Paper 2

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Wealth, tax and gender

A paper for the Commission on a Gender Equal Economy

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Despite being one of the richest countries in the world, wealth in the UK is deeply unevenly distributed. This inequality has a clear gendered aspect, with women typically owning fewer assets than men. Wealth inequality has real world consequences - leading to shorter lives, worse health outcomes and a more precarious existence.[1]

Tax is a key tool that the government has to address this inequality. However, at the moment wealth is very lightly taxed in the UK. This exacerbates inequality, with particular harms for women.

As the Women's Budget Group has argued, tax is a gendered issue for three main reasons:[2]

- Different forms of tax have different distributional and behavioural effects.
- Tax policy influences the economy in a way that can affect gender equality.
- Tax provides revenue to support public services and social security, which women rely on more than men.

There is a growing movement of think tanks, academics, campaigners and church groups calling for reform of wealth taxation in the UK. With an aging population, and growing pressures on the health service, the size of the state looks to increase. This will inevitably lead to debates about how to support increased spending.[3] Part of this will be met by very

[1] https://www.equalitytrust.org.uk/about-inequality/impacts
[2] https://drive.google.com/file/d/0B9LeBPRS-xnoM3R4WVJSZjlMMFhNRjZSZUxRdjZfWUpFdmVv/view
[3] https://www.resolutionfoundation.org/publications/the-shifting-shape-of-uk-tax/

sensible extra government borrowing,[4] but tax will pay a key role. Given that most people in the UK have not had a pay rise, and indeed many - especially women - have seen their incomes decline through cuts to the social security system, it seems sensible to look to areas such as wealth to contribute more.

The unequal distribution of wealth in the UK

Total net wealth of households in Great Britain was £14.6 trillion in 2014-16.[5] This was primarily made up of private pensions (40%) and property and land (35%). Over the last thirty years wealth inequality has shot up in the UK. Most of this increase happened in the 1980s and early 1990s, and it has left the UK deeply divided. The huge programme of Quantitative Easing following the financial crisis has pushed up asset prices and increased inequality.[6] **Wealth inequality is double that of income inequality**.[7] The wealth of the top 10% is five times greater than the wealth of the bottom half of all households.[8] Even this might be an underestimate, as it is difficult to get accurate figures for the wealth of those at the very top of the distribution.[9]

Financial wealth is the most concentrated at the top, with a Gini coefficient[10] of 0.93, whereas property wealth (0.67) and pensions (0.72) are more evenly spread.[11] In addition to this overall divide, wealth is spread unevenly across the country, with the biggest concentrations in London and the southeast. **Almost a quarter of householders in the southeast are millionaires, compared to less than one in fifty in the northeast**.[12] There is also a growing generational wealth divide. Declining rates of home ownership mean that every generation since the post-war baby boomers have less wealth at the same age than the generation before them.[13]

Gender inequality in wealth ownership

On average women own less wealth than men, with women in the UK owning approximately 40% of the country's total personal wealth.[14] Ownership of wealth is fairly even between men and women until people reach their 30s, when men start to pull away from women.[15]

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[4] https://www.opendemocracy.net/en/oureconomy/the-uk-doesnt-have-a-public-debt-problem-but-a-historic-opportunity-to-invest-in-our-future/
[5] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/latest
[6] https://www.theguardian.com/business/2019/mar/08/the-verdict-on-10-years-of-quantitative-easing
[7] https://www.resolutionfoundation.org/app/uploads/2017/06/Wealth.pdf
[8] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/latest
[9] https://www.ifs.org.uk/uploads/Presentations/Inequality-in-the-UK-and-the-very-rich.pdf
[10] The Gini coefficient measures inequality on a scale of 0 to 1. The higher the number, the greater the inequality.
[11] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/latest
[12] https://www.ippr.org/files/2017-10/cej-wealth-in-the-21st-century-october-2017.pdf
[13] https://www.ippr.org/files/2017-10/cej-wealth-in-the-21st-century-october-2017.pdf
[14] https://www.credit-suisse.com/media/assets/private-banking/docs/uk/global-wealth-report-2018.pdf
[15] https://www.resolutionfoundation.org/app/uploads/2017/06/Wealth.pdf

