The ONS calculated that in 2020 that the wealthiest 10% of households held 43% of all the wealth in Great Britain^{iv}. The World Inequality Database shows that, taking the UK as a whole, the top 0.1% of the population saw its share of total wealth double between 1984 and 2013. Worldwide, the top 0.01% owned 11% of the global wealth by 2021, part of the trend towards a massive increase in wealth for billionaires^v.

This is unjust but it is also damaging our economy and the planet. Wealth held in assets is not circulating, causing our economy to stall. And the money that is spent is driving climate crisis, with the wealthy consuming vast amounts of energy while the poor cannot afford to heat their homes. Research by Barros and Wilk (2023)^{vi} found that 'twelve of the world's wealthiest billionaires produce more greenhouse gas emissions from their yachts, private jets, mansions and financial investments than the annual energy emissions of 2m homes'. Oxfam reported 'the richest 1 per cent of the world's population produced as much carbon pollution in 2019 as the five billion people who made up the poorest two-thirds of humanity', based on research from the Stockholm Environment Institute^{vii}.

This is why a tax that addresses assets directly is an essential part of reversing the long period of increasing inequality in our country.

Figure 2. Median Household Wealth by Decile in the UK



Source: The Office for National Statistics - Wealth and Assets Survey, 2022^{viii}

The Wealth Tax we are proposing is targeted on the super-rich, the tiny minority in this country who have seen their wealth balloon in recent years. Our tax would only apply to the estimated 22,000 taxpayers with net assets over £10m – it would only apply to about seven taxpayers in every 10,000. It is like a proposal from the TUC^{ix}, but adds an additional tax band for the 'obscenely wealth', i.e. those who own assets of more than £1 billion.

The details of our Wealth Tax proposal:

- The starting rate would be 1% for wealth more than £10m;
- This would rise to 2% for wealth above £1bn;
- It would cover wealth in all forms, valued at current market value and assessed on all UK-resident taxpayers by an extension to the self-assessment tax return;
- We estimate that this would raise around £16bn annually by the end of the Parliament.

Taken together, we estimate that these three changes to the way we tax wealth would be raising more than £50bn every year by the end of the Parliament available for the vital public investment our country is crying out for.

Priority investment for a fairer, greener country

We have not finalised our costed manifesto yet, but even at this stage it is clear that a government that taxed wealth fairly could afford to make considerable investments in the green economy and in health and social care.

An Ambitious Green Investment Programme

We were disappointed to the point of despair to see Labour abandon its green investment pledge; to put our future at risk for the sake of self-imposed fiscal rules is the opposite of the ambitious government we need. We know that the sooner we act on the climate crisis the less it will cost less in the long term. Climate impacts like flooding and extreme heat come with a significant cost to the economy and the OBR has shown^x that an early transition to net zero is far cheaper to the public purse, than no further emissions cuts, which could lead to public debt growing to 289% of GDP by 2050.

We pledge to more than double the £28bn green investment programme that Labour proposed but then backed away from.

Central to our proposal is a plan for councils to deliver a home retrofit programme across the country, supported by central government finance. The required supply chains are critical to this so that businesses can invest, knowing that the work for them is there for the long term.

Health and Social Care When You Need It

The Green Party is committed to putting social care on a level footing with the NHS and ensuring social care is publicly funded. The NHS is based on the principle that need, not wealth, should determine the health care we get. The Green Party backs the same principle for social care. Over a million people need help to eat and wash, get residential care when they need it and to lead a full life under their own control. They deserve to have their care paid for in the same way as their treatment under the NHS.

We need a National Care Service that enjoys the same respect as the NHS. It will be a service where users are able to access the right care when they need it, families are supported and care workers would be recognised and rewarded for the skilled professionalism they offer.

It costs over £200,000 to train a junior doctor, yet we will not keep these trained and talented people in the NHS if we pay them £16 an hour. We want the NHS staffed properly and will pay people decently. We would invest at least £8bn to ensure that NHS workers receive an appropriate level of pay.

Supporting the Hospitality Sector

The hospitality sector is facing immense challenges, moving from the disaster of Covid to the challenges of the cost-of-living crisis. For a sector that relies so heavily on discretionary spend, it has suffered like no other. Recent polling from NCASS^{xi}, the nationwide catering association, found that 75% of independent hospitality businesses say a VAT cut is vital to their survival.

We support the hospitality industry's call for the 5% VAT rate to continue but we would go further, extending this to all activities in the cultural and sports field as well as all leisure activities. And we would be more ambitious, zero-rating all these activities for the life of the next Parliament.

The loss to the Exchequer from zero-rating VAT for cultural, sports, hospitality and leisure activities would be around £5bn but this would be more than offset by changes we propose to make to the way we charge VAT on the financial services sector and by charging VAT on private schools.

Our Fairer, Greener Homes Guarantee

The two main Westminster parties are not living in real world when it comes to dealing with the housing crisis while reaching critical net zero target: the Conservatives capitulate to developers while Labour still supports the highly damaging Right to Buy policy. For decades these two parties have trumpeted house-building targets that they have made it somebody's else's job to meet. And they have neglected our abysmal housing stock that is the most energy inefficient^{xii} in Europe.

As Greens, we want to guarantee everyone can have a warm, secure and affordable home, and we are prepared to provide the investment to ensure this. That means providing funding to retrofit homes for those on the lowest incomes and giving renters the right to demand their landlords insulate their properties. We would give access to government-backed property-linked finance to make up additional retrofit costs not covered by the grants.

Our Fairer, Greener Homes Guarantee would mean an average minimum investment in insulation of £11bn a year over the course of the next Parliament to create warm, affordable to heat homes.

CHALLENGING THE HOPELESSNESS OF THE GOVERNMENT AND OPPOSITION

As a country we are facing multiple crises of unprecedented risk and dimension. The two main parties are offering nothing that comes anywhere close to addressing the scale of this challenge. Their fiscal defeatism is both disappointing and plain wrong. Greens dare to be better. We have the courage challenge the fiscal straitjacket that has condemned us to decades of economic stagnation and decaying public services and threatens a future of climate chaos.

**The solution is neither hard to imagine, not difficult to deliver.
What it requires is the potential to invest in future.**

REFERENCES

- i fairnessfoundation.com/minority-sport
- ii equalitytrust.org.uk/scale-economic-inequality-uk
- iii fairnessfoundation.com/minority-sport
- iv ons.gov.uk/peoplepopulationandcommunity
- v wid.world/country/united-kingdom
- vi theguardian.com/environment
- vii policy-practice.oxfam.org
- viii equalitytrust.org.uk/scale-economic-inequality-uk
- ix tuc.org.uk/news
- x obr.uk/docs/dlm_uploads/Fiscal_risks_report_July_2021.pdf
- xi obr.uk/docs/dlm_uploads/Fiscal_risks_report_July_2021.pdf
- xii tado.com/gb-en/press/uk-homes-losing-heat-up-to-three-times-faster-than-european-neighbours