



A wealth tax would make the UK the worst place in the OECD to own property or assets

The UK's International Tax Competitiveness 2026 Update

By Daniel Herring

SUMMARY

- The UK ranks 30th out of 38 OECD countries for the competitiveness of its tax system, according to the 2026 edition of the International Tax Competitiveness Index, published annually by the Tax Foundation
- This is one place better than last year but down two ranks since 2014, the first year the Index was published. The UK improved its tax system and rose through the rankings from 2018 to 2022, when it was 23rd, following improvements in corporation tax such as full expensing.
- If the UK were to introduce a Wealth Tax, it would come last in the Property Tax category, making it the worst place in the OECD to own property or assets. It would come 35th overall.
- Across five categories of taxation, the UK's only strength is the competitiveness of its cross-border taxation regime, where it ranks first.
- In the corporate category we are 25th, where the rank worsened after 2022 following the rise in the Corporation Tax rate from 19% to 25%.
- Following Labour's increases in CGT and Employer's National Insurance, our ranking on individual taxation has fallen from 19th to 22nd in two years. The UK's consumption tax regime (i.e. VAT) is 34th, thanks to a fragmented base and high registration threshold. Finally, our property tax system is 33rd out of the 38 OECD nations, due both to its high rates and bad design.
- Labour are trying to raise extra money for their budget but there is a real risk that they worsen the UK's economic performance. This report considers two tax changes that could tempt the Chancellor – but which would ultimately be harmful.
- The first is aligning Capital Gains Tax (CGT) with income tax. CGT, which is applied at 18% or 24% for higher-rate taxpayers, would be the highest rate in the OECD if it were applied at 45% (the highest income tax rate). Wealthy people would avoid paying the tax or move overseas, meaning the government might actually lose money; HMRC estimates that raising the rate from 24% to 34% would actually lose the government revenue in three years' time. It would also shift the UK from 30th to 32nd in the Index.



- The second policy that may tempt a revenue-hungry Chancellor is the introduction of a Wealth Tax – an annual charge on the value of assets held by wealthy individuals. A wealth tax would be highly damaging to the economy, while raising little revenue. Just four countries in the OECD have a wealth tax, and three more have a partial one. Introducing a wealth tax would send the UK even closer to the foot of the ITC rankings, from 30th to 35th out of 38 members of the OECD. When it comes to Property taxation specifically, Britain with a wealth tax would fall from 33rd to 38th, the least competitive OECD tax regime under that heading.



Introduction

Each year, the Tax Foundation in Washington publishes its International Tax Competitiveness Index, an annual ranking of how pro-growth the tax systems of 38 OECD economies are. As in previous years, we at the Centre for Policy Studies have worked with the Tax Foundation to produce a detailed breakdown of the UK's position, alongside an analysis of how the UK's rankings would change if Labour implemented two damaging tax rises.

To determine how pro-growth a country's tax regime is, the Index uses more than 40 measures to examine the extent to which marginal tax rates and the underlying structure of the tax system promote economic growth. Crucially, the Index does not focus on the size of the overall tax burden, merely how effective a country is at collecting revenue, and how much economic damage it inflicts in the process.

In the 2026 edition of the Index, published today, Estonia comes first, followed by Latvia, New Zealand and Switzerland. The UK, however, comes in 30th place, one place better than last year. Within the G7, it is ahead of Italy (36th) and France (38th) but falls behind other G7 countries such as the US (17th) and Germany (19th).¹

Britain's tax system is clearly a drag on growth – and is ripe for reform.

The UK's Performance

The Index is made up of five categories, with 14 subcategories and 43 indicators. The five categories are corporate taxation, individual taxation, consumption taxes, property taxes and cross-border tax rules. The table below shows the UK's ranking for 2026, 2025 and 2014 (the Index's first year).

