Policy Brief:

Universal Basic Income financed through a Wealth Tax on residential Property replacing the Council Tax

Poverty is a significant driver of indignity.

Poverty goes beyond material deprivation — it often strips individuals of **agency**, **social status**, and **dignity**. When people cannot meet their basic needs — such as food, shelter, healthcare, or education — they are placed in a position of dependence, exclusion, or humiliation. This can erode self-respect and how they are treated by others.

Here are some key ways poverty undermines dignity:

- **Lack of autonomy:** Constant financial precarity forces people to make impossible choices, undermining their sense of control and independence.
- **Stigma and social exclusion:** Poverty is often accompanied by judgment and shame, especially when accessing welfare or support services.
- **Unequal treatment:** Poor individuals may face discrimination in healthcare, housing, employment, and legal systems.
- **Invisibility and voicelessness:** Those in poverty are often excluded from decision-making processes that affect their lives.

Many individuals fall through the cracks of means-tested welfare systems. Barriers include complex application processes, stigma, and perceived loss of dignity, which deter people from seeking support. Others are wrongly assessed and denied benefits despite being in need. Empirical studies show significant rates of non-take-up among eligible populations, particularly in systems with strict or intrusive means testing (Bennett, 2024) Simplified or universal approaches, such as unconditional cash transfers, have been shown to improve access, reduce stigma, and enhance recipients' sense of dignity and autonomy.

Bennett F. Take-up of social security benefits: past, present–and future?. Journal of Poverty and Social Justice. 2024 Feb 14;32(1):2-5.

We propose modest basic universal income of £200/month for all in addition to current social benefits. This will be financed through a progressive wealth tax on residential property which will replace the council tax.

Universal Basic Income: The Evidence

Universal Basic Income (UBI) is a policy proposal involving unconditional, regular cash payments to all individuals regardless of employment status or income level. The idea has gained prominence as a potential solution to poverty, job displacement due to automation, and welfare complexity. While full-scale implementations are rare, several pilots and studies offer insights into its potential impacts.

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1. Poverty Reduction and Income Security

One of UBI's primary objectives is to reduce poverty and provide a basic level of economic security. Evidence from various trials supports this goal. The **Mincome experiment** in Manitoba, Canada (1974–1979), found that guaranteed income significantly reduced poverty and improved housing stability (Forget, 2011). More recently, a UBI-style program in **Kenya** led by GiveDirectly showed that unconditional cash transfers improved food security, health, and psychological well-being (Haushofer & Shapiro, 2016).

In **Finland's 2017–2018 UBI pilot**, 2,000 unemployed individuals received €560 per month. Results indicated improved well-being, life satisfaction, and perceived autonomy, although employment levels were only slightly higher compared to the control group (Kangas et al., 2020).

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2. Employment Effects

A common concern is that UBI might discourage work. However, empirical evidence paints a more nuanced picture. In the Mincome study, work reductions were modest and mostly among new mothers and teenagers, suggesting increased educational attainment rather than dependency (Forget, 2011). The **Finnish trial** found no significant drop in employment, and recipients were slightly more likely to start new businesses (Kangas et al., 2020).

Similarly, U.S.-based **Negative Income Tax (NIT)** experiments in the 1970s found slight reductions in labor supply, mainly in secondary earners (Munnell, 1986). These findings suggest that while some reduction in working hours might occur, it often reflects choices aligned with caregiving, education, or entrepreneurship rather than idleness.

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3. Health and Well-being

Health outcomes appear to improve with UBI-like policies. The Mincome project showed declines in hospitalizations, especially for mental health and accidents (Forget, 2011). In Kenya, cash recipients showed reduced depression and stress levels (Haushofer & Shapiro, 2016). Finnish participants reported less stress and better mental health, supporting the argument that income security enhances overall well-being (Kangas et al., 2020).

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4. Education and Human Capital

Unconditional cash can influence education, especially among youth. In Mincome, school attendance improved, and dropout rates declined. In developing countries, cash transfers have been linked to better school enrollment and attendance (Baird et al., 2013). These effects suggest that UBI could enhance human capital by enabling people to invest in skills and education.

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5. Administrative Simplicity and Economic Efficiency

UBI offers potential efficiency gains by reducing bureaucratic overhead associated with means-tested welfare programs. A 2017 OECD report noted that replacing complex benefit systems with a UBI could streamline administration, though costs could be high without tax adjustments (OECD, 2017). Critics argue that truly universal models may be prohibitively expensive, while proponents counter that redistributive tax reforms can offset costs.

