



UBILAB
Network

Working paper:

Proposing a Resilience Universal Basic Income

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Proposing a Resilience Universal Basic Income

A proposal for UBI

09/21

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Design

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Introduction

In 2018, the UK's total wealth was [estimated at](#) £14.6 trillion. The 2008 bank bailout issued only months after the start of the global financial crisis [cost the UK](#) £500bn. By comparison, 2020's Job Retention Scheme, lasting just seven months and set to end in October, [will amount to](#) only £100bn.

The UK national debt in 2020 is [now equivalent to that](#) at the end of the second world war. At the end of that crisis, the government of the time bravely invested in a massive programme of public spending, which in turn allowed the creation of institutions like the NHS and much of the present-day welfare state. From our perspective in the middle of a global pandemic, the benefits of such forward-thinking are clear to see. It stands to reason why a Universal Basic Income is being heralded as 'our generation's NHS' by so many citizens, politicians and civil society leaders in the UK.

Given the spending on the bank bailout, the facility of Quantitative Easing (QE) and the abundance of other methods of raising state income listed in this paper, the assertion that the UK lacks the resources to support even a temporary universal safety net (or UBI) of just twelve months for all its citizens must be recognised as purely ideological. We must also consider the other external shocks that are on their way: the global pandemic is unlikely to abate until 2022, causing lasting harm to the economy, and in the UK the cost of leaving the EU in early 2021 will be a significant financial drain and a further economic shock. In the absence of comprehensive schemes, the government resorted to piecemeal measures. The Job Retention Scheme (JRS) and Self-Employment Income Support Scheme (SEISS) were highly welcome, but they missed out up to [5 million people](#), many on lower incomes. These include those already made redundant, recent job starters, the newly self-employed, and those taking time out to care for loved ones. As a response to these gaps, a number of organisations, including the [UBI Lab Network](#), the [RSA](#) and [NEF](#), developed proposals for '[Emergency](#)' and '[Recovery](#)' model UBIs that would have provided the whole population with comprehensive income security for the duration of lockdown.

With these concerns in mind, the UBI Lab Network in collaboration with a number of academics and researchers offer three options for a Resilience UBI in this paper. We believe these represent a vision of resilience against the dire and costly effects of spiralling poverty, insecurity and poor health that citizens and communities across the UK are currently experiencing.



Our Resilience UBI proposal puts forward three options:

- a 12 month temporary UBI top-up payment of £400 to adults and £200 to children and pensioners, which we call a 'Covid Dividend'
- a 'Full UBI' of £800 for adults and pensioners, and £400 for children
- a 'Transitional UBI' from a temporary Covid Dividend through to a Full UBI

All three of these options would have provided both vital income security and comprehensive coverage for all citizens during the lockdown and subsequent easing of lockdown in summer 2020. These proposals are not far-fetched or unprecedented. In the United States, a Republican administration has sent one-off payments – known as Stimulus Checks – of up to \$1,200 to millions of lower and middle income Americans. This [amounts to](#) an estimated \$560bn in direct payments out of a total US government support package costing around \$2 trillion.

This proposal builds on those earlier ideas but crucially looks beyond the pandemic and seeks to address the likely instabilities, both economic and social, that will be with us long after the full roll-out of the vaccine. It seeks to directly address the support that households and the economy will need over the next 12 months and beyond.

As such, a menu of short, medium and long-term funding options are presented in order to demonstrate the financial feasibility of each option, summarised in the table below:

	Covid Dividend	Full UBI
Gross cost (per annum)	£261bn	£580bn
Savings from current welfare programmes		£170bn
People's Quantitative Easing	£261bn	Variable
Scrapping Personal Tax Allowance		£111.2bn
New Income Tax bands		£82.5bn
New NIC bands		£30bn
VAT increase		£27.5bn
Close tax loopholes		£60bn
Financial Transactions Tax		£2bn
Wealth Tax		£116bn
Reform Corporation Tax		£14.5bn
Citizen's Wealth Fund		Variable
Net cost	£0bn	-£33.7bn

This shows that were the government to introduce every revenue-raising option contained in this document, it would actually have a surplus of £33.7bn to spend on a Full UBI. However, this document does not propose that it would be feasible to introduce all of them at once, and notes clearly that many calculations contained are rough estimates (albeit conservative ones wherever possible), or may have diminishing returns over time. We have offset these fluctuations though, by proposing the use of People's Quantitative Easing and a Citizen's Wealth Fund as two options to 'top-up' any shortfall in paying for the UBI year to year.

What is a Universal Basic Income?

A Universal Basic Income is an unconditional and regular cash payment given to everybody, regardless of their income, wealth or employment status. The highest earners receive a UBI like everybody else, but effectively pay it back in higher taxes. Although there are slight differences, it works in a similar way to the basic State Pension and Child Benefit.

What is the UBI Lab Network?

The [UBI Lab Network](#) was established in 2016 and is hosted by the social enterprise [Opus Independents](#). It is an international community of citizens, academics, think-tanks, researchers, elected representatives, activists and campaigners working to explore the potential of Universal Basic Income. The network consists of over 30 citizen-led groups or Labs, predominantly located in the UK, which are defined by both location (e.g. [UBI Lab Leeds](#)) and by identity (e.g. [UBI Lab LGBTQ+](#)).

The UBI Lab Network works in partnership with the [Basic Income Conversation](#) to resource an innovative [Cross Party Parliamentary and Local Government Group](#) on UBI with elected members from across all levels of national and local governments. We also work to resource and inform citizens to explore UBI in their own communities from the grassroots, and work with academics and researchers to develop proposals on UBI informed by current events.

The work of the UBI Lab Network is informed by four values which outline the type of UBI we would like to create:

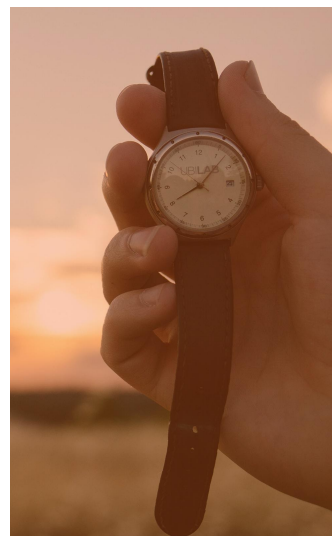
- **Equal:** Significantly reducing poverty and acting to address lack of equality for individuals, communities and across all regions of the UK.
- **Simple:** Reducing the complexity and cost of the welfare state, making it more supportive and less intrusive.
- **Democratic:** Allowing people to contribute to their community and amplifying participatory, deliberative and representative forms of democracy.
- **Inclusive:** Ensuring that we leave no individuals or communities behind and listen to the concerns of others.

Three options for a Resilience UBI

Option one: a 'Covid Dividend'

The Covid Dividend would consist of a monthly payment of £400 for working age adults (aged 16–64) and £200 to children and pensioners. This would be paid to all UK permanent residents – approximately 66.8 million people – for a period of 12 months. It would not be counted as income for the purposes of tax calculations or means-tested benefits.

This model of a Resilience UBI would represent a modest top-up income as a means of building resilience into households and the economy whilst the impacts of Covid-19 are still being felt. It would also represent a dividend to all citizens as recognition of the role each of us has played in making sacrifices to keep each other safe during the pandemic. The amount is set at a level to increase the meagre support available on current benefits, stimulate consumer spending and provide a baseline of economic security for all. Therefore, the amount would not be enough to get by on entirely but is intended as a buffer against further economic instability due to Covid-19. The period of 12 months is proposed in order to provide an annual cost for the Dividend, however this is done with cognisance of the fact that regardless of when the vaccine is fully rolled-out, the economic impacts of Covid will still be with us well beyond that, and an extension beyond 12 months may be necessary.



The overall cost of the Covid Dividend option is £261bn over 12 months, or around 11% of UK GDP in 2019. It's proposed that this Dividend could be funded exclusively through People's Quantitative Easing, in the same way most other Covid financial packages have been in 2020 (including the furlough scheme).