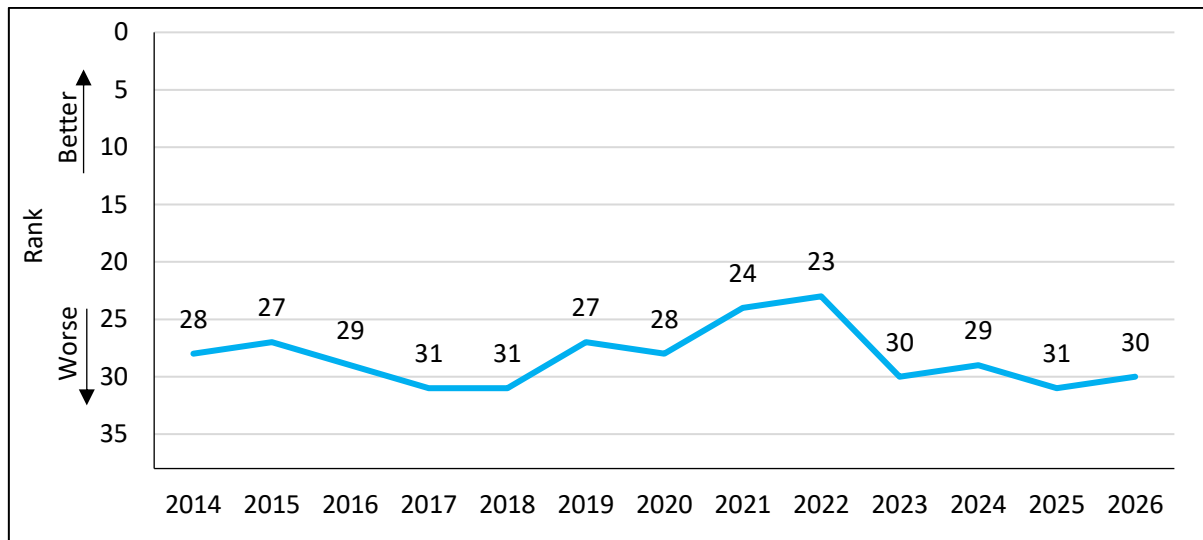
Year	Overall rank	Corporate Tax	Individual Taxes	Consumption Taxes	Property Taxes	Cross-Border Tax
2014	28	17	25	35	34	2
2025*	31	26	23	34	33	1
2026	30	25	22	34	33	1
<i>Change since 2014</i>	-2	-8	+3	+1	+1	+1

** The UK was originally in 32nd in 2025, but is now 31st due to a methodological update*

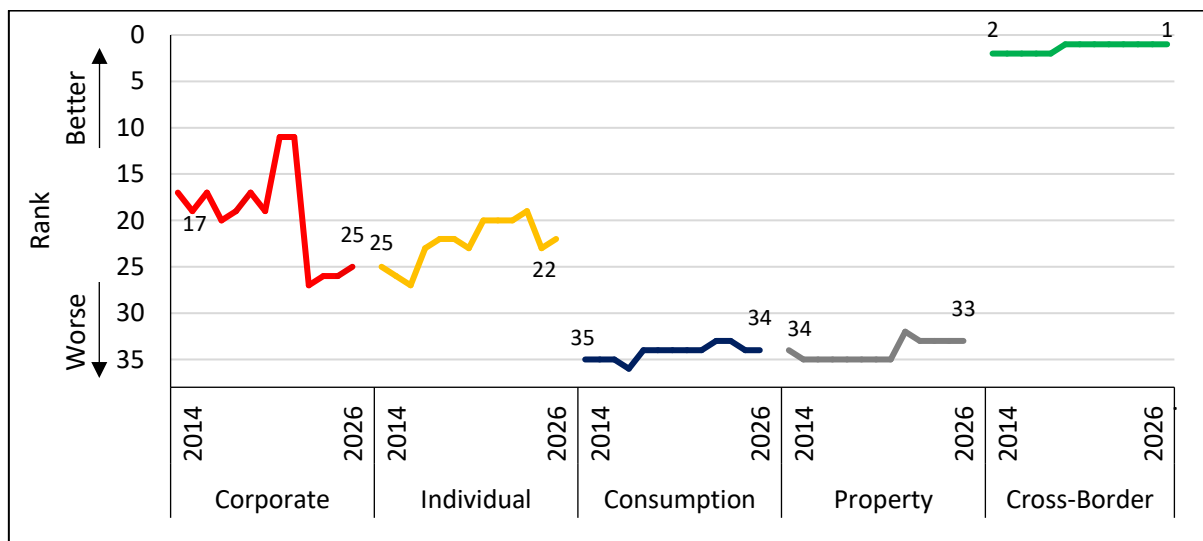
¹ When the methodology of the Index changes, the changes are retroactively applied to previous rankings. So the UK was originally 32nd in the 2025 edition of the Index, but rose to 31st in 2025 when the rankings were updated.