While the Office for National Statistics collects significant data on wealth ownership, it is not always easy to develop a detailed picture on gender wealth inequality. This is partly because data is often collected from individuals, but then presented at the level of the household. For individuals that live within couples, legal ownership might differ from control and perceived ownership, or the split in ownership that would happen if the couple separated.[16]

There are stark differences in wealth when it comes to the ownership of financial assets. Only 58% of women have a private pension compared to 68% of men.[17] On top of this, men have significantly largely pension pots.[18] **By the time a woman is in her early 60s, her average pension pot is a fifth the size of that of a man her age**. This translates into an annual pension income that is on average £7,000 less for women than it is for men.[19] This represents a real difference in ability to have a secure retirement. As the effects of auto-enrolment kick in, more women will have private pensions. However, women are still likely to have significantly smaller pension pots than men given the size of the gender pay gap.

There is also a difference in the level of other financial savings between women and men. Savings are crucial to protect people against unexpected financial shocks. While men and women have similar levels of savings during their 20s, savings rates diverge as people get to their mid-30s.[20] Evidence shows that once women have children, they are much more likely than men to have little, or nothing, in the way of savings due to the effect that caring for children and frail adult family members has on paid work.[21] Women's savings levels are also related to their relationship status, with divorced or separated women having significantly less savings than divorced or separated men. Women are more likely to put their money into cash saving accounts, which typically earn lower rates of returns than other financial assets, making their savings more vulnerable to being eroded by inflation.[22] All of this feeds into increased financial insecurity for women. 1-in-3 women in their 30s say that if they lost their main income, they wouldn't last a month, compared to 1-in-4 men.[23]

Business ownership is also unequal. 1 in 3 entrepreneurs in the UK are women and female-led businesses are only 44% of the size of male-led businesses. There is significant bias in the availability of capital for female-led startups and this has a knock-on effect on the ability of these businesses to grow.[24]

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[16] https://www.birmingham.ac.uk/Documents/research/SocialSciences/Key-Facts-Background-Paper-BPCIV.pdf
[17] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/pensionwealthwealthingreatbritain
[18] For more, see Lowe (2020), Pensions and Gender Equality (parallel paper on pensions)
[19] https://thepeoplespension.co.uk/info/wp-content/uploads/sites/3/2019/05/Gender-pension-gap-report_2019.pdf
[20] https://www.insuringwomensfutures.co.uk/uploads/2017/01/Risks-in-Life-Report.pdf
[21] https://wbg.org.uk/wp-content/uploads/2018/10/Savings-October-2018-w-cover.pdf
[22] https://wbg.org.uk/wp-content/uploads/2018/10/Savings-October-2018-w-cover.pdf
[23] https://www.insuringwomensfutures.co.uk/uploads/2017/01/Risks-in-Life-Report.pdf
[24] https://www.gov.uk/government/publications/the-alison-rose-review-of-female-entrepreneurship

Overall, men have significantly higher income from wealth than women. In 2016-17, 614,000 people in the UK received over £100,000 in income from property, interest, dividends and other investments, totaling £24.5bn. However, men received the bulk of this income - £18.6bn - compared to £5.9bn for women.[25]

Overall property wealth appears to be more evenly distributed between men and women than other types of wealth. However, there is still inter-household gender inequality in home ownership. For example, it is clear that certain types of household which are overwhelmingly likely to be made up of women, such as lone parents, have much lower levels of homeownership than the average.[26]

In the future, with declining property ownership rates, and people having to wait later to buy, we may see an uptick in gender inequality in home ownership. If people are waiting till their 30s to buy,[27] the effects of the widening gender pay gay that comes with age is likely to have an impact on the ability to purchase property. More broadly, the housing crisis has a disproportionate impact on women, with women finding it harder to afford to rent or buy than men.[28]

Given that wealth, and income from wealth, is so lightly taxed, the status quo exacerbates the current inequality in wealth ownership and income between men and women.