This option, and the two that follow, are costed based on the following demographic assumptions and the actual cost would vary:

- Population of 66,800,000 people
- 19% of population aged under 16 and receiving £200 per month (12,692,000 people)
- 63% of population aged 16–64 and receiving £400 per month (42,084,000 people)
- 18% of people aged 65 or over and receiving £200 per month (12,024,000 people)

Option two: a 'Full' UBI

The Covid Dividend would represent an additional cost to government budgets, one which we propose could be easily paid for through additional borrowing and increased taxation in the long-term. The £261bn is a fiscal net cost on top of existing social security payments – it would not replace any aspects of the welfare state as it currently stands. A Full UBI, paid at twice the value of the Covid Dividend, is another option that could be rolled out as a response to the pandemic, and would involve a radical overhaul of the welfare system.

Under the Full UBI, working age adults would be paid £800 a month, and children £400. Pensioners would also receive the full payment of £800 as a UBI set at this level would be around £100 higher than the state pension and would therefore replace it. This figure has been selected to ensure the vast majority of UK households would automatically receive an income at around the relative poverty line of 60% of median income, and well above the absolute poverty line.¹

The gross cost of this option would be £580bn per year, but the net cost would be substantially lower as the full UBI would replace a number of means-tested, work-related benefits. Over half of families in the UK currently receive one or more benefits at any one time, and most will receive benefits for at least a third of their life, via universal benefits such as Child Benefit and State Pension.



Given the constant change in annual benefits expenditure through uprating, demographic change and welfare reform, it is exceedingly difficult to give exact figures on the total UK welfare spend, especially across different benefits. Another complication of working out this figure is the different levels of devolution of certain welfare funds throughout the UK. Therefore, UK government statistics on the percentage spend by type of benefit will be used, which

was a total of £222bn in 2019.² It is worth noting this spend is significantly lower as a result of austerity cuts, with £264bn spent as recently as 2016/17,³ and an increase of just 20% would return us to previous levels. It's also worth noting that the spend in financial year 2020/21 is likely to be significantly higher as a result of Covid-19 and

increased uptake of benefits such as Universal Credit. Additionally, this figure does not include welfare spending in Northern Ireland, which is devolved and estimated at £7bn per year, giving us a total of approximately £229bn per year in UK-wide benefit expenditure.⁴ This figure alone would give £286 per month for every person in the UK, however this would be overly simplified as it would include benefits that would not be replaced by a UBI.

Instead, this proposal selects pensions and 'income-related benefits' to illustrate the level of savings possible as a result of introducing a full UBI. This is a simplification necessary for the purposes of this proposal – in practice, certain elements of Universal Credit, such as Housing Benefit for example, would need to be retained and reformed (to account for regional variations in housing cost). Benefits related to illness or disability such as PIP, ESA or Carer's Allowance would remain intact. This is not to say these benefits are perfect but that a UBI is based on the principle of being able to gain further income through work, and should not be a substitute for those for whom work is limited or impossible due to disability or caring responsibilities.

The government spent approximately £70bn on 'income related benefits and personal tax credits' in 2019 (including approximately £1bn for Northern Ireland).⁵ It is proposed that a UBI could replace the vast majority of these benefits with some exceptions such as Housing Benefit, which would need to be retained and reformed to work alongside UBI, particularly in high-rent areas. However, giving an estimate of this cost is exceedingly difficult because Housing Benefit, for the most part, is counted within Universal Credit figures, and because as a result of most people receiving more income as a result of UBI, eligibility for income-related benefits would decrease. However, for the purposes of this proposal the entire figure of £70bn will be used.

Pensions are by far the largest single item in all social security spending. Pensions are subject to a triple lock and are therefore subject to more generous uprating than any other benefit, rising by approximately £3bn a year (although it is worth noting this has recently been downgraded to a 'double lock' by the government temporarily for one year).⁶ Spending on the state pension was £96.7bn in 2019 with an additional 2.3bn in Northern Ireland bringing the total to approximately £100bn.⁷ Based on that calculation, pension savings would deliver £125 per month for every person in the UK.

Therefore, with an estimated saving of £100bn from pensions and £70bn from work-related benefits subtracted from the gross cost of £580bn, the net cost per year of a full UBI before any additional revenue raising would be closer to £410bn annually.

Option three: a 'Transitional' UBI

In recognising the scale of change involved in rolling out the Full UBI, which would in effect replace much of the welfare state, a more feasible scenario may be to transition from the 12-month Covid Dividend into the Full UBI. This would give the government time to deliver the radical overhaul of the tax and benefits system necessary, whilst ensuring people receive vital economic security via the Dividend in the meantime. While 12 months may seem like an ambitious turnaround given the decade it is likely to take for a full roll out of Universal Credit, the simplicity and lack of means testing involved in administering UBI make it much simpler to rollout – indeed many countries delivered a form of UBI during the pandemic in a matter of weeks (such as the United States).

The cost of this option would be £261bn for the first year, followed by a net cost of approximately £410bn in subsequent years. However, it should be noted that in order to protect real incomes and keep up with inflation, the Full UBI would be subject to the same triple lock principle as the current state pension: guaranteeing that the UBI will rise by a minimum of either 2.5 percent, the rate of inflation or average earnings growth – whichever is largest of these – each year.

This is a substantial financial commitment for any government, but as this proposal will now demonstrate, there are a diverse range of funding options for any of the three UBI models proposed.



Funding the Resilience UBI

A UBI is affordable. However, like the cost of other universal programmes such as health and education, it is not cheap, and savings from existing social security programmes alone will not fund it. Additional revenue raising by the government will be necessary to fund the initial Covid Dividend and sustainably deliver a UBI in the long term.

UBI is not a policy which operates in isolation – it represents a radical overhaul of the tax and benefits system of the UK, and the UBI advocated for here presents a progressive vision of a system fit to face the unique economic challenges of the 21st century. There are regressive models of UBI which would limit its transformative potential. For example:

- Setting it at a very low level while also removing means tested benefits
- Removing all benefits including disability and housing-related benefits
- Applying a flat tax that does not account for income and wealth disparities
- Funding it primary through a consumption tax such as VAT
- Using UBI as an excuse to reduce funding to other public services, such as health or education
- Using UBI as a wage subsidy, facilitating cuts to minimum wages

A progressive UBI recognises that:

- a) UBI is not a panacea and instead serves to fill the gaps in the present social security system and give everyone a fair starting point.
- b) An adequate UBI will require progressive taxation and new forms of taxation which concurrently tackle wealth inequality and facilitate the conditions of a fairer economy.
- c) No one should be worse off as a result of UBI replacing other benefits such as pensions or Universal Credit.

With these principles in place, this proposal outlines short, medium and long-term strategies to pay for the Resilience UBI, all of which can be pursued in unison and seek to balance fiscal feasibility with the need for a progressive new tax and benefit system.

Short term: how we pay for it in 2021/22

People's Quantitative Easing (PQE)

Whilst we have all heard the rhetoric of 'there is no magic money tree', one always seems to spring up in a crisis. In 2008 the Government borrowed £500bn to bail out the banks, and in 2020 alone it borrowed over £100bn to bail out businesses and households as a result of Covid-19.⁸ In fact, the UK now has the highest 'deficit' since the end of the second world war.

Although neoliberal orthodoxy would suggest there is no money except that which comes from the value people create and that the government taxes, this is simply not true. In a country with sovereignty over its money supply (such as the UK or US), the government can control the amount of money in the economy. It can take money out (via taxation), it can put money in (through public spending) or it can create new money through additional borrowing from a central bank. A government with sovereignty over its money supply does not (and should not) operate like a household, business or state/local government, all of which must raise money before they spend it and risk bankruptcy if they spend beyond their means. Instead, government can spend first and pay later, investing in people and the economy to get through economic downturns and unleash the economy's full potential.

