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Third sector warns wealth tax will hit philanthropy



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Billionaire Sir Tim Hunter is one of Britain's largest philanthropists (Photo by Rob Casey/SNS Group via Getty Images)

A wealth tax of the sort reportedly being considered by the government would leave a multibillion-pound hole in charities' finances and jeopardise the work they are able to carry out, third sector bosses and economists have warned.

According to John Canady, chief executive of the National Philanthropic Trust UK, the rumoured levy targeted at households with assets above £10m risked doing fatal damage to the donor ecosystem worth a reported £8bn a year to vulnerable sectors.

“High-net worth donors have filled vital funding gaps in healthcare, education and the arts – especially post-pandemic,” he told **City AM**. “Any policy that discourages this commitment threatens to jeopardise the funding for vital work being done by charities across the UK.”



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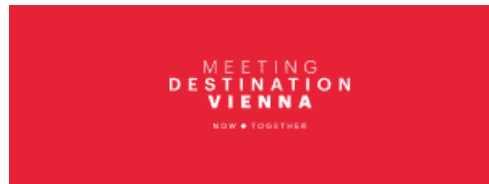
The controversial levy has enjoyed growing support from the left of the Labour party, with MPs arguing that it would be one of the fairest ways for ministers to try and recoup the losses to the Treasury wrought by a flurry of costly U-turns.

But economists and tax experts have cautioned that the amount of revenue blanket levies on wealth tend to raise is often marginal, and that the tax would accelerate the exodus of high-net worth individuals from Britain that is already afoot.

Dan Neidle, founder of Tax Policy Associates, believes any wealth tax would actually cause the Exchequer's total tax take to fall, and has accused some proponents of the levy of being “arrogant” assuming the UK would be different from other jurisdictions' failed attempts at implementing one.

But despite the flurry of warnings, Prime Minister Keir Starmer and his spokesman have on several occasions refused to rule the levy out. One of his junior ministers also said this week that the government was “looking very carefully” at whether the tax could work in the UK.

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The comments sparked several warnings from business leaders, including billionaire Sir John Caudwell, who told **City AM** the government must avoid the temptation of applying the levy, saying Britain needed to “remain competitive” for wealth creation. Business LDN boss John Dickie used a speech on Thursday to brand the potential move an “own goal” that would harm firms in the capital.

But Canady’s comments are the first major intervention from the UK’s world-renowned philanthropy sector, which is worth a reported £15.4bn a year in charitable donations. They were echoed by Pro Bono Economics’ Anoushka Kenley, who said that while charitable donations from the top one per cent of earners had dropped, a wealth tax could harm further receipts that charities receive through gifts given in people’s wills, known as “legacy income”.

“Legacy incomes is quite substantial for the sector,” she told **City AM**. “That disproportionately comes from wealthy people leaving money in their wills. A wealth tax that has a significant impact on the size of people’s estates when they die, that could impact that source of income for charities.”

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