Implications of wealth inequality

As the Institute for Public Policy Research has argued, wealth inequality is a problem for two reasons: fairness and the health of the economy.[29]

Having access to wealth in the form of savings, pensions and property ownership confers a significant degree of security against unexpected dips in income. This is particularly relevant given the hollowing out of the social security net over the last decade. Not having access to wealth is associated with stress, relationship breakdown and a lack of control over your life. It can mean being tied into an unhealthy relationship or even domestic violence due to financial dependence. Wealth ownership also gives people opportunities to take risks, for example by investing in further education or starting a business. Having access to some wealth at 22 is associated with positive impacts at 33 including higher wages, better health and greater participation in work.[30]

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[25] https://www.gov.uk/government/statistics/income-and-tax-by-gender-region-and-country-2010-to-2011
[26] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/propertywealthwealthingreatbritain
[27] https://www.bbc.co.uk/news/business-47070020
[28] https://wbg.org.uk/analysis/reports/a-home-of-her-own-housing-and-women/
[29] https://www.ippr.org/files/2017-10/cej-wealth-in-the-21st-century-october-2017.pdf
[30] https://www.ippr.org/files/2017-10/cej-wealth-in-the-21st-century-october-2017.pdf

Wealth inequality also has broader economic effects as well. For example, IPPR argue that the increase in housing wealth has diverted investment and lending away from more productive uses in the rest of the economy.[31]

How the UK currently taxes wealth and proposals for reform

Even as income from wealth has risen as a share of national income, **the amount of revenue raised by taxes on wealth itself has remained flat, or fallen, since the 1980s**.[32] Instead taxes on income and consumption make up the bulk of the government's revenue.

The primary taxes on wealth are **capital gains tax, inheritance tax, dividend tax, council tax and stamp duty**. It can also be argued that corporation tax is also a tax on wealth given that shareholders indirectly pay at least a portion of this tax and share ownership is a form of wealth. Pensions, which make up the biggest stock of UK wealth, get very generous tax subsidies and it is worth considering these as a form of government expenditure.

IPPR identify four main problems with the current approach to taxing wealth:

1. There are many opportunities for **tax avoidance**.
2. Taxes on wealth **raise a relatively small amount** of money.
3. Different taxes on different assets create **distortions in investment**.
4. By under-taxing income from wealth, compared to income from work, the system is **regressive**.

A further overarching problem is that given men are on average wealthier, and that wealth gets a favourable tax treatment, the current approach entrenches gender wealth inequality.

This section examines the main taxes on wealth, looks at their impact on gender inequalities and puts forward proposals for reform.

Capital Gains Tax

Capital Gains Tax (CGT) is paid when an asset is sold and is a charge on the increase in value of an asset. It is levied on the difference between its purchase and sale prices. There is a tax-free allowance of £12,000, which is on top of the income tax personal allowance. The rates are lower than for income at 10% for basic rate taxpayers and 20% for higher rate taxpayers, with higher rates for property that is not a primary residence. Primary residences are excluded from CGT. In 2017/18, CGT brought in £8.8bn.[33] In addition, Entrepreneurs Relief is a £2.7bn CGT tax break for individuals selling successful businesses that has been dubbed

[31] https://www.ippr.org/files/2017-10/cej-wealth-in-the-21st-century-october-2017.pdf
[32] https://www.resolutionfoundation.org/app/uploads/2017/06/Wealth.pdf
[33] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822815/CGT_National_Statistics_Commentary.pdf

the 'worst tax relief in the UK', as there is very little evidence that it stimulates entrepreneurial activity.[34]

Given that CGT rates are lower than income tax rates, there is a significant tax advantage for turning income into capital gains. Nevertheless, CGT is overwhelmingly paid by well-off taxpayers. Capital gains received by those taking home more than £100,000 have almost trebled since 2010 while equivalent incomes from salaries have increased by just 20 per cent.[35]

The current approach is regressive and favours men, since they have higher incomes and are also much more likely to receive capital gains.[36] **By taxing returns to wealth at a lower rate than returns from employment CGT entrenches inequality between those who own capital and those who do not**. In addition, CGT is completely forgiven on death, meaning that those who inherit assets only pay tax on the increase in value between the day they inherit and the day they sell.