Indeed, a lot can be learnt from the aftermath of the second world war, where the government of the time, inheriting a severely indebted nation, had the political vision not to tighten their fiscal belt but engage in an unprecedented programme of public spending. As a result, they built universal services such as the NHS and established the social security system we know today – in the process spurring economic growth and driving the postwar recovery.



A UBI builds on this legacy of investing in people and seeks to build a social security system fit for today's society. Universal healthcare was once dismissed as an impossible pipe dream – indeed some politicians of the time even argued people would injure themselves to receive free treatment. Now it is one of our greatest national achievements.

There are many lessons to be learnt from the postwar era, which in part explains why UBI has been hailed by many in 2020 as 'our generation's NHS'.

People's Quantitative Easing (PQE), also referred to as 'Helicopter Money'⁹ is an approach to funding UBI that sits within Modern Monetary Theory (MMT) and advocates for the creation of money by the government via a central bank (the Bank of England) to fund direct cash payments to people. PQE is distinct from the trillions created for Quantitative Easing (QE) to bail out the banks in 2008 and ongoing QE policies in other countries, most notably Japan. The difference is in implementation, in that money created through QE is used by the central bank to purchase assets such as government bonds (gilts in the UK) directly from the open market including from investors such as pension funds and insurance companies. The idea is that once these sellers of bonds have new money in place of their bonds, they will spend or reinvest it in ways which stimulate the economy.



The issue in 2008 was that the money created went straight back into restoring the balance sheets of the banks, which were reluctant to lend to regular people and small businesses in dire financial straits, leaving them to default on their mortgages and lose their jobs. The money stayed largely within the financial sector and did little to stimulate the economy, as the rich are more likely to hold onto their money than spend it. Since 2008, when the UK government really started to rely on quantitative easing to bail out banks and provide loans to businesses, the Bank of England has created approximately £745bn, or £1,100 for every citizen.¹⁰

PQE on the other hand would bypass this process by providing money directly to the government to fund its expenditure. In recent times this approach has been used to part-finance the UK government's Covid-19 response in addition to traditional QE, with the Bank of England providing the Treasury with direct financing for its Job Retention Scheme (i.e. furlough), an approach that has been referred to as 'extending the government's overdraft'. PQE has also been touted as a means to fund large projects such as a Green New Deal, a National Investment Bank, Universal Basic Services and a Jobs Guarantee Programme. However, we argue that this newly-created money could also be deposited debt-free directly into the bank accounts of ordinary citizens, bypassing financial markets and government departments and going directly into the hands of those who need it most.

Whilst some critics of QE or PQE raise the spectre of mass inflation, the UK economy has often failed to meet its inflation target over the last decade, suggesting the unprecedented money creation to date has not been at all inflationary. And indeed during the current crisis, the government should be focused on staving off deflation rather than inflation, which normally results from suppressed consumer demand. However, a responsible government should still take steps to monitor its use of PQE to invest in the economy in order to avoid inflation (too much money chasing after too few goods). Therefore some fiscal responsibility is still required and paying for a UBI entirely through PQE in the long-term would be unsustainable. The way to manage this, according to MMT theorists, is to 'destroy' some of the money supply via taxation: to take it permanently out of circulation. MMT supporters use the analogy of a sink filling with water to describe this process. Water from the tap represents all money flowing into the economy (whether from public and government spending, trade or monetary stimulus/PQE). As the sink fills, water is drained away via the overflow drain: this is regular taxation taking money out of the economy to be redirected by government. If too much water (money) enters the sink (economy) it will start to spill out. This is inflation, where money is wasted or devalued. The only solution here is to pull the plug and drain the water: to destroy some of the money supply via fiscal policy (i.e. taxation).

It's argued here that the Covid Dividend could be funded exclusively through PQE for 12 months, and this investment would pay for itself in the long-run through saving the economy from recession and lifting people out of precarity. PQE could also be used to part-fund a permanent, 'full' UBI by covering the net cost, or 'shortfall' to the public purse after tax – this would ensure the UBI does not fluctuate downwards as a result of a contracting economy or changing demographic conditions.



Medium term – how we fund a permanent ‘Full UBI’

This section begins by looking at the ‘big three’ revenue-raising taxes in the UK: Income Tax (IT), National Insurance Contributions (NIC) and Value Added Tax (VAT). Suggested changes to the levels of each of these are proposed below but none have been costed in detail, as more detailed macroeconomic modelling is required to estimate fluctuations on the ways they would incentivise or disincentivise work and spending. However as a rough guide, the Institute for Fiscal studies suggests the following:

- A 1 percentage point rise in all rates of income tax would raise £5.5 billion per annum
- A 1 percentage point rise in all employee and self-employed National Insurance contribution (NIC) rates would raise £4.9 billion
- A 1 percentage point rise in the main rate of VAT would raise £5.2 billion.¹¹



Income Tax

Proposals by the Citizen's Basic Income Trust suggest a modest UBI of around £200 could be funded primarily through reducing the PTA and increasing the rate of tax on each tax band by just 3%.¹² However, a Full UBI would require a more substantial reworking of the tax system. Relying solely on Income Tax to fund a Full UBI would require completely infeasible tax levels, and must be balanced with other forms of revenue raising.¹³ This makes detailed macroeconomic modelling difficult given the high number of variables, but it does allow us to show how a Full UBI can be paid for through a relatively modest Income Tax increase. From this we can also calculate the point at which a person would become a net contributor to UBI (paying more in tax than they receive from the UBI) and the point at which they become a net beneficiary (paying less in tax than they receive from the UBI).

The aim of a progressive UBI, therefore, should be to ensure most if not all low-income individuals are net beneficiaries and higher income individuals are net contributors, with little to no impact on middle incomes. The table below suggests three progressive tax rates of 35%, 55% and 60% assuming the Full UBI is being paid and no Personal Tax Allowance is being received. This would represent a 15% increase across all tax bands, which could raise as much as £82.5bn per year. It shows at what point people would become net contributors to a UBI under the proposed new Income Tax rates. Note that the table below does not include National Insurance Contributions (covered in the next section).

Person earning (per year)	£10k	£20k	£30k	£50k
Current tax rate (after PTA)	0%	20% on £7500	20% on £17,500	20% on £37,500
Current tax paid	£0	£1,500	£3,500	£7,500
Current income after tax	£10,000	£18,500	£26,500	£42,500
Tax rate with UBI	35% = £3500	35% = £7000	35% = £10,500	35% = £17,500
Income after tax	£6,500	£13,000	£19,500	£32,500
Income after tax plus UBI	£16,100	£22,600	£29,100	£42,100
Net difference in income with UBI	+£6,100	+£3,900	+2,600	-£400

Person earning (per year)	£60k	£100k	£160k	£250k
Current tax rate (after PTA)	20% on £37.5k + 40% on £10k	20% on £37.5k + 40% on £50k	20% on £50k + 40% on £100k + 45% on £10k	20% on £50k + 40% on £100k + 45% on £100k
Current tax paid	£11,500	£27,500	£54,500	£95,000
Current income after tax	£48,500	£72,500	£105,500	£155,000
Tax rate with UBI	35% on £50k + 55% on £10k = £23,000	35% on £50k + 55% on £50k = £45,000	35% on £50K + 55% on £100k + 60% on £10k = £78,500	35% on £50K + 55% on £100k + 60% on £100k = £128,500
Income after tax	£37,000	£55,000	£81,500	£121,500
Income after tax plus UBI	£47,600	£64,600	£91,100	£131,100
Net difference in income with UBI	-£1,900	-£9,600	-£14,400	-£23,900

National Insurance Contributions

A vital component of the welfare state, a National Insurance tax was first introduced in Britain in 1911 and expanded in the postwar period. Payment of National Insurance Contributions (NICs) is seen as an important means of tracking entitlement to state welfare programmes such as pensions and some benefits.