UK overall ranking (out of 38)



UK rankings, by category



The UK is strongest when it comes to cross-border tax rules, coming first. One reason for this is that the UK has the largest number of tax treaties in the world (135). However, the UK is poor in all other categories.

Britain ranks 33rd for property taxes, in part because it raises the equivalent of 2.04% of capital stock in property taxes, the highest in the OECD. It is also one of 16 countries that has a damaging financial transactions tax (stamp duty on shares).

The UK's corporate tax system is ranked 25th in the world. At 25%, the rate of corporation tax is the 20th lowest – had it been kept at 19%, it would be the fourth-lowest rate. The UK also has 100% cost recovery for plant and machinery, a measure campaigned for by both the Centre for Policy Studies and Tax



Foundation (although other categories of capital expenditure are treated far less generously). The UK's Corporation Rank has fallen significantly from 2021, when it ranked 11th following the introduction of full expensing. The rank fell significantly after the Conservatives raised the rate of Corporation Tax to 25%.

In terms of Individual Taxation, the UK ranks 22nd, having fallen from 19th two years ago primarily due to tax changes announced in the 2024 Budget. The first of these was the Chancellor's decision to increase the higher rate of Capital Gains Tax from 20% to 24%. The second was the decision to lower the threshold for Employer's National Insurance and raise the rate to 15%. This increased total tax on employment, worsening the UK's performance.

Consumption taxes are the worst performing category, where the UK comes 34th. The UK's VAT base remains extremely narrow, with just 46% of total consumption subject to VAT, compared to the OECD average of 55%. It also has OECD's third highest VAT registration threshold for businesses, at £90,000 (the OECD average is closer to £40,000).

The cost of Labour's tax changes

The Budget is just nine days away and we have had feverish speculation about what tax rises the Chancellor wants to implement. Many being considered will not only be damaging because they increase the size of the tax take, but because they will worsen the performance of the tax system and be economically damaging. While not all mooted tax changes are able to be modelled here, we look at the impact of raising capital gains tax and introducing a wealth tax.

Capital Gains Tax

CGT is a tax on the difference between purchase and sale price of an asset. The rate of CGT varies by asset and whether the taxpayer is an individual or a trustee. The rates are (as of 2026-27):² 18% and 24% for individuals, 24% for trustees, 24% for personal representatives of someone who has died, and 18% for gains qualifying for Business Asset Disposal Relief or Investors' Relief.

Some have proposed raising Capital Gains Tax, perhaps even equalising it with income tax rates, as a way to raise revenue. Earlier this year, Wes Streeting described CGT as a "wealth tax that works"³ and Labour donor Dale Vince proposed equalising the rate with income tax to fund a rise in the personal allowance.⁴

The main argument for raising CGT rates often comes down to fairness: if people make the same amount of money from two different sources, shouldn't they be taxed on that income in the same way.

However, raising CGT is likely to be economically damaging and will probably lose the government money. Hiking the higher rate of CGT by 10 points, according to HMRC, would *lower* revenue by £3.6 billion after three years' time.⁵

² Gov.uk, 'Capital Gains Tax rates and allowances', (13 April 2026). [Link](#)

³ J Nevett & R Wheeler, 'Wes Streeting pledges 'wealth tax that works'', BBC (21 May 2026). [Link](#)

⁴ H Brennan, 'Burnham weighs £14bn capital gains tax raid', The Telegraph (20 September 2026). [Link](#)

⁵ See D Herring, 'Why Raising Capital Gains Tax Won't Work', CPS (16 July 2026). [Link](#); D Herring, 'Capital Losses: Why increasing CGT will deter investment, slow growth and reduce revenue', CPS (25 October 2024). [Link](#)



There are several reasons why that happens. Firstly, CGT is paid by a very small number of people: just 32,000 taxpayers account for 80% of CGT revenue, and 5,000 account for half. Secondly, people have significant choice about when to sell their assets. They might choose to hold on to their assets instead of selling, lowering revenue (and damaging the economy in the process by holding onto an asset that would be more productive if owned by someone else).

