

DEMOS

TAXING EXTRACTION

TAXING EXTRACTIVE AND
UNPRODUCTIVE SECTORS
TO SUPPORT BRITISH
HOUSEHOLDS IN NEED

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A CITIZEN BUDGET 2026

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ABOUT A CITIZEN BUDGET 2026

Demos is Britain's leading cross-party think tank. Our mission is an upgraded democracy, with a new deal to mend the broken relationships between state, institutions and citizens. Our work focuses on building trust in democracy, person-centred and preventative public services, resilient information ecosystems and a citizen-centric economy.

For decades, economic policy has been limited by short-termism and top-down, lever-based policies which fail to drive national system-change. Demos now aims to build a '**Citizen Economy**' - one which strengthens the public legitimacy needed for long-term decisions, and engages with questions of culture, social relationships, pride and place to unlock economic systems-change. The tax system is central to this diagnosis. A lack of public legitimacy has prevented successive governments from making the bold changes needed for a fairer, simpler, pro-growth tax system.

The 2026 Budget provides an opportunity to turn the dial. While calls for a perfectly efficient tax system are critical, we cannot overlook the political constraints. A perfectly efficient tax system requires building public legitimacy for bold reform. This Demos series, **A Citizen Budget 2026**, lays out how the government can build that legitimacy through pro-growth tax reforms.

Our first briefing paper, [The Investor Test](#), outlined how taxing income from wealth could build legitimacy while simultaneously raising revenue and improving economic efficiency. This paper proposes a different approach for the government to raise legitimacy: providing a clear signal about what it is against and willing to raise revenue from - specifically extractive, harmful or unproductive economic activity. Subsequent papers and outputs will focus on:

1. **Funding the Future:** Tax reforms reflecting the principles by which the government intends to fund future spending needs - social care, council house building and support for young families
2. **The National Bond:** Using fiscal policy to drive national unity by issuing 'UK Security Bonds'
3. **A Stronger Fiscal Contract:** Improving value-for-money in government spending to unlock support for tax rises
4. **A DOGE on Tax:** A new institution which builds legitimacy and challenges orthodoxy to unlock long-term disruptive tax reform

CONTEXT

THE LEGITIMACY DEFICIT IN THE TAX SYSTEM

The tax system faces a crisis of legitimacy. While there are very obvious opportunities for improving the system, concern about the political backlash has led to decades of inertia.¹ Successive chancellors have felt politically unable to face down the opposition.

The opportunities are many. Updating property valuations for council tax, which remains based on 1991 values. Fixing the broken pension tax system, which offers substantial tax reliefs to millionaires. Addressing the lower rates of national insurance contributions (NICs) paid by the self-employed relative to employees, which the Institute for Fiscal Studies find no rational reason for.² These reforms would improve fairness, protect or strengthen economic growth, and potentially raise revenue. Yet, each reform risks generating a substantial backlash from those who end up paying more tax, be it households in London and the South, pensioners, or the self-employed.

The government rowing back on inheritance tax for farms - after tractors drove down Whitehall in protest multiple times - shows how politically painful a backlash can be. But it also lays bare the need for governments to convey to the public what they are for and what they are against. As Demos found, the government failed to persuade the public about what the inheritance tax changes were for, with their narrative on 'filling the fiscal black hole' failing to grip the public.³ It also failed to convey what the reforms were against, as the government did not state the intention to close opportunities for the well-advised to bypass inheritance tax. In the vacuum, a narrative formed that the government was simply punishing family farms. Farmer opposition led to widespread public opposition, and the government stepped back on the reforms.⁴

To unlock bold tax reform, the government must rebuild public legitimacy in the tax system. To do so, it must effectively convey to the public what it is for and what it is against.

WHAT THE GOVERNMENT IS FOR: EASING COST OF LIVING PRESSURES

The new Prime Minister entered Downing Street stating his intention to "give people some breathing space now, some help with the cost of living" - and has shown his willingness to use the tax system to deliver that.^{5,6} The removal of VAT from electricity bills will directly reduce household energy costs. The cut to business rates for pubs and small music venues could indirectly cut prices in those businesses. It comes atop of other fiscal support to ease cost of living pressures, such as the £2 cap on bus fares.

1 Joe Martin and Dan Goss, Citizens Economy: a New Deal to power economic growth and rebuild trust between state and citizen, Demos, 26 June 2026, https://demos.co.uk/wp-content/uploads/2026/06/New-Deal_Citizen-Economy_2026.pdf

2 Institute for Fiscal Studies, Are preferential tax rates for the self-employed justified?, No date, <https://ifs.org.uk/taxlab/taxlab-key-questions/are-preferential-tax-rates-self-employed-justified>

3 Dan Goss, Beyond the Headlines: The full story of the 2024 inheritance tax reforms – and lessons to learn, Demos, 14 October 2025, https://demos.co.uk/wp-content/uploads/2025/10/Beyond-the-Headlines_IHT-paper-2025_October.pdf

4 More in Common, Labour's first months: The Public's Verdict, 8 January 2025, <https://www.moreincommon.org.uk/research/labours-first-months-the-publics-verdict/>