***Proposal**: **equalise capital gains tax rates with income tax** and remove the separate CGT allowance. At the same time the government should **scrap Entrepreneurs Relief**. IPPR estimate that this could raise £90bn over five years.[37] The **CGT forgiveness at death should be removed**. Polling by YouGov for Oxfam and Tax Justice UK showed that this approach is overwhelmingly **popular** with the public.[38] This approach would reduce the current favourable tax status afforded to capital gains, which benefits men over women, and it would increase government resources to spend on public services.*

Dividend income taxation

Dividend income is charged at the same bands as income tax, but with lower rates (7.5%, 32.5% and 38.1%). There is a £2,000 tax free allowance on top of the personal income tax allowance. Dividend tax raised £11.1bn in 2017/18.[39]

The current system means that those who earn dividend income receive a more favourable tax treatment than those who rely solely on income from employment. It also creates incentives to turn employment income into dividends - for example senior managers are often paid in shares and so pay less tax.[40]

[34] https://www.resolutionfoundation.org/comment/entrepreneurs-relief-has-cost-22-billion-over-the-past-10-years-was-it-worth-it/
[35] https://www.thetimes.co.uk/article/capital-gains-on-assets-distorting-levels-of-inequality-msm0xgrp8
[36] https://drive.google.com/file/d/0B9LeBPRS-xnoM3R4WVJSZjlMMFhNRjZSZUxRdjZfWUpFdmVv/view and https://www.gov.uk/government/statistics/income-and-tax-by-gender-region-and-country-2010-to-2011
[37] https://www.ippr.org/files/2019-09/just-tax-sept19.pdf
[38] https://www.taxjustice.uk/blog/voters-agree-low-tax-lifestyles-enjoyed-by-the-wealthy-need-to-stop
[39] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf
[40] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf

The ownership of financial assets which generate dividends is highly unequal. UK taxpayers earning over £150,000 took 22% of all dividend income, despite representing just 1% of all taxpayers.[41] This inequality has a gendered aspect given that men own significantly more financial assets than women, although it is hard to get an accurate picture as there is a lack of data on the gender distribution of share ownership in the UK.[42] This means that the current system is on average more favourable to well off men.

***Proposal**: **Tax dividend income at the same rate as income from work and remove the separate dividend allowance.** IPPR estimate that this could raise £26bn over five years based on the current income tax schedule.[43] This would reduce gender inequality in disposable incomes, as well as provide more resources to spend on public services.*

Stamp duty on shares

Stamp Duty Reserve Tax (SDRT) is levied on the purchase of shares at the rate of 0.5%. In 2018/19 SDRT raised £3.5bn. The tax is only charged on equities. Institutions regarded as 'market makers' are exempt from the charge. These now represent 40-50% of the market, compared to 15% historically.[44]

While there is limited good quality data on the gender breakdown of share ownership, what data that is available shows that men own significantly more shares than women. For example, the value of shares held by male non-executive directors in FTSE-350 companies was more than double that held by female non-execs.[45] This means that the current tax treatment of share transactions benefits men's incomes and savings, over women's.

***Proposal**: **introduce a financial transaction tax to capture a broader range of transactions**. Estimates from the former head of derivatives trading at the London Stock Exchange are that this could raise £6.8bn a year and help to stabilise the economic system.[46] This would benefit women as it would provide more resources for government spending and help reduce the current low tax approach to share transactions.*

Pension tax relief

Payments by employees and employers into pension funds attract very generous tax relief in order to encourage saving for retirement. Higher rate taxpayers can claim back the 40% tax they would have paid on this income. Pensioners are also able to take out 25% of their total

[41] https://www.ippr.org/files/2019-11/reforming-the-taxation-of-dividends-nov19.pdf
[42] For example, the ONS have told the author that their survey of the ownership of UK quoted shares doesn't include gender distribution data.
[43] https://www.ippr.org/files/2019-11/reforming-the-taxation-of-dividends-nov19.pdf
[44] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf
[45] https://www.e-reward.co.uk/uploads/editor/files/EP9_Women_on_FTSE350boards.pdf
[46] https://progressiveeconomyforum.com/events/making-the-uk-a-citadel-of-long-term-finance/

pension pot on retirement entirely tax free. Combined, pension tax relief costs the exchequer £53.7bn in 2017/18.[47]

Part of the justification for current approach is that pensioners pay tax when they draw down their pension. However, most higher rate taxpayers become basic rate taxpayers in retirement, and over half of pensioners pay no tax at all. This lowers the lifetime taxation of high earners.[48]

Given that pension wealth is overwhelmingly owned by well-off men, there are clear gender equality implications for the current generous approach to pension tax relief for wealthy taxpayers. The current system increases the inequality in accumulated pension pots in favour of men, which has a significant impact on the standards of living in old age.