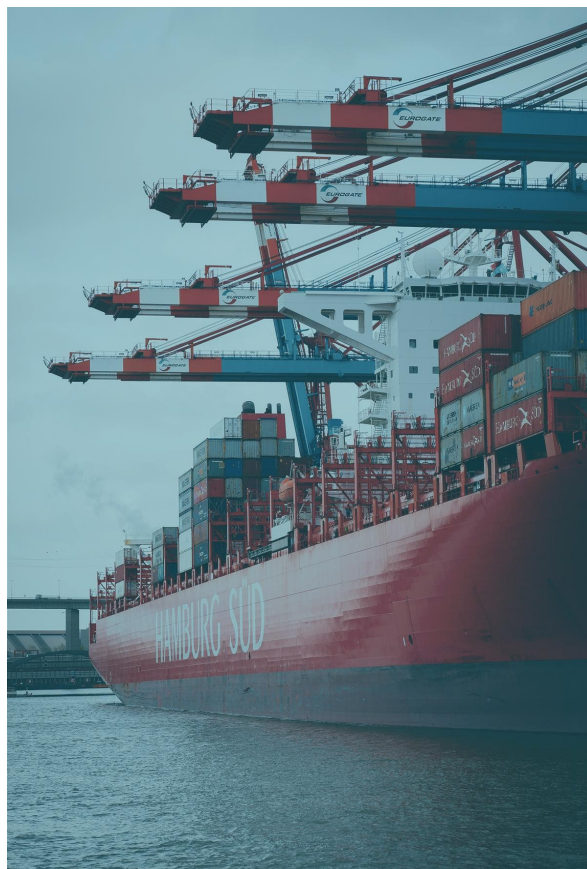


All employees earning above £183 per week in 2020/21 will pay National Insurance Contributions of 12% on their wage, up to £962 per week at which a lower rate of 2% is levied. Employers pay a flat rate of 13.8% on all employees earning above £169 per week.¹⁴ This means that whilst a higher earner may pay a higher rate of Income Tax, they actually receive a 10% tax break relative to other earners at around the same rate that the higher rate of Income Tax kicks in. This is highly regressive and offsets the additional tax from income. A variable rate of NIC has not been included in the Income Tax table above to keep these calculations as clear as possible.

NIC was levied at a flat rate prior to 1975, and consideration should be given to whether we return to this system. A flat rate of 10%, for example, would represent a 2% rebate to lower earners, an 8% increase on higher earners and a net increase of 6% in NIC income overall, bringing in approximately £30bn extra a year.

Value Added Tax (VAT)

Value Added Tax on goods and services, which increased from 17.5% to 20% under the coalition government in 2011, makes up just over 20% of HMRC's tax revenue.¹⁵ Essentially a tax on consumption, VAT was decreased during the financial crisis to 15% before being returned to 17.5% and then raised. The amount earned through VAT in the UK varies year to year and has been increasing by around £5bn a year, totalling £125bn in 18/19 with each 1% of VAT equalling approximately £5.5bn in revenue on average over the last 5 years.¹⁶ This suggests that an additional 5% increase on VAT, which would bring the UK in line with Nordic countries such as Denmark, Sweden and Norway, but still below the highest VAT rate in Hungary at 27%, would bring in an additional £27.5bn a year.¹⁷



VAT is often touted as a straightforward way to fund a UBI without the political minefield of raising Income Tax or introducing new taxes. Because the tax is borne by everyone through consuming goods and services, it is often seen as more politically palatable. Perhaps most prominent within the UBI community is Andrew Yang's proposal for a Freedom Dividend of \$1,000 a month funded entirely through a federal VAT of 10% (the US has no federal VAT but individual states do already have sales taxes).¹⁸ However while this may seem like a simple and politically favourable means of funding a UBI, it is not particularly progressive and does little to redistribute wealth and tackle inequality. For example in the UK in the 16/17 financial year, the poorest fifth of society paid 30% of their disposable income as tax, with VAT being the largest component of that at 12.8%. The richest fifth paid 14.6% of their disposable income as tax, and VAT made up just 7.3% of that.¹⁹ Because we know people on lower incomes are more likely to consume and spend their income month to month and richer individuals are more likely to save, a VAT could be seen as a tax on the poor, essentially neutralising much of the additional purchasing power made possible through a UBI.

This proposal now considers how current tax revenue could be optimised as well as some new taxes which could be introduced in addition to proposed increases to the 'big three'. These are outline proposals only and, aside from reform of Personal Tax Allowances, are exceedingly difficult to assign an accurate income to. Their inclusion hopes to demonstrate the diverse range of funding options that exist for a UBI, outside of reliance on the traditional 'big three' taxes.

Scrapping the Personal Tax Allowance (PTA)

Perhaps the lowest hanging fruit of potential UBI savings is the Personal Tax Allowance. The PTA is essentially a basic income of £2,000 given to everyone earning above £12,500 and less than £125,000.

The PTA is estimated to have cost the government £111.2bn in 2019/20 alone.²⁰ Proposals by the New Economics Foundation propose this could be given back to lower income households at a rate of £48 per week, but even shared equally between every person would return an income of £35 per week or £140 per month.²¹ The PTA could be withdrawn via HMRC and PAYE systems, and whilst it would result in a reduction in income, this would be offset by the UBI, which at either £400 or £800 a month would still be significantly higher than the PTA.

And crucially, it would represent a transfer of cash to the poorest households who pay little or no tax. Alternatively, a reduction in the PTA rather than scrapping it altogether may be seen as more viable – for example keeping around a fifth of the PTA in place and not levying tax on the first £2,500 of income, would still allow some of the smallest sole traders and freelancers to engage in entrepreneurial activity without the administrative burden of having to complete a self-assessment tax return. Some further consideration therefore needs to be given to how completely scrapping the PTA might incentivise or dis-incentivise work. However, were we to scrap the PTA altogether, it would generate a saving of up to £111.2bn per year towards a full UBI.

Close tax loopholes

Before even looking at any new taxes, efforts should be made to clamp down on legal and illegal forms of tax avoidance and evasion, and close loopholes that contribute to a significant tax gap in the UK. The Citizen's Basic Income Trust found that as of October 2019 there were 1,190 legal tax reliefs, many of which could be reformed, reduced or closed altogether to help fund a UBI.²²