5 Prime Minister's Office, 10 Downing Street, Andy Burnham's first speech as Prime Minister: 20 July 2026, GOV.UK, 20 July 2026, <https://www.gov.uk/government/speeches/andy-burnhams-first-speech-as-prime-minister-20-july-2026>

6 Felicity Hannah and Emer Moreau. PM admits cost of living help is not enough and hints at further support 12 August 2026. <https://www.bbc.co.uk/news/articles/cgmkee248vdo>

A focus on the cost of living is right if the government is to raise legitimacy in the tax system. Nine in ten Britons consider the cost of living an important issue facing the UK today - higher than any other issue for the entirety of 2026 and almost all of the three years preceding.⁷ Yet, as of March 2026, just 10% of the public felt the government was handling the issue well.⁸ Four in ten reported struggling to afford food and energy occasionally, half felt their finances got worse in the year prior (compared to 11% saying feeling better off), and half expected it to get worse in the coming year.⁹

Yet, tax policies to ease cost of living pressures represent a *transfer from the government* to certain groups. They show what the new Prime Minister is willing to spend money on - i.e. what he is in favour of. What the new Prime Minister must also convey to the public, however, is what he is willing to raise money from - i.e. what he is against.

WHAT THE GOVERNMENT SHOULD BE AGAINST: INVESTMENT IN EXTRACTIVE, HARMFUL AND UNPRODUCTIVE SECTORS

The UK faces a deficit of investment in productive industries - a central cause of the slowdown in productivity.¹⁰ Yet, a substantial amount of capital in the UK is directed towards unproductive or extractive economic activity - from speculative trading without productive ends to investments which push up domestic prices with little benefit for domestic households. Not only does this detract from investment in more productive ends, but the public believes it is unacceptable for businesses to make profits in ways that don't support productive activities.¹¹

Taxing extractive or unproductive sectors can reduce negative economic impacts and, as capital is redirected to more productive uses, support UK productivity. But alongside the economic benefits, taxing unproductive and extractive sectors would signal to the public what the government is against, and where it is willing to raise revenue. As the public recognises this, the change would raise legitimacy in the tax system. The state has already acted with recent levies on vaping and gambling. Below, we highlight two extractive or unproductive sectors which the government should target.

7 Office for National Statistics, Public opinions and social trends, Great Britain: April 2026, 15 May 2026, <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrendsgreatbritain/april2026>

8 Matthew Smith, Few Britons believe any party sees cost of living as a top priority, YouGov, 31 March 2026, <https://yougov.com/en-gb/articles/54427-few-britons-believe-any-party-sees-cost-of-living-as-a-top-priority>

9 Ibid.

10 Dibb G and Jung C. Rock bottom: Low investment in the UK economy. IPPR. 18 June 2024. <https://www.ippr.org/articles/rock-bottom>

11 Will Snell, Takers, Fairness Foundation, 18 May 2026, <https://fairnessfoundation.com/takers>

Crypto-currency

A substantial £13.8 billion of cryptocurrency was sold in 2024-25. A study of US investors found that cryptocurrency is bought mainly as a speculative asset rather than a genuine alternative to mainstream finance.¹² These speculative investments do not support productivity. Unlike company shares, cryptocurrency investment funds no business, supports very little employment and does not directly finance capital investment. In commodity markets, speculative trading can be valuable as it adds liquidity to the market, which improves efficiency and reduces risk for buyers and sellers, in turn reducing prices and volatility in commodity trading. Cryptocurrency has no equivalent productive function to support. Cryptocurrency mining is also highly energy-intensive; Bitcoin mining alone consumes around 138 terawatt-hours of electricity a year – more than the UK's entire domestic (household) electricity consumption.^{13,14} Cryptocurrency therefore creates negative externalities through raising global carbon emissions.

Second homes owned by non-UK residents

UK homes are in short supply, pushing up house prices and rental costs, reducing living space, exacerbating homelessness, and dampening economic growth.^{15,16} Yet, Demos analysis estimates that between 47,500 and 80,300 houses in the UK are second homes owned by non-UK residents.¹⁷ Homes in London make up a large proportion of these, with analysis of the 2014-16 period suggesting that 13% of new market housing in London was sold to overseas residents.¹⁸ Such purchases of UK homes exacerbate housing scarcity for UK households. This can be seen in the related problem of investment in UK housing by overseas companies - which analysis suggests pushed house prices in England and Wales 19% higher than they would have been between 2000 to 2014 (although this analysis refers only to housing purchased by overseas companies rather than overseas individuals).¹⁹