Proposal[49]: *The Resolution Foundation have proposed introducing a* ***flat rate of tax relief at 28% for all taxpayers****. At the same time, they suggest* ***capping the tax-free lump sum that can be taken out of a pension at retirement at £42,000****. According to the Resolution Foundation the first proposal would be revenue neutral and the second would raise £2bn.[50] This would still give pension savers a significant tax break, but this would be much more evenly distributed across the income spectrum and between men and women.* ***A more radical approach would be to have a flat 20% rate of relief for all earners*** *and use the money to boost state pension provision.*

Inheritance tax

Inheritance tax (IHT) is charged at 40% on estates worth over £325,000, or £650,000 for couples. George Osborne introduced a further allowance for main residences, taking the total allowance up to almost £1m. IHT raised £5.2bn in 2017/18.[51]

In theory, IHT should reduce wealth inequality by taxing the transfers of unearned income. However, in practice it isn't very effective. The tax only affects 5% of estates but is one of the most unpopular taxes in the UK.[52] This is in part because the very wealthy can pay to find ways of minimising their tax bill, supporting a whole industry of tax advisers. It is also because it conflicts with a belief held by many that parents should be able to pass on their wealth to their children, despite the implications this has for reducing social mobility. The wealthiest families are able to avoid significant inheritance tax bills. This is partly because rich

[47] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833859/Table_6_Cost_of_Pension_Tax_and_NICs_Relief__2012-13_to_2017-18_.pdf
[48] https://www.resolutionfoundation.org/app/uploads/2016/03/Pension-tax-relief.pdf
[49] For alternative proposals on pension reform, see Lowe (2020), Pensions and Gender Equality (parallel paper on pensions)
[50] https://www.resolutionfoundation.org/app/uploads/2018/05/A-New-Generational-Contract-Full-PDF.pdf
[51] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf
[52] https://www.newstatesman.com/politics/economy/2019/10/inheritance-tax-fair-unpopular-there-solution

individuals can avoid the tax through passing on assets during their lifetimes. There are also a series of inheritance tax reliefs for agricultural and business that largely benefit the wealthiest families, costing £1bn in lost tax in 2018/19.[53]

Given that women currently own significantly fewer assets than men, and that the average size of a woman's estate is smaller than a man's,[54] it's in the interests of a more gender-balanced economy to improve the current approach to taxing inheritances. While there is limited data on the gender of recipients of inheritances, there is a social preference to benefit (first born) men in the inheritance of large estates, further exacerbating gender wealth inequality.[55]

Gender inequalities in other areas are also exacerbated by the current approach to IHT. For example, women's adult social care needs may suffer due to the pressure to pass their wealth onto their children, which may reduce the pot of funding for their own care. This is particularly a problem for women given that men are often looked after by their wives, and women more likely to be widowed, and so have to spend more of their own funds on their care.[56] This problem is made worse by the current funding model for social care which means that women are more likely than men to have to reduce their wealth and/or eventual estate to pay for social care.[57]

***Proposal**: **Turn inheritance tax into a progressive tax on lifetime gifts taxed at income tax rates and limit reliefs**. This would help change the perspective of inheritance tax into one that was levied on lucky recipients, as opposed to someone who has just died. Such a tax would close off avenues for avoidance and would allow lower rates for basic rate taxpayers, making it harder to argue that inheritance tax is swingeing in its level. This approach would also have the effect of encouraging estates to be distributed among a larger number and less wealthy beneficiaries, and thus helping to disincentivise the remaining gender bias in current practices.[58] The Resolution Foundation estimate that this change could raise £4.8bn a year.[59]*

Council tax and stamp duty

Tax on property is one of the oldest forms of taxation. Council tax and stamp duty are the main taxes on residential property in England, Wales and Scotland, with Northern Ireland retaining the old rates system. Homes are divided into bands based on their value in 1991 for England and Scotland, and 2003 for Wales. Council tax is paid by the occupier of the property at a fixed rate for each band. Stamp duty is charged on transactions involving