Thirdly, aligning CGT with income tax rates would make the UK's CGT rate the highest in the OECD (beating the current highest, Denmark, on 42%) and therefore an unattractive place to invest. Only Chile (40%) and Estonia (22%) currently align CGT with the top rate of income tax, according to the Tax Foundation.⁶

The only justifiable course would be to introduce an allowance for inflation plus a normal rate of return.⁷ However, even this runs the risk of punishing highly successful entrepreneurs and businesspeople, who might leave the UK, or never come here in the first place. For now, it would be better to not raise CGT any further.

The damaging effect of raising CGT is reflected in the Index. If the UK raised the CGT rate to 45%, the Income rank would fall from 22nd to 32nd, and the overall ranks would fall from 30th to 32nd.

Wealth Tax

Prominent Labour MPs have called for a wealth tax, including Louise Haigh, one of Prime Minister Andy Burnham's closest political allies. "We need real reform: a proper wealth tax that rewards work, closes loopholes and finally gives us the means to invest in the NHS, schools and our communities," said Haigh in mid-2025.⁸

A wealth tax would be a major mistake. Just four countries have a full wealth tax and three have a partial wealth tax. They are a bad tax for several reasons.

Firstly, they are often double taxation. Usually, only the return from an asset is taxed. If someone also faces an annual tax on the value of an asset, they are being taxed twice for it. It also treats low and high yield assets in the same way, meaning that assets with low returns face a much higher effective tax rate than assets with high returns. For example, if an asset returns 2% per year but faces a 2% wealth tax, that effectively equates to a 100% tax on income.

Secondly, they discourage risk taking and entrepreneurship by making investments need higher returns.

Thirdly, they raise little revenue. In Switzerland they raised just 1.16% of GDP in revenue in 2023, the highest of any country that levies a wealth tax (Switzerland also has no tax on capital gains and

⁶ Note that where there are multiple rates of CGT, the Tax Foundation uses CGT on the sale of listed shares after an extended period of time.

⁷ This 'can be thought of as the return that just compensates savers and investors for the delay in consumption (without any additional compensation for risk-taking) and makes them willing to part with their money.' See S. Adam & H. Miller, 'Taxing work and investment across legal forms: pathways to well-designed taxes', Institute for Fiscal Studies (26 January 2021) p 66. [Link](#)

⁸ P Walker & E Courea, 'Ex-Labour minister calls for wealth tax and public investment in June spending review' The Guardian (31 May 2025). [Link](#)



inheritance). Spain raised just 0.21% of GDP. They are a poor tool for redistribution or raising revenue for the kind of state that Andy Burnham wants.

Fourthly, wealth taxes can encourage capital flight and an exodus of business people who already contribute investment, employment and tax revenues. For example, there's evidence that wealthy people left Norway after it raised its wealth tax.⁹ Alongside high marginal income tax rates, the mansion tax, corporation tax and capital gains tax, a wealth tax would make the UK very unattractive to investors and wealthy migrants.

Introducing a Wealth Tax would make the UK even more uncompetitive, moving it from 33rd to 38th on Property Tax – last place in the OECD – and to 35th in the overall rankings.

Conclusion

The Tax Competitiveness Index presents both a warning and an opportunity for the government.

Firstly, the warning. Labour are looking for tax rises that will fund increased spending. There are few good options, but the ones that have been mooted could be uniquely damaging to the economy. Spending discipline is much more important.

Secondly, there is opportunity. The UK has one of the worst tax systems in the OECD, but that means there are easy fixes that can be made that will promote growth, many of them revenue neutral. But doing so requires a focus on growth over other objectives.