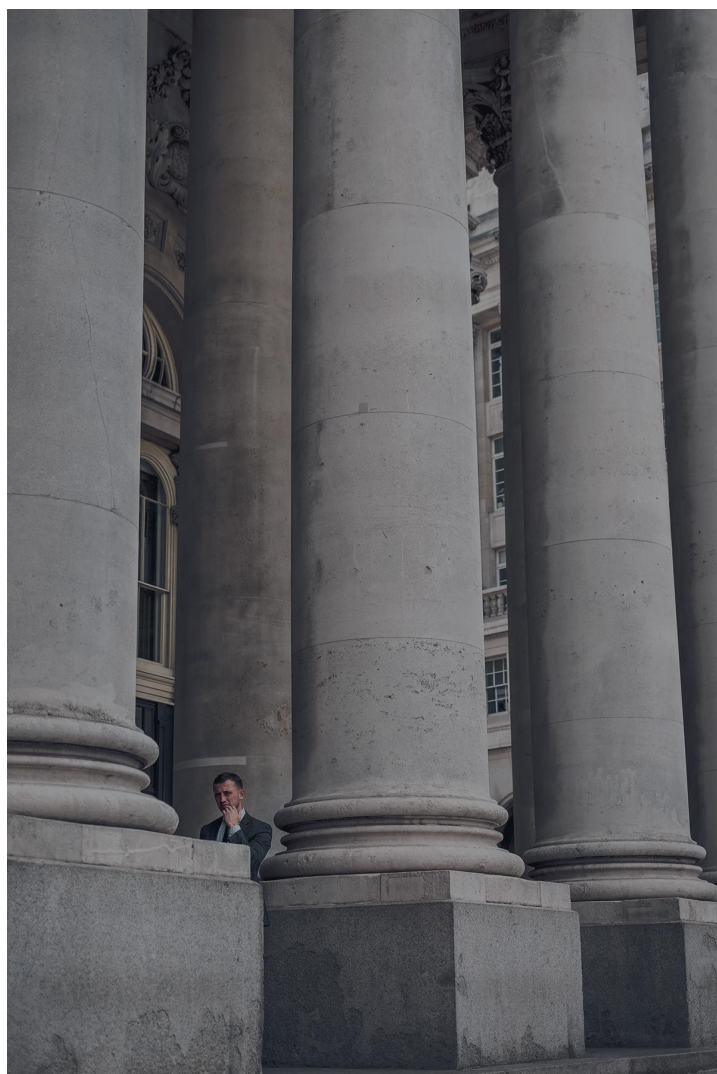


The figures on the amount lost each year in tax varies widely, with HMRC estimating it at just over £30bn per year and some commentators estimating it as high as £90bn, depending on which legal and illegal means of paying less tax are considered.²³ This figures is made up of a wide range of calculations, the majority of which consisted of failure to pay Income Tax, National Insurance Contributions, Capital Gains Tax, VAT and Corporation Tax.²⁴ The reasons for this underpayment are varied, including: criminality, tax evasion, tax avoidance, human error and the hidden or illicit economy. There are both legal and administrative steps that could significantly reduce this tax gap. For example, if a UBI were to reduce the number of jobs needed within DWP to administer benefits such as Universal Credit, these workers could be re-deployed to investigate and chase up unpaid tax.

Even the Conservative Party, usually champions of low taxes, recognises the need to address the tax gap – as the Conservative MP Mel Stride, UK Financial Secretary to the Treasury, said in 2018 upon news that the tax gap had been lowered: “Collecting taxes is essential for funding our vital public services such as the NHS – indeed, had the tax gap remained at its 2005/06 level the UK would have lost £71 billion in revenue destined for public services, enough to build 200 hospitals.”

Even a figure set in the middle of these two estimations would raise £60bn, which could go towards a Full UBI.

Financial Transactions Tax (FFT)



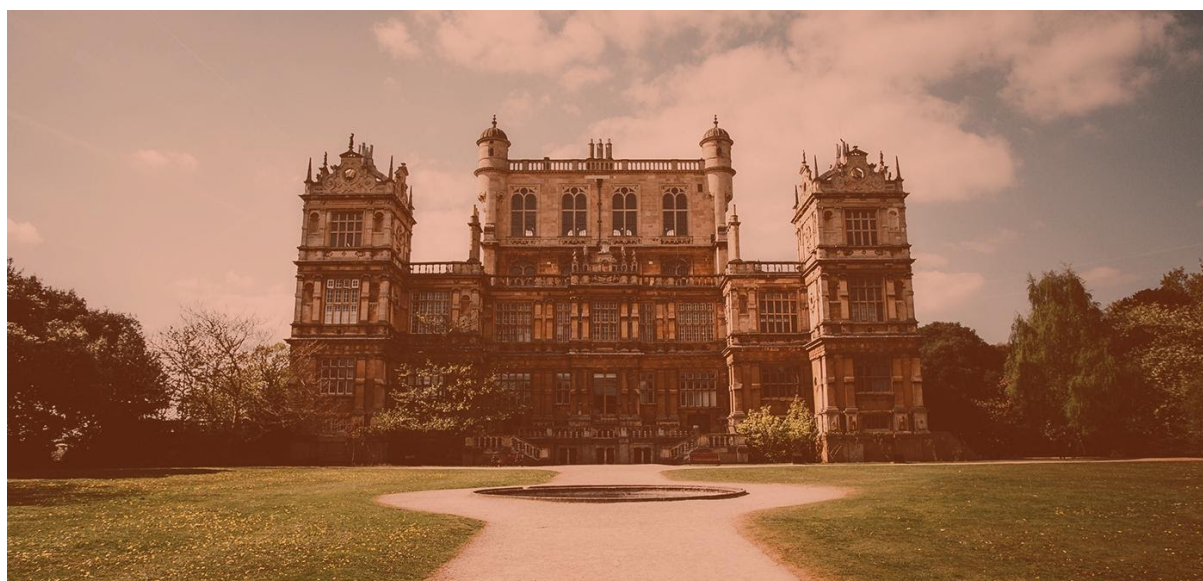
This would consist of a charge on each stock and shares trade and other related financial transactions. While a stamp duty on share trading currently exists in the UK, more progressive proposals do exist, the most famous of which is the 'Tobin tax' proposed by economist James Tobin, which would be levied on foreign currency trades and has broad support among EU nations but strong opposition from the UK and US.²⁵ Because of its nature such a tax would only work multi-laterally, but the Labour Party's 2019 manifesto references plans for additional UK based FTT on foreign exchange which the party estimates could raise as much as £8.8bn. However, other sources put this figure as low as £2bn.²⁶ Either way, this proposal could generate a respectable

additional income and would help address market volatility, nudging investors towards long-term investing instead of opportunistically buying and shorting stock.²⁷ It would also represent a progressive tax on those on higher incomes who disproportionately make up the financial class. We have used this conservative figure of £2bn a year towards the cost of our Full UBI, to account for any diminishing returns due to changes in trading patterns as a result of the FTT.

Wealth Tax

The UK is the world's fifth richest country, with high levels of wealth and income inequality. The top 1% (those with wealth above £680,000) own 21% of the country's total wealth, which is estimated at around £14.6 trillion in 2018.²⁸ Therefore the idea that the UK lacks the resources to pay for a UBI should the political will exist to do so, is nonsense.

There is a huge disparity between how we tax earned income, whether from paid employment or self-employment, and how we tax accumulated wealth, such as what people own including land, property and other assets. Research by Prof Richard Murphy found that a person in the UK can expect to pay on average 29% tax on their earned income whilst wealth is taxed at an average of just 3%.²⁹



By seeking to reform Capital Gains Tax, inheritance taxes and tax relief for private pensions, Murphy estimates a Wealth Tax could generate as much as £174bn a year in income currently lost to the Exchequer. Similar plans have been unveiled by the likes of Senator Elizabeth Warren in the US, which would seek to impose a 2% tax on net wealth above \$50 million and would raise \$2.2tn over 10 years. It should be noted that past experience of wealth taxes shows they work best when levied against a tangible asset that cannot easily be offshored, such as land or property. Money and many other goods can be easily moved elsewhere, robbing a country of wealth. An effective Wealth Tax should therefore look to assets which can be taxed in a way that limits capital flight.

It should be noted that while a Wealth Tax could bring in £174bn a year based on Murphy's calculations, it is unlikely in practice to do this, and would likely have diminishing returns over time as people find ways to legally pay less tax. Nonetheless, even if a Wealth Tax two thirds as successful as the one proposed by Murphy were introduced, it would still raise up to £116bn a year, which is the figure we have put towards paying for our Full UBI.

Reform Corporation Tax for the common good

There is no doubt that the majority of Britain's businesses have suffered as a result of Covid-19, especially the high street and those in the worst affected sectors such as travel and hospitality. However, Covid has also delivered a huge dividend for many large multinational companies who do the majority of their business online – Amazon, for example, almost doubled its income in 2020.³⁰ This presents the questions of how additional taxes on business activity can balance supporting those who are struggling against taxing those who can clearly afford to pay more. The current regime of a flat rate Corporation Tax of 19% is therefore outdated.

This proposal outlines some ideas for how a fair, progressive 'Corporation Tax for the Common Good' might work. It would reward companies who can tangibly prove their social impact, and penalise companies who damage the environment, profit from our data, or generate large turnovers whilst replacing workers with robots and AI. A Corporation Tax for the Common Good would introduce a variable rate of tax based on a company's social impact. Therefore, instead of the flat rate of 19%, a company might pay more or less tax based on the activities it carries out and how it is structured.

For example, a fossil fuel company might face a higher rate than a renewables company. Social enterprises and cooperatives would receive deductions for things like having employees as board members or shareholders, whereas companies where CEOs received pay far higher than an average worker would face increased rates. Companies which invest in local communities, pay a real living wage and have a clear CSR plan would be rewarded; those who operate exploitative working conditions with high levels of worker dissatisfaction would be penalised.