12 Auer, R. and Tercero-Lucas, D., Distrust or speculation? The socioeconomic drivers of U.S. cryptocurrency investments, Bank for International Settlements (BIS Working Papers No 951), 2021, <https://www.bis.org/publ/work951.pdf>
13 Cambridge Centre for Alternative Finance, Cambridge Bitcoin Electricity Consumption Index, <https://ccaf.io/cbnsi/cbeci>
14 Department for Energy Security and Net Zero, Digest of UK Energy Statistics (DUKES) 2025, Chapter 5: Electricity, GOV.UK, 2025, https://assets.publishing.service.gov.uk/media/688a28656478525675739051/DUKES_2025_Chapter_5.pdf (domestic consumption of 94.4 TWh in 2024)
15 Greaves, F. and Webb, L., Housing insecurity: impacts and solutions, POST (UK Parliament), 2025, <https://post.parliament.uk/housing-insecurity-impacts-and-solutions/>
16 Homes England, Measuring Social Value Paper 7: Housing Affordability and Productivity, GOV.UK, 28 July 2025, <https://www.gov.uk/government/publications/housing-affordability-and-productivity/housing-affordability-and-productivity-accessible-version>
17 Dan Goss, Solving the Tax Puzzle: Eight popular, pragmatic, pro-growth tax reforms to plug the fiscal hole, Demos, September 2025, https://demos.co.uk/wp-content/uploads/2025/09/Solving-the-tax-puzzle_report_2025_Sept.ac_.pdf
18 Wallace A, Rhodes D and Webber R, Overseas Investors in London's New Build Housing Market, Centre for Housing Policy, University of York, June 2017, https://www.london.gov.uk/sites/default/files/08b2c_overseas_buyers_-_homes_for_londoners_sub_group_-_university_of_york_data_report.pdf
19 Sá F, The Effect of Foreign Investors on Local Housing Markets: Evidence from the UK, CEPR Discussion Paper, 29 Nov 2016, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2877263

PROPOSALS & INSIGHTS

We propose two taxes on extractive or unproductive sectors, with the revenue directed towards support for the cost of living. Based on a survey of 2,000 people in August 2026, we find that both of the tax reforms would improve the public's sense of fairness in the tax system, and their favourability towards the government.

1. Taxing cryptocurrency: reclassify cryptocurrency to be taxed by income tax rather than capital gains tax (raising up to £250 million) to help fund the VAT cut to electricity bills.

Half of the public (49%) think taxing cryptocurrency gains through income tax would make the tax system fairer, ranging from 66% of Lib Dem supporters to 42% of Reform UK supporters - more than four times the 11% who think it would make it less fair. Similar proportions would feel more favourable towards the government as a result.

2. Taxing second homes owned by non-UK residents: a 200% council tax premium (raising around £195 million) to fund support for rough sleepers.

This is the most popular of the three reforms: 55% of the public think it would make the tax system fairer (including 59% of Labour supporters and 47% of Conservative supporters), against just 14% who disagree. It would make the public more favourable towards the government by 50% to 13%.

Both of these reforms comfortably passes Andy Burnham's 'Makerfield test': in the top third most deprived constituencies outside London and the South East, the public are much more likely to think the reforms would improve rather than reduce fairness in the tax system, and to feel more rather than less favourable towards the government as a result.

We recognise that these reforms are far from the overhaul that the tax system needs - which Demos has discussed elsewhere.^{20,21} But they help to unlock the bold change we need by building public legitimacy in the tax system. If, in the upcoming Budget, the government can use the proposed reforms to successfully convey what kind of economy it wants to deliver, it will build the political capital needed to drive through much more radical change.

²⁰ Dan Goss, Solving the Tax Puzzle: Eight popular, pragmatic, pro-growth tax reforms to plug the fiscal hole, Demos, September 2025, <https://demos.co.uk/research/solving-the-tax-puzzle-eight-popular-pragmatic-pro-growth-tax-reforms-to-plug-the-fiscal-hole/>

²¹ Dan Goss, Taxing Decisions: Should the government break its promise and raise income tax, national insurance or VAT to secure a 'delivery dividend'?, Demos, 7 November 2025, <https://demos.co.uk/research/taxing-decisions-should-the-government-break-its-promise-and-raise-income-tax-national-insurance-or-vat-to-secure-a-delivery-dividend/>

PROPOSAL 1

TAXING CRYPTOCURRENCY

Proposal: Reclassify cryptocurrency to be taxed by income tax rather than capital gains tax (CGT), to fund the VAT cut to electricity bills. While cryptocurrency gains are currently subject to CGT, with a top rate of 24%, the government should instead subject them to income tax, with a top rate of 45%.

Reason: The change would signal that the government will not provide tax advantages (which CGT offers relative to income tax) for investment in non-productive assets such as cryptocurrency, the mining of which also uses extensive electricity. The Chancellor could emphasise how the extensive electricity used for cryptocurrency mining should be discouraged in favour of household electricity use, which the VAT cut supports.

The reform would largely affect extremely wealthy individuals - with over half of all cryptocurrency gains (worth £717 million) going to just 240 people in 2023-24, with average cryptocurrency sales of £31 million each. The tax would also likely cause some investors to redirect investment into more productive uses, supporting growth.

Demos has called separately for wholesale CGT reform to better target that incentive - increasing the rates to match income tax while introducing an allowance to encourage investment, exempting gains at the 'normal' rate of return. If that broader CGT reform is introduced, cryptocurrency gains should be exempt from the investment allowance, on the same basis that we should not be encouraging investment in cryptocurrency.

Precedent: The policy reflects the system in Denmark, which taxes individual cryptocurrency gains as personal income rather than using the lower rate applied to gains on shares. Danish tax authorities have long treated cryptocurrency trading as 'speculation' under Danish tax law rather than as a conventional investment, so gains and losses fall under ordinary income tax, at rates of up to around 52-56%.²² Denmark's Tax Law Council in 2024 proposed to go further still, recommending that cryptocurrency is taxed annually regardless of whether it has been sold, in order to remove the current mismatch between how gains and losses are treated.²³ That Denmark is extending, rather than retreating from, income-tax treatment of cryptocurrency indicates that the approach has been successful.