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6. Limitations and Criticisms

Despite promising evidence, UBI has limitations. Critics cite high fiscal costs, the potential for inflation, and a lack of targeting compared to traditional welfare. Some economists argue that better-targeted interventions could achieve similar outcomes more cost-effectively. Additionally, pilot results may not fully generalize to national-scale implementations.

Conclusion

While no country has yet adopted a full-scale UBI, pilot programs and experimental evidence suggest positive effects on poverty, health, and well-being, with minimal adverse impacts on employment. However, scalability, cost, and political feasibility remain significant challenges. UBI represents a bold reimagining of social policy—but one still undergoing rigorous testing.

References

Baird S, Ferreira FHG, Özler B, Woolcock M. Relative effectiveness of conditional and unconditional cash transfers for schooling outcomes in developing countries: A systematic review. *Campbell Systematic Reviews*. 2013;9(1):1-124.

Forget EL. The town with no poverty: The health effects of a Canadian guaranteed annual income field experiment. *Canadian Public Policy*. 2011;37(3):283-305.

Haushofer J, Shapiro J. The short-term impact of unconditional cash transfers to the poor: Experimental evidence from Kenya. *Quarterly Journal of Economics*. 2016;131(4):1973-2042.

Kangas O, Jauhiainen S, Simanainen M, Ylikännö M. The basic income experiment 2017–2018 in Finland: Preliminary results. *Reports and Memorandums of the Ministry of Social Affairs and Health*. 2020;9:1-97.

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Policy Proposal: Universal Basic Income (UBI) Funded by Residential Property Wealth Tax

Policy Overview

This proposal aims to implement a **Universal Basic Income (UBI)** for all **registered and legal UK residents**, financed through a **progressive wealth tax on residential property**. The wealth tax will replace the existing **council tax system** and be administered by local councils. This approach ensures that **income tax and National Insurance** rates remain unchanged, while ensuring that all citizens have access to a guaranteed income and a more equitable system for taxation.

This is not a fully worked out proposal.

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1. Universal Basic Income (UBI)

- **Amount**: £200 per month per person, payable to all registered UK residents, regardless of age, income, wealth, or employment status.
- **Objective**: To reduce child poverty, increase financial stability, and provide economic security for all UK residents.
- **Administration**: UBI will be administered by **local councils**, which are already equipped to handle local data and support distribution.
- **Family Impact**: A family of four will receive £800 per month. This will directly benefit low-income households and has the potential to **halve child poverty** in the UK.
- This would cost about £136.7 billion per year (£160.8 billion/year in UBI costs but of this £24.12 billion would be recovered in income tax)

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2. Residential Property Wealth Tax

Overview:
This tax replaces council tax and funds the Universal Basic Income (UBI). It applies to individuals who own residential property and is based on progressive bands according to total property value.

Tax Bands

Property Value	Annual Wealth Tax Rate
Up to £100,000	0.2%
£100,001 – £300,000	0.4%
£300,001 – £750,000	1.0%
£750,001 -1,000,000	1.6%
£1,000,001-2,000,00	3.1%
£2,000,001 and above	7.0%

This would raise about 180 billion pounds per year. Sufficient to fund the UBI and the current council tax income.

Rental property 2%

A fixed 2% annual wealth tax rate for landlords or standard rate may be offered on rental properties to encourage reinvestment and rent stability. However, to prevent abuse, a strict avoidance clause must apply. To qualify, properties must meet minimum criteria—such as generating genuine rental income, housing multiple tenants, and having proper rental agreements in place. Superficial arrangements, such as renting a single room to a friend or staff member (e.g., a watchman) solely to access the reduced rate, would be disqualified. Only properties where rental is the **primary use** and contributes meaningfully to housing supply would be eligible. Furthermore, tax benefits should be conditional on reinvesting the difference between the standard and reduced tax rate into property improvements. If landlords fail to meet the requirements or are found to have engineered artificial rental situations, they would lose eligibility, be subject to full progressive rates, and face backdated tax assessments with penalties.