Daniel Herring is Head of Economic and Fiscal Policy at the Centre for Policy Studies

⁹ R Neate, 'Super-rich abandoning Norway at record rate as wealth tax rises slightly', The Guardian (10 April 2023). [Link](#)



Appendix 1: Rankings

Country	Overall Rank	Corporate Tax Rank	Individual Taxes Rank	Consumption Taxes Rank	Property Taxes Rank	Cross-Border Tax Rules Rank
Estonia	1	2	1	24	1	7
Latvia	2	1	8	22	4	6
New Zealand	3	31	7	1	8	14
Switzerland	4	7	9	4	36	2
Lithuania	5	3	10	23	6	16
Luxembourg	6	20	21	7	15	5
Czech Republic	7	9	4	32	5	11
Australia	8	29	14	9	3	23
Turkey	9	21	6	15	22	8
Hungary	10	5	3	38	23	4
Israel	11	11	31	11	10	18
Slovak Republic	12	24	2	33	7	17
Sweden	13	6	18	26	9	12
Costa Rica	14	35	13	6	11	29
Canada	15	17	28	8	25	28
Netherlands	16	23	30	14	20	3
United States	17	8	17	3	27	37
Austria	18	18	27	17	17	10
Germany	19	30	34	13	12	9
Norway	20	15	29	27	16	15
Mexico	21	28	26	12	2	38
Finland	22	10	24	28	21	24
Greece	23	22	5	29	30	19
Chile	24	32	23	10	13	36
Slovenia	25	14	12	30	24	30
Korea	26	26	38	2	31	34
Belgium	27	16	15	25	28	21
Japan	28	36	35	5	26	31
Ireland	29	4	36	35	18	27
United Kingdom	30	25	22	34	33	1
Denmark	31	19	37	20	14	32
Poland	32	12	11	36	29	25
Portugal	33	34	19	21	19	33
Iceland	34	13	32	19	34	26
Spain	35	33	20	18	35	20
Italy	36	27	16	37	38	22
Colombia	37	37	25	16	37	35
France	38	38	33	31	32	13



Appendix 2: Categories, Subcategories and Variables

Category	Subcategory	Variable
Corporate Score	Corporate Rate	Top Marginal Corporate Tax Rate
	Cost Recovery	Loss Carryback (Number of Years)
		Loss Carryforward (Number of Years)
		Machinery
		Industrial Buildings
		Intangibles
		Inventory (Best Available)
		Allowance for Corporate Equity (Rate and Base)
	Tax Incentives and Complexity	Patent Box
		Implied Tax Subsidy Rates on R&D Expenditures
		Digital Services Tax
		Corporate Complexity (Number of separate rates or alternative minimum taxes)
		Corporate Complexity (Surtax on corporate income)
		Corporate Complexity (Share of revenue collected on income from non-standard income taxes)
		Turnover Tax Revenue
Individual Score	Ordinary Income Taxes and Payroll Taxes	Top Personal Income Tax Rate
		Top Income Tax Rate Threshold
		Ratio of Marginal to Average Tax Wedge
	Income Tax Complexity	Income Tax Complexity (Surtax on personal income)
		Income Tax Complexity (Share of revenue collected through non-standard social security and payroll taxes)
	Capital Gains/Dividends	Top Marginal Capital Gains Tax Rate
		Top Marginal Dividends Tax Rate
Consumption Score	Consumption Tax Rate	VAT/Sales Tax Rate
		VAT/Sales Tax Threshold
		VAT/Sales Tax Base as a Percent of Total Consumption
Property Score	Real Property Taxes	Real Property or Land Tax
		Real Property Taxes as % of Capital Stock
	Wealth/Estate Taxes	Wealth Tax
		Estate/Inheritance Tax
	Capital/Transaction Taxes	Transfer Taxes
		Asset Taxes
		Capital Duties
Cross-Border Score	Participation Exemption	Financial Transaction Tax
		Dividend Exemption
		Capital Gains Exemption
	Withholding Taxes	Country Limitations
		Dividend Withholding Tax
		Interest Withholding Tax
		Royalties Withholding Tax
	Tax Treaties	Number of Tax Treaties
	International Regulations	Controlled Foreign Corporation Rules
		Interest Deduction Limitations
		Minimum Tax