Public attitudes: The change would improve public legitimacy in the tax system, with half of the public thinking the reform would make the tax system fairer. The belief holds up across the political spectrum: on net, supporters of every party feel the reform would make the tax system fairer, including +43% for Green and Labour supporters, +41% for Conservative, and +39% for Reform supporters. Support is markedly lower among younger people, who are more likely to hold cryptocurrency themselves: just 36% of 18-34 year olds think the reform would make the tax system fairer, compared to 53% of over-65s.

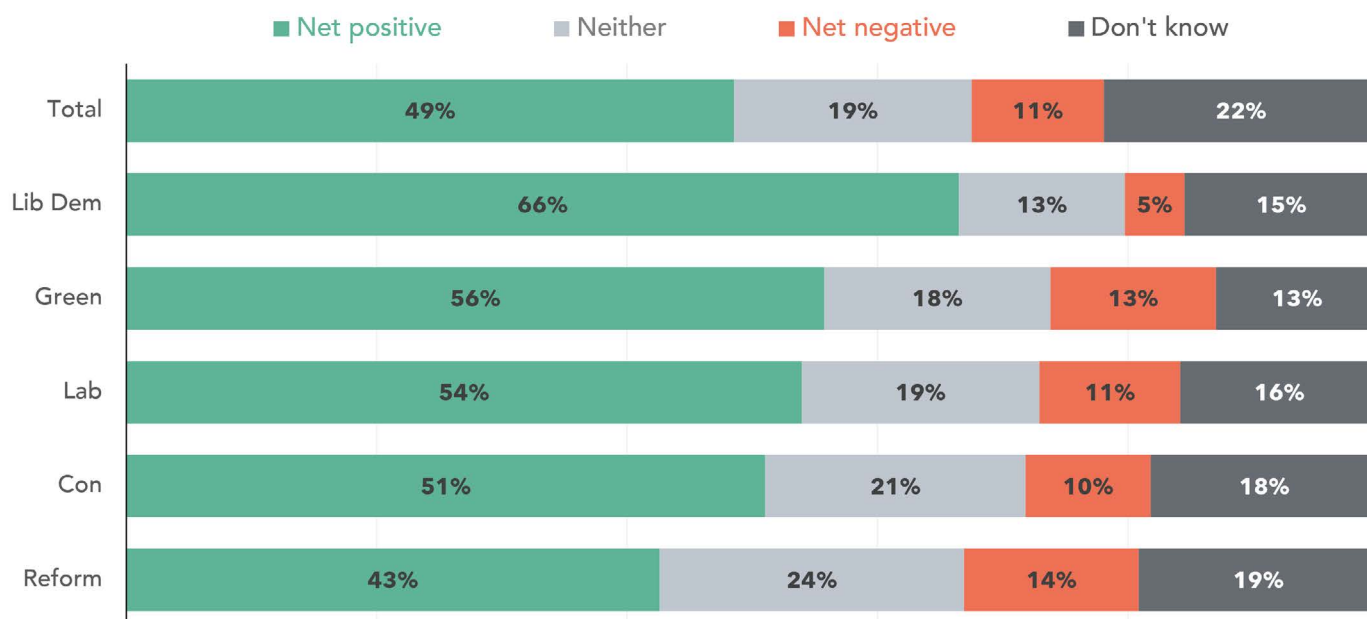
²² MEXC, Crypto Tax In Denmark 2026: Capital Gains, Loss Deductions, And Reporting Rules, <https://blog.mexc.com/denmark-crypto-tax-guide/>

²³ Skatteministeriet (Danish Ministry of Taxation), Ny rapport fra Skattelovrådet: Kryptoaktiver bør fremover lagerbeskattes, 23 October 2024, <https://svmn.dk/aktuelt/presse-nyheder/pressemeddelelser/ny-rapport-fra-skattelovraadet-kryptoaktiver-boer-fremover-lagerbeskattes>

CHART 1

The public overwhelmingly thinks higher tax for crypto gains would make the tax system fairer

Views on whether taxing cryptocurrency profits with income tax rather than capital gains tax to fund the cut on VAT for electricity bills would make the tax and spending system more or less fair