Gardens

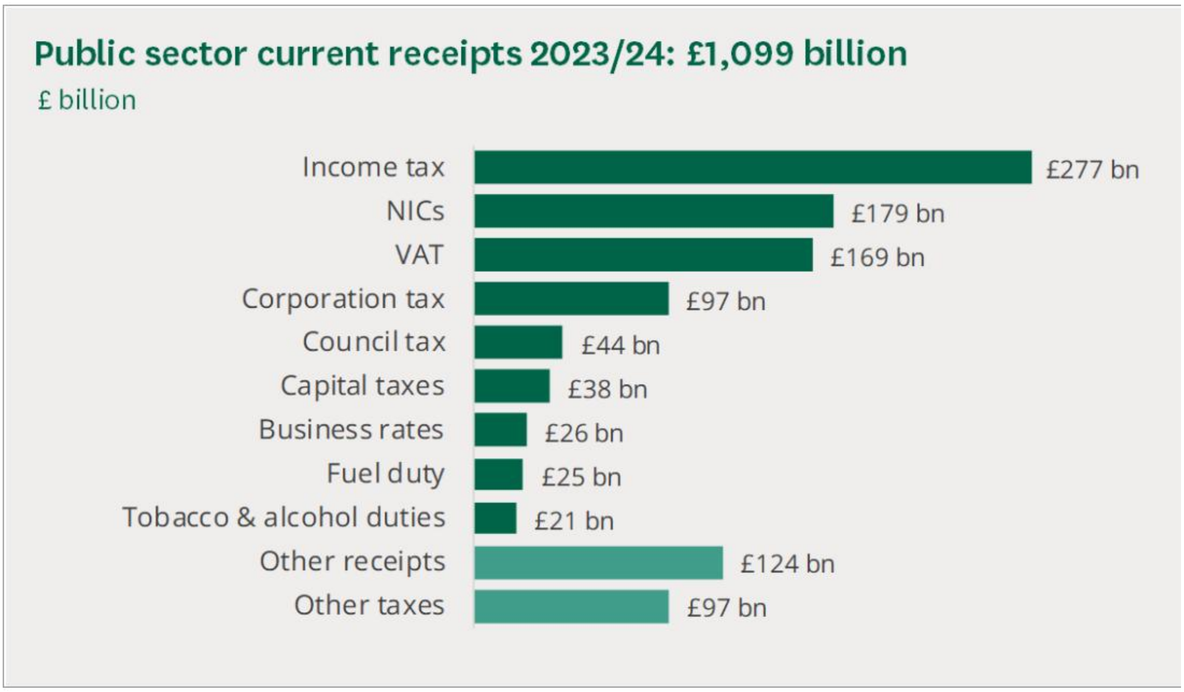
Selling or gifting a garden that currently belongs to a residential property will incur a tax of 50% of the value of the garden.

Shared residential property

For wealth tax band purposes shared residential will be considered as one property. The owners of the shared property have the right and the duty to determine between then who pays the wealth tax.

Farmland Exception:

Land actively used for agriculture is exempt from the residential wealth tax. Owning horses or hobby livestock on large gardens does not qualify as active farmland. Only land demonstrably used for food production or commercial agriculture is excluded—lifestyle properties masquerading as farms remain taxable at normal residential rates.



https://commonslibrary.parliament.uk/research-briefings/cbp-8513/?utm_source=chatgpt.com

Valuation Process

- Property values will be **self-assessed** by owners. Where more than one person own a residential property the owners will have to nominate one person to administrate the wealth tax. A residential property consisting of many residential units (such a house containing several rental properties) in one post code area will be defined as a single residential property but the annual wealth tax rate will be set at the level appropriate for the highest wealth individual residential units. (example A property consists of 20 rental units is be worth > £1,000,000. However it each valued at £100,001 to £300,000 the property would be taxed at 0.2% of its total value. Should only one unit be worth £300,001 to £1,000,000 it will be taxed at 0.4% of its total value.)
- **Local councils** will have authority to oversee and compare valuations using public and market data (e.g., recent sales, Zoopla-style databases).

Anti-Avoidance Measures

- If a property is self-assessed at **20% or more below** comparable properties on the same street:
    - The council issues a **warning letter**.
    - Owners have **12 months to adjust** their valuation.
    - If the undervaluation persists **for 24 consecutive months**, the council may initiate a **compulsory formal assessment**.