53 https://www.taxjustice.uk/uploads/1/0/0/3/100363766/in_stark_relief_final_lr.pdf
54 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774684/Table_13.2.pdf
55 https://drive.google.com/file/d/0B9LeBPRS-xnoM3R4WVJSZjlMMFhNRjZSZUxRdjZfWUpFdmVv/view
56 https://drive.google.com/file/d/0B9LeBPRS-xnoM3R4WVJSZjlMMFhNRjZSZUxRdjZfWUpFdmVv/view
57 https://wbg.org.uk/wp-content/uploads/2019/10/SOCIAL-CARE-2019-1.pdf
58 https://drive.google.com/file/d/0B9LeBPRS-xnoM3R4WVJSZjlMMFhNRjZSZUxRdjZfWUpFdmVv/view
59 https://www.resolutionfoundation.org/app/uploads/2018/05/IC-inheritance-tax.pdf

residential property and is paid as a proportion of the property's value. Together these two taxes raised £45.3bn in 2017/18.[60]

Council tax is widely recognised as a **deeply flawed tax**, with criticisms coming from both the left and right of the political spectrum.[61]The charge has only the **loosest relation to the property's current value**, the tax is **failing to raise enough funds** to support local government and it is **deeply regressive**. Because it is based on old valuations, those areas with the lowest house price growth are effectively taxed more heavily than areas that have seen big price rises.[62] The Coalition government also devolved council tax support to local authorities, many of which have made it significantly less generous (outside of Northern Ireland which uses the old rates system). This means that some of the poorest taxpayers are having to pay at least a portion of council tax for the first time.[63] This has a disproportionate impact on poorer women as they make up the majority of recipients of this support.[64]

Given council tax's regressive nature, and the fact that women have lower earnings than men, and are more likely to live on their own when poor, **council tax exacerbates inequality in disposable income** that women have available to spend. This is made worse by the cuts to local governments' central government funding. These changes particularly affect women given that they tend to be more reliant on the services provided by councils.[65] The underfunding of local government - in part due to the current council tax design - has a disproportionate impact on women, who are more likely to be dependent on council support.[66]

Stamp duty is largely progressive in terms of who pays it. However, many economists have argued that it distorts behaviour by making moving home more expensive. It may disincentivise older people to downsize into more suitable accommodation, or make it harder for people to move for work. In particular, many widows may be left in unsuitable housing unwilling to pay the high costs of moving.[67]

***Proposal**: Replace council tax with a **proportional property tax levied on the property owner**, and **once this has been implemented, scrap stamp duty**. Replacing these two taxes with a proportional property tax would be more progressive and would bring in much needed revenues for cash-strapped local authorities. The Resolution Foundation estimate that this could raise £4.2bn a year.[68] It would be important to ensure that the new system didn't*

[60] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf
[61] https://iea.org.uk/media/scrap-or-overhaul-several-uk-taxes-to-boost-efficiency/
[62] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf
[63] https://www.ifs.org.uk/uploads/publications/comms/R153.pdf
[64] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734667/dwp-quarterly-benefits-summary-august-2018.pdf
[65] https://wbg.org.uk/wp-content/uploads/2018/10/Taxation-October-2018-w-cover-1.pdf
[66] https://wbg.org.uk/wp-content/uploads/2017/11/taxation-pre-Budget-nov-2017-final.pdf
[67] https://www.ippr.org/files/2018-10/cej-a-wealth-of-difference-sept18.pdf
[68] https://www.resolutionfoundation.org/app/uploads/2018/03/Council-tax-IC.pdf

disadvantage women, for example by not penalising lone parents or single pensioners, who are most likely to be women.

Corporation tax

Over the last ten years the corporation tax rate has fallen from 30% in 2008 to the current 19%. This is levied on the portion of a company's profits that it makes in the UK. UK oil and gas production companies and banks both pay top up rates of corporation tax. In 2017-18 the tax raised £55bn.[69]

The UK's approach to taxing companies has been criticised for both its low rate and the fact that the tax's structure allows some big global companies to dramatically slash their effective tax rates.[70] The UK has been engaging in a race-to-the-bottom on corporate tax rates with the idea that lower rates will attract business to the UK. However, this simply undermines the tax systems of other countries. Not even business groups are arguing for significantly lower corporation tax rates.[71] The current approach to taxing multinational companies is out of date and allows big players, especially those in the digital economy, to slash their tax bills.[72]