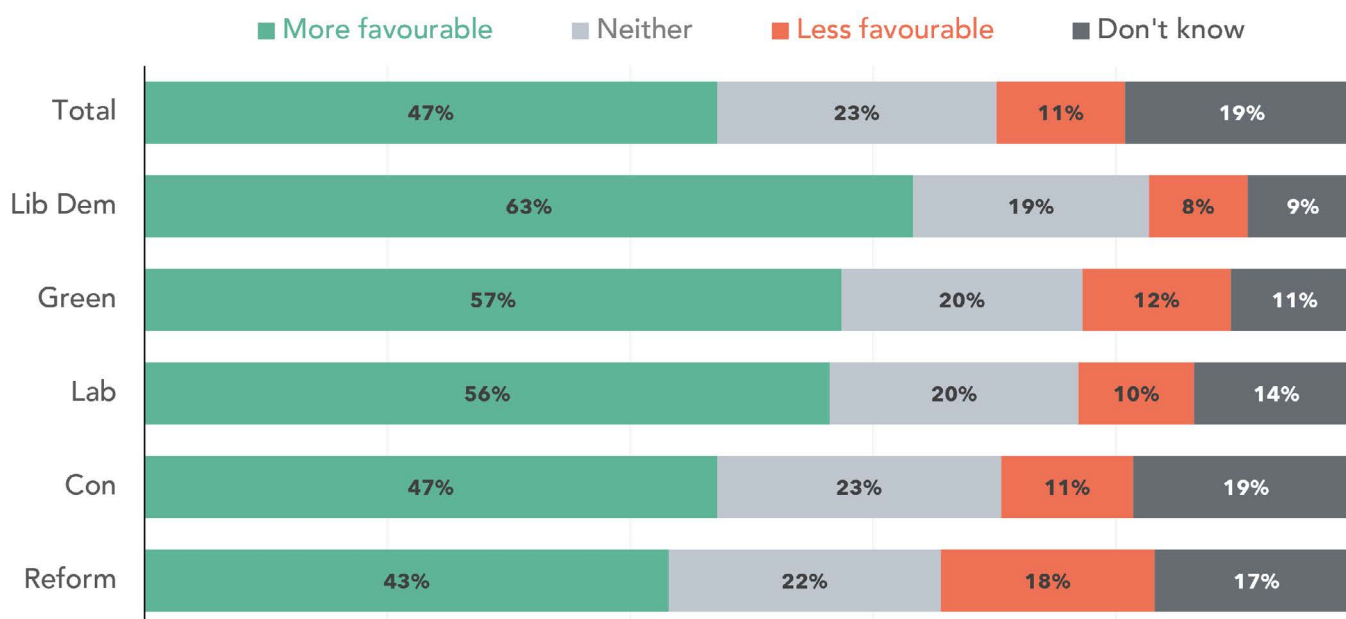


The policy would also raise favourability in the government across every party's supporters, from 43% of Reform UK voters to 63% of Liberal Democrats.

CHART 2

Government would be seen more favourably by all party supporters if they raise tax on cryptocurrency gains

Favourability towards the government if it applied income tax to cryptocurrency profits, rather than capital gains tax, in order to fund the cut on VAT on electricity bills



REVENUE ESTIMATE

Total taxable cryptoasset gains were £1.38bn in 2024-25, the year for which HMRC has published its first cryptoasset-specific breakdown.²⁴ Shifting these from capital gains tax rates to income tax rates would, before any behavioural effects, generate an estimated £210-246m in additional revenue (the methodology is laid out in detail at the end of the document). This would cover the majority of the cost of the one-off VAT cut to electricity bills (£850 million) within this Parliament (i.e. between 2026/27 and 2029/30). If we assume a 25% loss in revenue due to behavioural effects (with that capital likely being redirected to more productive uses), the revenue would amount to £158-185m.

PROPOSAL 2

TAXING NON-UK RESIDENTS' SECOND HOMES

Proposal: Introduce a 200% council tax premium on non-UK residents' second homes to fund support for rough sleeping.²⁵

Reason: Taxing non-residents' second homes would signal a government recognition that the purchase of investment properties by non-UK residents adds pressure onto scarce housing supply and drives up prices, with little benefit for most UK households. It would ensure the UK public are compensated for the social cost.

Precedent: A similar tax is found in Vancouver, where an annual 'speculation tax' is applied to all residential property owned by individuals who are not income tax-payers in the province.²⁶ The tax is charged at 2% of the property value. Similarly, anyone not a Canadian citizen or permanent resident has to pay an 'additional property transfer tax' of 20% on purchases in the Vancouver region, and an equivalent policy was introduced in Toronto.²⁷ 2026 analysis shows that the tax change "achieved its objective of lowering single-family home price growth in metropolitan destination cities like Vancouver and Toronto", with house price growth declining by around 4-6% in the short run.²⁸ The finding builds on broader evidence that taxes on foreign home buyers reduce domestic prices.²⁹ Another study found that these tax changes were associated with an increase in the number of new residential builds, but no significant increase in the value of property building permits.³⁰

24 HM Revenue and Customs, Capital Gains Tax statistics, GOV.UK, last updated 27 August 2026, <https://www.gov.uk/government/statistics/capital-gains-tax-statistics>

25 Given that this policy would boost council tax revenues for some local authorities much more than others, the reform would need to come with a rebalancing of central government funding to local authorities. A rule would need to be baked into the reforms which redirected grant funding in proportion to the additional council tax.