Consequences of Proven Undervaluation

- If the formal assessment confirms the property (or its most expensive individual unit) was undervalued by **more than 20%** over the 24-month period:
    - The **council may acquire the property** at **110% of the owner's lowest declared value** during that period.
    - This creates a strong disincentive to deliberately undervalue.

Restrictions on Revaluation

- Owners **may not lower** their self-assessment value once declared, unless they:
    - Request a **formal assessment**, which is binding for **up to 3 years** or until another formal valuation is requested.
- Only **one official assessment request per 12 months** is allowed.

Summary Benefits

- Replaces a regressive council tax with a **fairer, progressive** property-based tax.
- Encourages **accurate self-reporting** with oversight, not bureaucratic micromanagement.
- Prevents manipulation while avoiding unnecessary administrative burden

3. Protection for Low-Income Homeowners (Asset-Rich, Income-Poor)

To protect vulnerable individuals, particularly those with high-value homes but low incomes (such as elderly homeowners), the following provisions will be in place:

Income Protection Clause

- **If an individual would be left with less than £15,000 per year per adult resident** in disposable income after all taxes, including wealth tax, all or parts of the wealth tax can be deferred at request of the home owner until the property is sold, inherited, or the homeowner's estate is settled.

- **Deferred taxes** will accrue interest at a **low rate (1–2%)** and will be **payable upon the sale or transfer of the property**.
- If the property is **inherited**, the **deferred wealth tax** (plus accrued interest) will be due immediately, and the estate must settle this amount before the property can be transferred to the heirs.

Example:

- An elderly widow with a **£750,000 home** and **£16,000/year pension** defers £3,000/year in wealth tax for 10 years. The total tax owed at the time of death would be **£35,000** (including interest).
- Upon inheritance, the heirs must either pay the £35,000 or **continue deferring the tax** if they qualify under the same low-income rules.

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4. No Changes to Income Tax or National Insurance

- **Income tax** and **National Insurance** rates will **not be changed** as part of this proposal. The **wealth tax** on residential properties will fully finance the **UBI** and the **reformed council tax system**.
- This approach ensures that working individuals and businesses will not face additional burdens, preserving work incentives and economic activity.

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5. Reformed Council Tax System

- **Council tax** will be replaced by the **wealth tax**, with local councils receiving a share of the wealth tax revenue **proportional to their population size**.
- A **redistribution mechanism** will be put in place to ensure that wealthier councils, which may have higher property values, contribute proportionately more to funding the system, while poorer councils receive sufficient funds to support their communities.
- Local councils will have administrative responsibility for **disbursing UBI payments**, making the process efficient and localized.

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6. Tenant Protection

- Renters will **no longer pay council tax** under this system.

- **Landlords** will be responsible for paying the wealth tax on their properties, while tenants will not be affected by this tax directly.

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7. Deferred Wealth Tax on Inherited Property

- If a homeowner has deferred their wealth tax (e.g., due to low income) and then passes away, the **deferred tax becomes a charge on the property**.
- Upon inheritance, the **deferred wealth tax** (plus interest) is due immediately, and must be paid before the property can be transferred to heirs.
- Heirs will have the following options:
  - **Sell the property** to pay off the tax, or
  - **Continue the deferral** if they qualify for low-income status.

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9. Summary of Key Benefits

- **Reduces child poverty** by providing all residents with a guaranteed income.
- **Simplifies the tax system** by replacing the council tax with a progressive wealth tax on residential properties.
- **Protects vulnerable homeowners**, especially the elderly and asset-rich but income-poor individuals, by offering deferred tax payments and income guarantees.
- **No increase in income tax or National Insurance**, preserving work incentives and ensuring business stability.
- **Local councils** will administer UBI and receive stable, fair revenue, with redistribution to ensure fairness across regions.
- **Renters are protected** from increased rent prices, and landlords are given clear guidelines for rent adjustments.
- A **fair and transparent property valuation** process, with oversight from local councils, ensures that property owners contribute their fair share of the wealth tax.

Conclusion

This proposal offers a **fair, efficient, and sustainable system** to finance **Universal Basic Income** through a progressive **residential wealth tax**. It provides financial stability to all UK residents, while protecting vulnerable homeowners, and simplifies the tax system for local authorities. The policy will create a more equitable society by ensuring that everyone, regardless of income, can benefit from economic security, while ensuring that the wealthiest contribute fairly based on their assets.