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UK Budget: Reeves Silent on Wealth Tax Speculation

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Amid speculation over potential tax changes in the upcoming Budget, Chancellor Rachel Reeves has refrained from ruling out the introduction of a wealth tax. However, sources close to the Treasury suggest the government is unlikely to pursue a direct levy on high-value assets.

A proposal for a 2% tax on assets over £10 million, backed by some MPs, has not been publicly endorsed by Reeves or Prime Minister Keir Starmer. Analysts note that wealth taxes have a poor track record internationally. Of the twelve developed countries that introduced wealth taxes in the 1990s, only three retain them today, with Switzerland being the only one to generate significant revenue from the measure.

Reeves previously supported changes to non-domiciled tax status, a move initiated under the previous government. However, she is now reportedly reconsidering aspects of that policy amid concerns about capital flight. One government adviser noted that “people can choose where to pay their taxes,” citing increased migration of wealthy individuals in response to policy shifts.

The Treasury is understood to be reviewing alternatives that would affect wealth indirectly. These may include reforms to the inheritance tax on foreign trusts or adjustments to property taxation. Council tax reforms have been discussed, though no formal proposals have been tabled.

Economic experts remain divided on the impact of a direct wealth tax. Dan Neidle, from Tax Policy Associates, warned it could reduce long-term growth and investment while increasing capital outflow. He suggested the UK economy could face competitiveness issues under such a policy.

Reeves, speaking to the House of Lords Economic Affairs Committee, indicated that ruling out specific tax increases prematurely could fuel further speculation. “If I rule one out, another becomes the headline,” she said in response to questions.

There is also internal pressure within the governing party, where recent debates on welfare legislation have exposed divisions. Some sources suggest the Chancellor may explore targeted measures that impact high earners without explicitly branding them as a wealth tax.

With the Budget expected in the autumn, the Treasury is under pressure to raise to £20 billion while maintaining its fiscal rules. Analysts anticipate increased taxation on higher earners, though a full-scale wealth tax appears off the table for now.