26 Centre for Analysis of Social Exclusion. Make second homes less attractive. LSE. https://sticerd.lse.ac.uk/case/_new/research/Inequalities_and_Poverty/policy-toolkit/housing-second-homes.asp

27 British Columbia. Additional property transfer tax for foreign entities and taxable trustees. 20 June 2025. <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/additional-property-transfer-tax>

28 Refayet S. Effect of Foreign Buyer Taxes on Single-Family Home Prices: Evidence from British Columbia and Ontario. Department of Economics at Memorial University. July 2026. <https://www.mun.ca/economics/media/production/memorial/academic/faculty-of-humanities-and-social-sciences/economics/economics-new-site/research/working-paper-series/WP202608.pdf>

29 Hartley J et al. Do Foreign Buyer Taxes Affect House Prices?. Journal of Real Estate Research. October 2024. <https://www.tandfonline.com/doi/full/10.1080/08965803.2024.2376955>

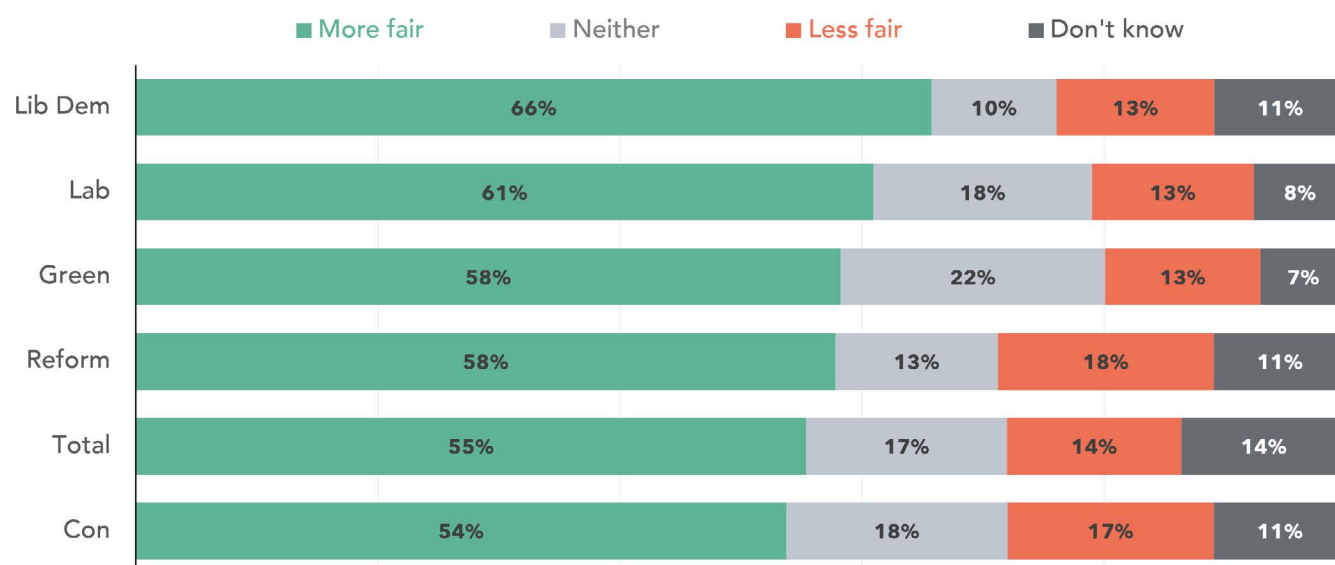
30 Hu J. The Effects of British Columbia's Vacancy Tax and Foreign-buyer Tax Act on the Supply of New Residential Housing in Vancouver. University of Ottawa. August 2018. <https://ruor.uottawa.ca/server/api/core/bitstreams/01366145-24bc-4588-9217-44bdad888d16/content>

Public attitudes: The tax on non-UK residents' second homes is the most popular of the two reforms tested: 55% of the public say a council tax premium on non-UK residents' second homes would make the tax system fairer, against 14% who disagree. That view is shared among the supporters of all main political parties, from 54% among Conservatives to 66% among Liberal Democrats. It also builds extensive favourability towards the government, with 50% saying it would make them more favourable against just 13% less favourable.

CHART 3

The public overwhelmingly thinks a council tax premium on non-UK residents' second homes to fund support for rough sleepers would make the tax system fairer

Views on whether a council tax premium on non-UK residents' second homes to fund support accommodation options for rough sleepers would make the tax system more or less fair



REVENUE ESTIMATE³¹

Savills' 2011 data show 15% of non-UK residents' London purchases are second homes.³² Combined with CBRE figures on overseas-registered London homes, this implies around 50% of London's second homes are non-UK owned.³³ We then scale this ratio to other regions using Land Registry data on properties owned by non-UK residents, with ratios ranging from 5%-26% outside London.³⁴ If we assume all properties the distribution of non-residents' second homes across council tax bands are the same as for second homes in general, this suggests a total estimated yield of £142.5 million.

The council tax premium could also be applied to long-term empty homes owned by non-UK residents. Assuming that the proportion of vacant properties that are long-term vacant is the same for foreign-owned properties as it is properties in general, an additional £52.3 million could be raised from empty homes by applying the additional 200% premium. The majority comes from London and the South East.