The UK government collected £55bn in Corporation Tax receipts in 2019, or £2.9bn for each 1% of Corporation Tax.³¹ Working out an exact figure for additional income as a result of these changes is impossible, given how they would change company activity and potentially reduce the bill for some while increasing it for others. However, if we estimate a fairly conservative 5% net increase in the overall Corporation Tax rate (similar to our VAT increase) this would bring in an additional £14.5bn towards the cost of the Full UBI.

In addition to this, there are three areas which could either form bolt-ons to this new Corporation Tax plan or act as new standalone taxes in their own right:

1. Robot tax

Robots (taken broadly here to mean automation, AI and other forms of labour-replacing technology) already have the capacity to create huge value for businesses at relatively little cost compared to labour, and the technology is advancing rapidly to the point where as many as 50% of jobs could be changed by automation in the near future.³² This has potentially devastating impacts



for society in terms of unemployment, should adequate protections (such as a UBI) not be put in place. Working a robot tax into existing Corporation Tax structures would not be overly complicated and could be achieved by changing rules around deductions for human versus robotic labour.³³ Other options might be a greater tax on companies with high profits relative to their workforce levels or industry-specific taxes such as a tax on driverless cars.³⁴

2. Carbon tax

A UBI is often presented as society's share in the 'commons', representing our shared ownership of the earth's resources. However there are those, particularly large multinational companies, who use far more than their fair share of resources, damaging the planet in the process. The short to medium term financial and environmental impacts of a substantial carbon tax



are huge: in the US, a carbon tax of \$50 per ton could raise almost \$2 trillion over 10 years.³⁵ A carbon tax should, by nature, have diminishing returns as taxed organisations and consumers are incentivised to use and consume less carbon-emitting products, and this would challenge its sustainability as a long term funding mechanism for a UBI.

3. Data tax

A data (or digital) tax would be levied on companies, such as Google, Facebook and Amazon, who use consumer data (generated through clicks, screen time and other interactions online) to sell targeted advertising. It is difficult, given the global flow of data, to levy taxes on a national basis, although several countries including France and Hungary have already

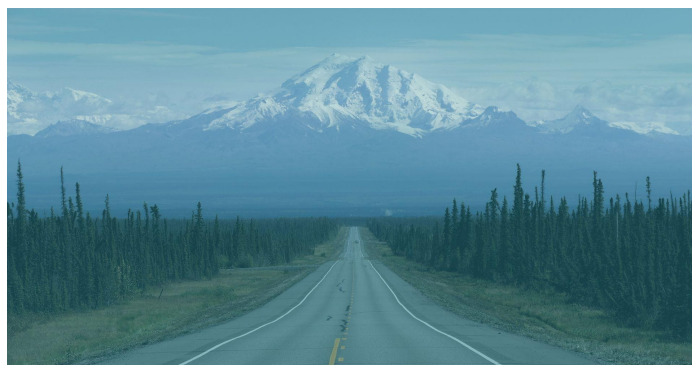
implemented one.³⁶ In practice a global or regional tax would make sense, with the EU having proposed a 3% Digital Services Tax (DST) on companies operating outside the EU but advertising to consumers there, with a further tax being established in the future for companies with a permanent digital presence in the EU. The DST is estimated to raise approximately €5bn per year or a 1% increase in revenue for the EU28.³⁷



Long term: How we secure a UBI for the future

Establish a Citizens' Wealth Fund

Also known as a 'Sovereign Wealth Fund', a Citizens' Wealth Fund could be established to generate income in the long-term to part fund a Full UBI. This is the means by which Alaska pays a modest annual lump sum to each of its residents. The Alaska Permanent Fund was established in the 1970s and is funded through oil revenue invested in the stock market. It is now worth over \$60bn and pays out on average \$1,000-2,000 to each resident annually (over \$1 billion a year on average). The largest Sovereign Wealth Fund is Norway's, valued at over \$1.2 trillion, although it does not make direct payments to citizens. Sovereign Wealth Funds usually stem



from national wealth in oil or gas reserves, but there is no reason why they cannot be based on other assets. The leader of the Liberal Democrats, Ed Davey, has proposed a UBI funded through a Wealth Fund based on business debt accumulated during Covid-19.³⁸

Another area the UK could invest in to generate income for a Sovereign Wealth Fund is renewable energy: a strategically funded Green New Deal could help create initial capital for the fund – for example a generous subsidy given to renewable projects could include a tax levied on energy produced, which could be paid into the fund. The UK could also commit a portion of oil and gas revenue or direct income from some of the taxes outlined previously in this proposal. However, the returns on non-renewables are not what they were when other leading wealth funds such as Alaska's and Norway's were established. It could even set up an initial fund through Quantitative Easing. A paper by the IPPR estimates a UK wealth fund could generate almost £200 billion by 2030 with some fairly minor additional taxation.³⁹

A total income toward the Full UBI from a Citizen's Wealth Fund has not been calculated, as its value and profits would inevitably vary from year to year and a significant amount of the fund would need to be retained for reinvestment. So, the Citizens' Wealth Fund would function in a similar way to our PQE proposal, in which profits (where available) would be used to top up any shortfall in the net cost of the Full UBI if needed. The most important aspect of such a fund is its ability to generate a sustainable income towards a UBI if tax incomes fluctuate year to year, as a result of recession or diminishing returns over time.

Beyond the finances: how a UBI helps build a better society

A UBI is more than just a new way of doing welfare. It is an investment in a better society, and has the potential to deliver valuable social benefits well beyond the upfront cost. Using data gathered from UBI trials, economic modelling and related research, we believe a UBI can build a better society in the following ways:

Reducing the cost of poverty

The cost of poverty in the UK is estimated by the Joseph Rowntree Foundation to be as much as £78bn per year.⁴⁰ This includes a wide range of direct, indirect and opportunity costs which result from people living their lives in poverty, such as £29bn of health-related costs (due to worse health outcomes and increased hospitalisation rates), £9m of policing and justice costs (due to higher crime in deprived areas), and almost £18bn of education and children's services costs (due to child poverty).

A UBI set at or above the absolute poverty line would by definition eliminate material poverty, and so while it would not eliminate the complex and interrelated causes of deprivation, by lifting many people out of poverty it would reduce poverty-related costs, freeing up public money to support the UBI while creating a better society for all.

Improving health and wellbeing

There is also little doubt, as a result of data gathered from trials in Canada, Finland, Spain and elsewhere, that a UBI improves mental health and wellbeing among recipients. While it would not cure mental health ailments, it would alleviate financial stress, improve wellbeing and reduce pressure on already stretched and underfunded mental health services. When considering the cost of a basic income, the cost of suicide to the economy should also be considered, which is estimated at £1.67m per death.⁴¹ And poor mental health is estimated to lose the UK economy between £70-100bn per year, or 4.5% of GDP.⁴²

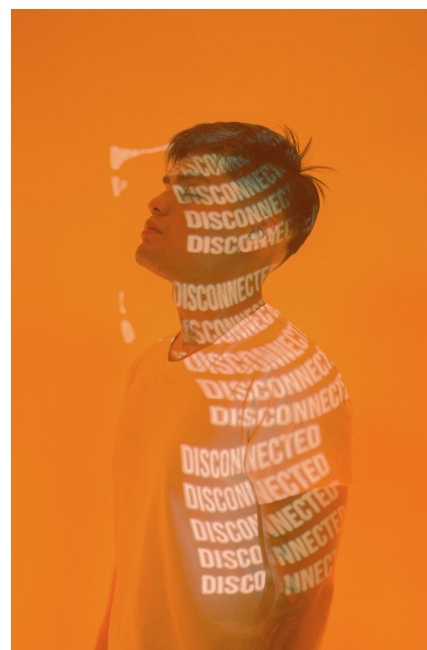


The UBI trial in Manitoba, Canada in the 1970s also found that hospitalisations among the recipients fell by 8.5%.⁴³ A similar reduction in the UK could save the NHS billions every year.

