Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Spare a thought for billionaires in UK's struggling economy

The plight of the super-rich being forced to flee an anti-business Britain has been a regular theme since the Labour Party returned to power two years ago.

Complaints from entrepreneurs and wealth creators tend to reach a crescendo as the government's annual autumn budget statement approaches and this year is no different.

Leading the chorus this time was Sir Jim Ratcliffe, founder of the petrochemical conglomerate Ineos and a major stakeholder in Manchester United football club.

Ratcliffe, with estimated wealth of £15 billion, told the BBC: "If you tax everybody to death, they're all going to leave. And that's what's happening."

He has a point. Sir Jim himself upped sticks in 2020 to become a tax exile in Monaco, having supported the Brexit campaign for the UK to leave the European Union.

Other notable departures include that of Indian steel tycoon Lakshmi Mittal, who left last year after three decades in the UK.

He was reacting to the government's overhaul of the non-domiciled status, which had previously allowed certain UK residents to avoid paying British tax on foreign income and profits.

The latest to head for the exit was hedge fund billionaire Chris Rokos, the UK's third-highest taxpayer at £330 million, who was this month reported to be moving to Greece.

Sympathetic media warned that the super-rich wanted to flee before the feared introduction of a penalty on leavers, "a terrifying exit tax", as the Standard headlined it.

Taxing wealth more lightly than work

One home-grown tycoon who will not be leaving is the UK's biggest taxpayer Fred Done, the 83-year-old billionaire founder of the Betfred gambling group. He regretted he was "too old" to join the exodus in an interview with the Financial Times, adding that he would "not wish to be reborn" in the present-day UK.

Done's remarks followed speculation that the Chancellor, John Healey, is considering raising gambling taxes in his budget on 28 October.

But what else might Healey have in his traditional red leather dispatch box to further panic the rich, or even the more modestly better-off?

There has certainly been talk of an exit tax on companies and entrepreneurs leaving the UK, although the government's business department has definitively ruled it out.

Prime Minister Andy Burnham's office has similarly ruled out a mooted 10 per cent "death tax" on all estates to fund social care.

The government is already preparing the rich and the rest for some nasty budget shocks

More likely, however, is an increase in tax on capital gains, which currently trails the rate of income tax. Reforms to equalise the rates are backed by 120 self-styled Patriotic Millionaires, who wrote to Burnham that they would be proud to pay.

Speculation of a capital gains tax rise has been boosted by a budget submission from Labour donor Dale Vince that noted wealth was currently being taxed more lightly than work.

Despite Labour's 2024 manifesto pledge not to raise income tax, Burnham is also reported to support creating a new top tax band of 50 per cent that would technically not violate the promise.

The government is already preparing the rich and the rest for some nasty budget shocks by stressing the impact on the UK economy of wars in the Middle East and Ukraine.

Burnham warned last week of “difficult decisions” ahead of what would be a “challenging” budget.

A bleak picture of the UK’s prospects

There are limited prospects, however, that Healey will rely simply on soaking the rich to make his numbers add up.

The UK head of tax policy at consultant KPMG, Tim Sarson, said in a pre-budget assessment: “I don't think we're likely to see tax rises as being the big headline coming out of this year's event.”

He said Burnham’s team wanted to create a bit more of a feel-good atmosphere after two downbeat budgets in the last two years that focused on the difficult choices the government faced.

> Sir Jim Ratcliffe said he had lost confidence in the UK

His colleague Yael Selfin, vice-chairman and chief UK economist at KPMG, nevertheless noted that, with the government committed to not increasing taxes on working people, the Chancellor might need to consider other measures, including changes to capital gains or inheritance taxes.

That is where the super-rich, although not only they, might start to feel the squeeze.

It is doubtful, however, that the special pleading of billionaires will persuade the average voter, or indeed ministers and MPs, that their interests should trump those of the population at large.

The government’s wealthy critics painted a bleak picture of the UK’s prospects. Ratcliffe said he had lost confidence in the UK, describing the country as “on the slide”. Betfred’s Done meanwhile said he had never felt so gloomy about the outlook for the UK.

Easing pressure on smaller businesses

While the UK has an interest in keeping both investors and successful innovators in the UK, Burnham’s economic pledges have so far been directed at reviving the regions through plans for greater devolution.

One of Burnham’s early pledges was to save the UK’s traditional small business high streets, which had been “hollowed out” by the unchecked spread of vape stores, rogue businesses and – betting shops

He told parliament at the start of the month that the government planned to build a pro-business culture and an innovation-led economy in all parts of the UK.

But he also took a swipe at the past failure of trickle-down economics which had failed the regions and instead allowed wealth to be extracted and siphoned out.

Healey’s budget might therefore be geared more towards easing pressure on smaller businesses in the regions, possibly by cutting business rates, than towards easing the plight of billionaires.

One of Burnham’s early pledges after succeeding Keir Starmer in July was to save the UK’s traditional small business high streets, which had been “hollowed out” by the unchecked spread of vape stores, rogue businesses and – betting shops.

No wonder Fred Done was upset.