31 Provided by Landman Economics

32 Ramidus Consulting Ltd, The Prime Residential Market in Westminster, Westminster City Council, 12 February 2014, https://www.westminster.gov.uk/sites/default/files/media/documents/ev_h_012_prime_residential_market_in_westminster_wcc_and_ramidus_2014_1.pdf

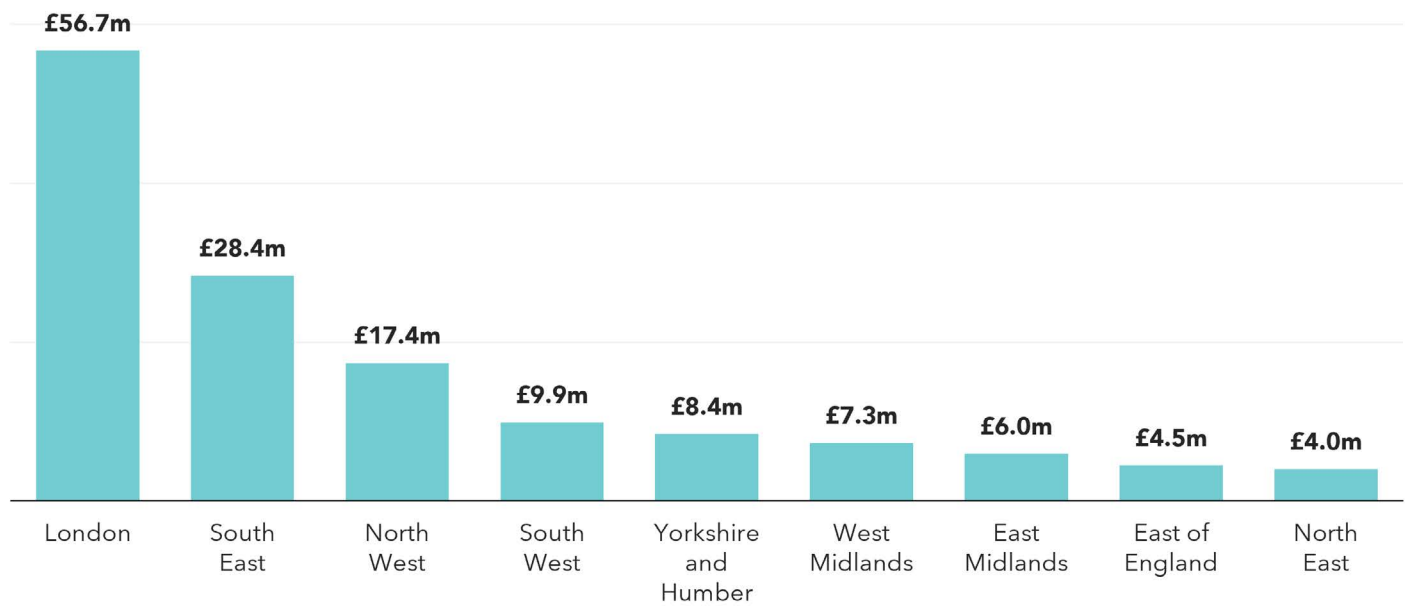
33 CBRE, Should we restrict overseas buyers?, 8 March 2024, <https://www.cbre.co.uk/insights/articles/should-we-restrict-overseas-buyers>

34 HM Land Registry, Overseas companies that own property in England and Wales (OCOD dataset), updated monthly, <https://use-land-property-data.service.gov.uk/datasets/ocod>

CHART 4

60% of the revenue from a tax on non-UK residents' second homes would come from London and the South East

Additional council tax paid based on a 200% premium on second homes owned by non-UK residents, by region of property



INSIGHT

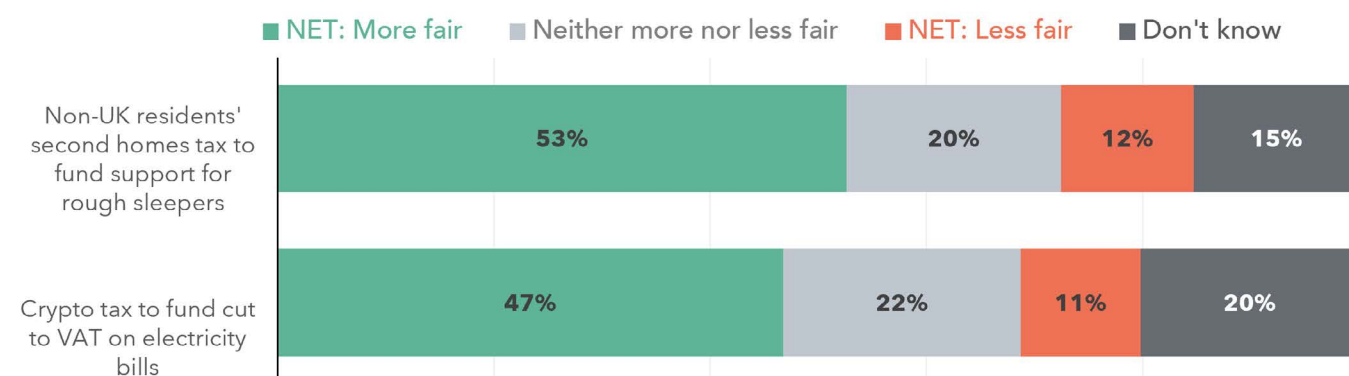
ALL REFORMS PASS THE MAKERFIELD TEST

Both of the reforms comfortably passes Andy Burnham's 'Makerfield test': in the top third most deprived constituencies outside London and the South East, net support for every reform is strongly positive. The non-UK residents' second homes tax has the strongest support (53% more fair against 12% less fair), followed by the cryptocurrency reform (47% against 10%) – in both cases a resounding majority of net sentiment in favour, in exactly the communities the government most needs to persuade.