Building stronger communities

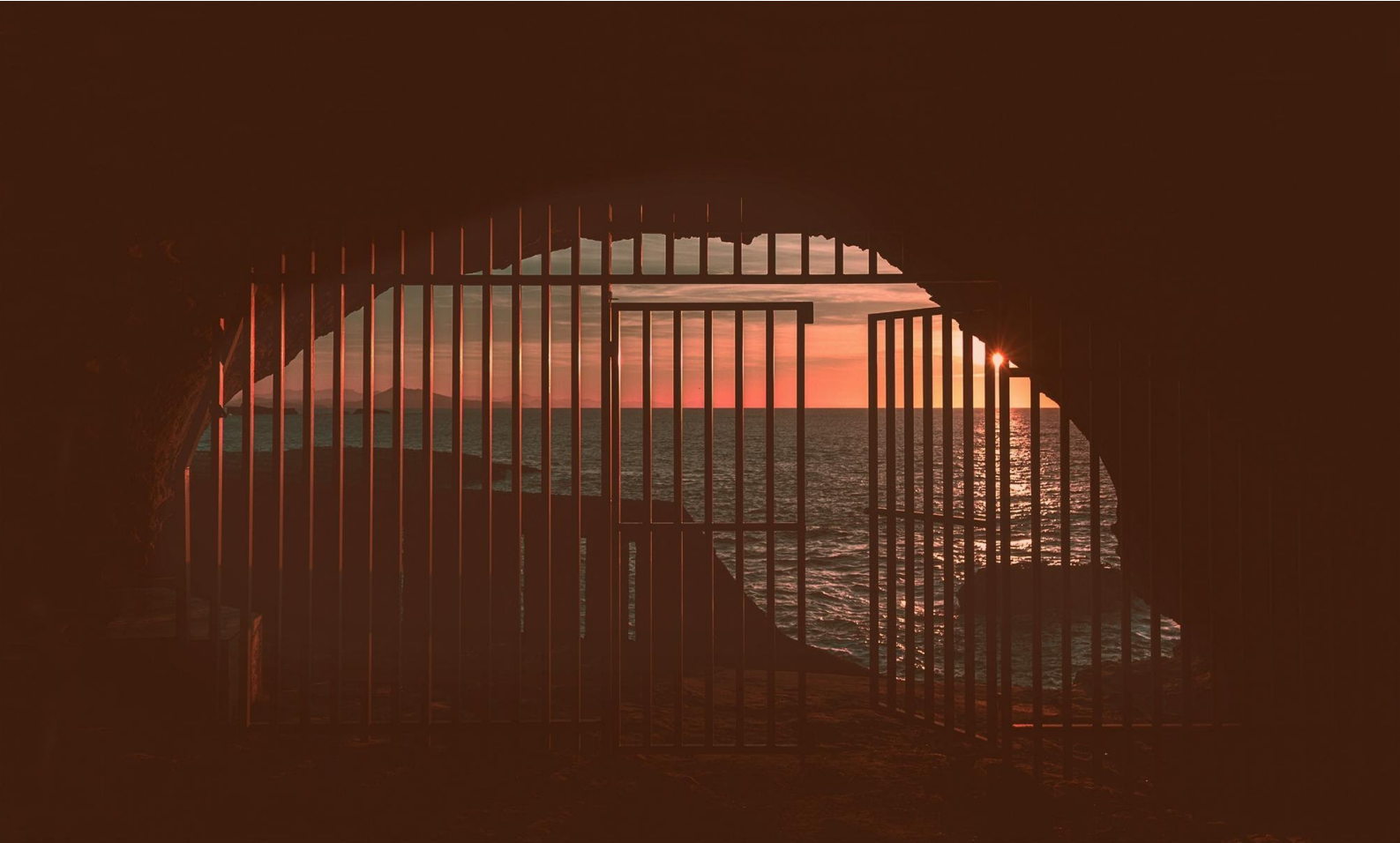
There is evidence that in countries with well-funded universal programmes like health, education and less conditional welfare, such as the Scandinavian nations, trust in government and others in society is higher. Conflict-ridden nations and rich countries with conditional or limited universal programmes (like the US or UK) score particularly poorly for levels of social trust. Recent evidence from the UBI trial in Finland showed that recipients of UBI had greater trust in democratic institutions at the end of the trial. With trust in politics and politicians at an all-time low in the UK, and the worrying impact this can have on public discourse, legitimacy and the rise of populism, perhaps a UBI can strengthen democracy and our institutions.⁴⁴

There is also an assumption that a UBI will increase social capital and social mobility – people will interact, mix and travel more as a result of having a higher income. UBI has also been linked with increases in participation in non-remunerated but socially valuable work, as it provides people with the means to volunteer, care, learn or become more politically engaged. There is anecdotal evidence of this from the prematurely ended UBI trial in Ontario. There are also substantial costs to maintaining divided, disconnected communities. The Big Lottery has also estimated the cost of ‘disconnected communities’ to be £32bn.⁴⁴ The value of volunteering to the UK economy has been estimated at around £24bn per year, which would be expected to increase with a UBI.⁴⁶



Creating a fairer society

A decade of austerity and welfare reform compounded by harmful narratives around deserving and undeserving poor have created a welfare system marred by guilt and stigma. Given its universal nature, a UBI can eliminate much of the stigma attached to the present regime, putting trust and fairness at the forefront of our societal values.



Eliminating poverty traps

Current conditional welfare benefits can disincentive part-time or flexible work due to the tapering effect of benefits as well as the bureaucracy, uncertainty and stigma claimants have to navigate. With a UBI, work would no longer be tied to welfare and people would be free to take on part-time, flexible or seasonal work suited to their personal circumstances, leading to a fairer distribution of jobs and more flexibility for employers who may not be able to offer full time contracts.

Stimulating demand

A UBI would put more money in the pockets of the poorest in society, who we know are more likely to spend on essential items and keep money circulating in the local economy. This increased demand would have huge multiplier effects, boosting economic growth in a more equitable way, which could then be taxed to help fund the UBI. Indeed, this process is the basis of Consumer Monetary Theory (CMT) which argues for a UBI based on its ability to spur consumption.⁴⁷

Encouraging greener lifestyles and choices

It may seem strange to argue that a UBI can both boost demand and help the environment, given increased consumption often goes hand in hand with increased emissions. However, many environmentalist supporters of UBI argue that through enhancing financial freedom and giving people more choice, they are better equipped to make greener choices. For example, someone on a low income may only be able to afford a £1,000 car with cheap, fast wearing tyres that cost £50 each to replace. They may end up replacing these tyres every two years at a cost of £100 per year, adding to landfill waste. Someone on a higher income might be able to comfortably finance a £10,000 car with top quality tyres worth £80 each which only need replacing every five years, at a cost per year of £65. This shows how buying cheap products due to being in poverty can end up actually costing consumers more in the long-run, with significant environmental implications.

A UBI could also serve as an important component of a Green New Deal. Any ambitious environmental legislation will inevitably require significant upheaval in the way the economy currently functions. Through providing support to workers transitioning from the fossil fuel and other polluting industries, a UBI can protect the most vulnerable and aid in a 'just transition' while these necessary steps to protect our planet are taken.

Facilitating entrepreneurship

A UBI could act as venture capital for entrepreneurs starting up small businesses or social enterprises, providing them with a secure income to pursue their vision. With many small businesses and self-employed individuals facing the biggest losses as a result of Covid-19, the future of entrepreneurship in the UK faces huge challenges. A UBI can restore faith in entrepreneurship as a career, and facilitate a new generation of innovators and creators.

Allowing the arts to flourish

While the government currently appears intent on driving artists and creatives towards cyber or manufacturing roles, a UBI would recognise the inherent value of the arts to society, giving those in the sector a secure income to pursue their talents. So many people are curtailed in pursuing artistic passions as a result of financial restrictions and artists in particular have suffered as a result of Covid-19.



Strengthening collective bargaining and trade unions

By providing a basic level of economic security, employees would be empowered to say no to exploitative employers or poor working conditions, forcing employers to create better working environments and maintain or increase wages. A UBI could restore the balance between labour and capital.