There are big debates about the incidence of corporation tax - does it fall on consumers, employees or shareholders? While the answer is difficult to assess, IPPR suggests that the bulk of corporation tax falls on shareholders and higher paid workers.[73] This means that a low corporate tax rate ultimately benefits better off workers and shareholders. Given the gender pay gap, and the significant gap in the ownership of financial assets between women and men, it is likely that the current system increases gender inequality in disposable income. Women run businesses tend to be smaller with less opportunity for tax avoidance.[74]

***Proposal**: Reverse some of the recent cuts to corporation tax and **bring the rate back up to 24%**, which HMRC estimates could raise £12bn a year.[75] In addition, the current approach to taxing multinational companies should be replaced with a **unitary system of taxation** where the profits allocated to the UK are based on a formula using UK sales, staff and assets. This would close down options for avoidance and create a simpler system to implement. Economists estimate that this could raise a further £6bn a year.[76]*

Growing pressure for reform

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69 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833081/190920_CT_stats_Commentary.pdf

70 https://www.ippr.org/files/2018-03/cej-fair-dues-march2018.pdf

71 https://www.ft.com/content/a159deba-cb98-11e7-aa33-c63fdc9b8c6c

72 https://publicservices.international/resources/publications/taxing-multinationals-a-new-approach?id=10364&lang=en

73 https://www.ippr.org/files/2018-03/cej-fair-dues-march2018.pdf

74 https://drive.google.com/file/d/0B9LeBPRS-xnoM3R4WVJSZjlMMFhNRjZSZUxRdjZfWUpFdmVv/view

75 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797042/190424_SS19_Direct_effects_of_illustrative_tax_changes_BULLETIN_FINAL.pdf

76 https://publicservices.international/resources/publications/taxing-multinationals-a-new-approach?id=10364&lang=en

There is a growing body of research into how to reform the UK's approach to taxing wealth. A range of think tanks, including the IFS, IPPR, Resolution Foundation and NEF have all made the argument that the current system is unfair and inefficient.

There are a number of reasons for taxing wealth more and in better ways:

- High levels of wealth inequality have real world consequences in terms of reduced health, life opportunities and well-being.
- The current approach to taxing wealth gives significant opportunities for tax avoidance, especially by the wealthiest.
- Without such taxation the current levels of wealth inequality are set to rise as returns to capital exceed the rate of economic growth.
- Low taxes on wealth disproportionately increase gender inequality in both wealth and income as men both have higher incomes and own a greater share of wealth - especially financial and pension wealth.

During the 2019 general election, Tax Justice UK and TaxWatch published a Manifesto for Tax Equality with 33 policies for reform. The plan was drawn on the work of think tanks and researchers and included a blueprint for how to reform taxes on wealth.[77]

All the major political parties highlighted problems with the current tax system and the March 2020 budget will provide a clearer indication of the government's direction of travel. The current economic debate has shifted, with the Conservative Party promising an end to austerity with more spending. The Conservatives also backed down from heavily-trailed tax cuts for wealthy and companies and focused instead on cuts to National Insurance, which have been sold as helping a broad swathe of the population. Although even cuts to National Insurance will mostly benefit better-off households, and given that women are more likely to be low earners they will benefit less than men.[78]

Many of the proposals in this paper were picked up by political parties in their manifestos for the recent election. For example, Labour and the Greens both proposed to equalise capital gains with income tax and the Lib Dems to scrap the separate capital gains allowance. The Conservatives promised to review Entrepreneurs Relief and included a vague statement to limit the 'arbitrary tax advantages for the wealthiest in society'.[79]

However, to date, the debate hasn't included a clear argument that increasing taxes on wealth would reduce gender inequality. This is a striking omission, and it would be valuable for the Commission to make this point. Given the significant inequality in wealth ownership

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77 https://www.taxjustice.uk/blog/33-policies-for-tax-equality-our-manifesto
78 https://www.taxjustice.uk/blog/election-tax-pledge-would-mostly-benefit-the-well-off
79 https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf

between men and women - in particular in terms of financial and pension assets - the proposals included in this paper provide a path for reform.