CHART 5

The proposed reforms each pass Andy Burnham's 'Makerfield Test'

Views on how tax proposals affect fairness in the tax system, for constituencies determined as part of the 'Makerfield test' - i.e. the top third most deprived constituencies outside London and the South East



REVENUE FOR CRYPTOCURRENCY TAX REFORM **METHODOLOGY**

HMRC's first official crypto tax figures, published August 2026, show that in 2024-25, 17,600 people in the UK reported a combined £1.38bn in crypto gains. HMRC split this into eight groups by size of gain (e.g. how many people had gains between £50,000 and £100,000, and how much they made between them).

One challenge is that we want to know how much of this money would fall above or below the UK's tax-rate thresholds, but those thresholds don't line up neatly with HMRC's £50,000/£100,000 boundaries. To address this, for each group we assumed that gains follow a Pareto distribution, in which people cluster toward the lower end of a range (a standard shape economists use when modelling this kind of grouped income or wealth data).³⁵ For each of HMRC's eight groups, we chose how stretched-out or bunched-up that shape should be so that it reproduces the headcount and total gains HMRC actually reported for that group.

For every person implied by each group's fitted shape, we calculated how much of their individual gain falls into each income tax band, and aggregated this across the sample. In one scenario, we assume that crypto gains are a person's only income. In another, we assume that the gains sit on top of the UK's typical full-time salary of £39,039. Given that many cryptocurrency traders are also stock traders, it is likely that the average income beyond cryptocurrency gains is in fact higher than the median salary - suggesting both scenarios understate the effect.³⁶ Either way, given that cryptocurrency gains bunch at the top of the distribution, most gains are subject to the additional rate of tax.

In each scenario, we apply the tax rate increases - a 2 percentage point rise for the slice of gains taxed at the basic rate, 16 points for the slice at the higher rate, and 21 points for the slice at the additional rate - and summed these across the population. This gives a range of £210m to £246m before accounting for people changing their behaviour in response to the tax. If we assume a 25% reduction in revenue due to behavioural change, the revenue would be £158m to £185m.

35 Atkinson, A.B. (2017), "Pareto and the Upper Tail of the Income Distribution in the UK: 1799 to the Present," *Economica*, 84(334). <https://sticerd.lse.ac.uk/dps/case/cp/casepaper198.pdf>

36 Pelster et al (2017). "Are cryptocurrency traders pioneers or just risk-seekers? Evidence from brokerage accounts." *Economic letters*. <https://www.sciencedirect.com/science/article/abs/pii/S0165176519302265>

REVENUE FOR TAX REFORM ON SECOND HOMES OF NON-UK

METHODOLOGY

Revenue estimates for the 200% council tax premium specifically to non-UK residents' second homes were provided by Landman Economics. The modelling first established what share of second homes are non-UK owned, focusing on London, where the data is richest. Savills' 2014 report (using 2011 data) found that 15% of non-UK residents' property purchases in London were second homes. Separately, analysis cited by CBRE estimated that around 105,000 London homes were registered to overseas correspondence addresses as of 2024. 15% of this figure — around 15,500 — gives an estimate of non-UK-owned second homes in London. Comparing this to an existing estimate of around 31,000 second homes liable for the premium across London as a whole, non-UK residents appear to own roughly 50% of London's second homes. The model therefore assumed the yield from taxing only non-UK-owned second homes in London would be around half of the £57m estimated yield from taxing all second homes there, giving £28.5m.

To extend this beyond London, where overseas ownership is likely less concentrated, the model used Land Registry data on non-UK owned properties by region, comparing this to the number of second homes in each region and scaling all regions' ratios so that London's matched the 50% figure derived above. This produced regional estimates of the non-UK-owned share of second homes ranging from 5% in the South West to 26.3% in the East Midlands. To calculate the revenue, we draw on data on the number of second homes in each local authority broken down by council tax band, and combine this with data on council tax charges across local authorities.³⁷ We assume that second homes owned by non-UK residents are distributed across council tax bands in each region in the same shape as second homes in general, and calculate the total council tax paid by non-UK residents' second homes. Applying a 200% council tax premium then implies a total UK-wide estimated yield of £142.5 million.'

The council tax premium could also be applied to long-term empty homes owned by non-UK residents'. To estimate the revenue, MHCLG's Council Tax statistics can be used to determine the proportion of vacant properties in each UK region that are long-term vacant. We can then assume that the proportion of vacant properties that are long-term vacant is, in each region, the same for foreign-owned properties as it is properties in general. Applying this to the number of foreign-owned properties in each region gives us a figure for the number of foreign-owned properties that are long-term vacant. Using the same process as above to estimate yield, the analysis suggests an additional £52.3 million in revenue from the council tax premium.

³⁷ MHCLG. Local authority Council Taxbase in England 2025 (revised). 21 January 2026. <https://www.gov.uk/government/statistics/council-taxbase-2025-in-england/local-authority-council-taxbase-in-england-2025>

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