Minimising risk

Whilst modest, a UBI could help many households save and invest for their futures. It would be a steady income to underwrite mortgages and other forms of credit, and would decrease the risk of default should someone lose their job. This would stabilise the economy and reduce the structural risks of debt bubbles such as the 2008 financial crisis.

Future-proofing the economy

There is significant debate around the actual impact of automation and jobs being replaced by robots and AI in the UK. An Oxford University study put the figure as high as 35% by 2030, whereas ONS and other studies reach a more conservative figure of 7-10%.⁴⁸ However, there is no doubt that automation will have a significant impact on the UK labour market, and while it will create many high-value jobs in the tech sector, the adverse impacts will be disproportionately felt amongst certain sections of society: jobs most at threat are those done primarily done by women (such as administrative/clerical work and nursing), young people (such as customer service/call centres) and working class men (lorry/taxi drivers, construction). There is a strong overlap between these demographics and economic insecurity, and job displacement driven by automation will only make matters worse.



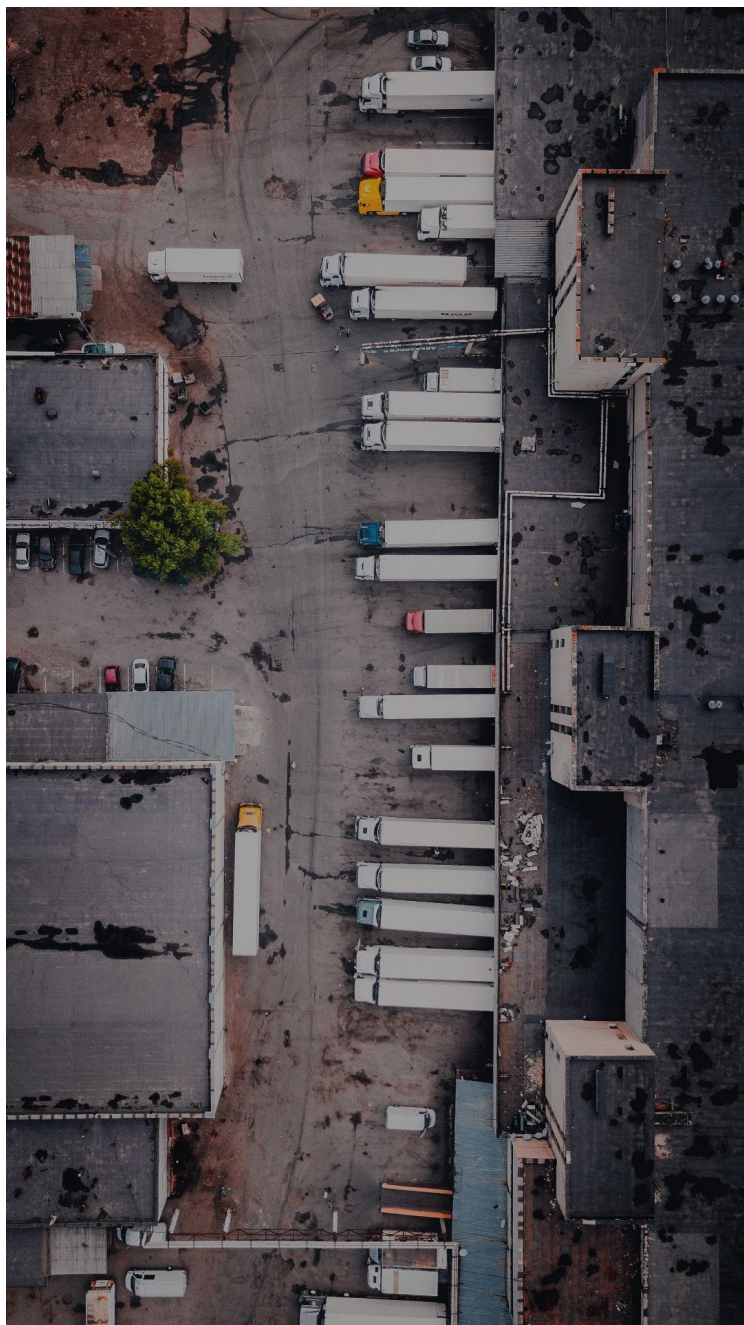
This will be compounded by the economic downturn from Covid-19 and the fact that every recession since 1990 has produced a 'jobless recovery', where economic growth returns but jobs do not. And if they do, they are often in the form of low-quality, low-wage jobs with zero-hour contracts. As more employers automate their operations, this impact will be most keenly felt among traditional UK sectors such as manufacturing, services and agriculture. A UBI will be a vital safety net in an uncertain labour market while redundant workers retrain, and it can facilitate other forms of non-remunerated yet socially valuable work.

Logistics

A principle of the Resilience UBI is that whilst it would be universal, certain steps would need to be taken to efficiently disburse it whilst reducing the risk of fraud, such as someone claiming someone else's UBI. A substantial percentage of the population would have their UBI paid through the existing social security system: those in receipt of a pension or any other benefit would have their UBI paid into the same account as these payments. The same would apply for parents in receipt of Child Benefit.

For everyone else, an opt-in system would need to be designed to allow people to claim their UBI, not unlike those already produced by the government to administer the Job Retention scheme or Northern Ireland's High Street Voucher scheme. This is proposed because those not in receipt of benefits and therefore more likely to have a higher income may decide not to accept their UBI. Indeed, some may have strong feelings against the idea and refuse to take their payments on principle. This would not excuse these people from their responsibility to help pay for the UBI, but would ensure everyone is offered a payment with the option to refuse it. This may subsequently reduce the overall cost of the Resilience UBI.

While a variety of measures could be taken to verify and distribute claims such as HMRC records, PAYE, the electoral register – some means of reaching those not in the system, such as homeless individuals or travelling communities, would need to be developed as well, such as a 'cash card' system, or an app similar to the M-Pesa system used in the Kenya UBI experiment.



Concluding remarks

On 30 September, the furlough scheme will come to an end. On the same day, the government will scrap the temporary £20 uplift to Universal Credit. Both have been a lifeline to millions of workers and small businesses across the UK.

Their withdrawal will leave many families struggling to put food on the table. As the pandemic is not yet over, it's clear that the need to provide support to households and businesses is also not over.

Our Resilience UBI would give a modest top-up payment to every citizen of the United Kingdom. This would build up resilience within households and the wider economy while the effects of Covid-19 are still being felt.

The Resilience UBI would:

- increase the meagre support available on current benefits
- provide economic security for all
- stimulate consumer spending

These outcomes are vital as the labour market enters a period of severe uncertainty following the end of the furlough scheme.



The amount we propose would not be enough to get by on alone. But it's intended as a long-term buffer against economic instability.

We're proposing:

- a £400 monthly payment for working-age adults
- half that amount for children and pensioners

The government would pay this to every citizen regardless of income, wealth or work. High earners would receive the UBI but would pay all or part of it back in tax.

We propose to initially run this for one year, and to fund it through additional borrowing, representing People's Quantitative Easing.

We have also put forward several ways of paying for a permanent UBI.

These include:

- scrapping the Personal Tax Allowance
- changes to Income Tax
- changes to National Insurance
- changes to VAT
- closing tax loopholes
- a Financial Transactions Tax
- a Wealth Tax
- reforming Corporation Tax for the common good

Beyond the first year, the government could choose to extend the scheme, alter the amount, or phase out the Resilience UBI if the threat from Covid has reduced. They could also choose to reform the Resilience UBI into a full and permanent UBI, funded by changes to the tax system.

Whatever anyone thinks about Universal Basic Income, it's clear that we can afford it. It's also clear that our economy lacks the resilience it needs to cope with major crises. We need a Resilience UBI now before the next crisis hits.

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The UBI Lab Network is a collaboration between citizens, researchers, social justice organisations and campaigners.

The main aims of the Network are to pilot Universal Basic Income, encourage debate around social support, and create a movement for change.

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