

Is it time for a UK wealth tax?

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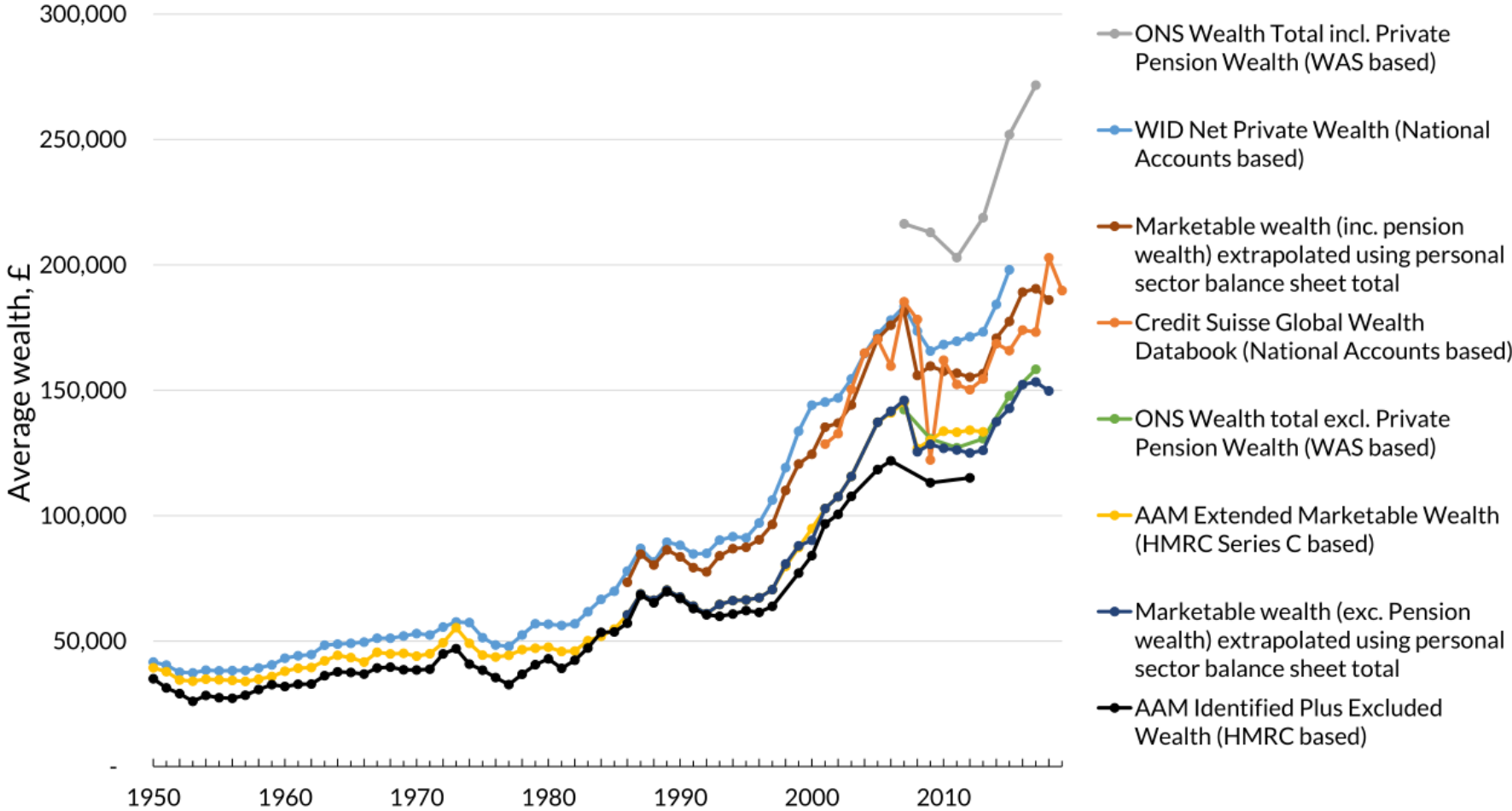
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What is a wealth tax?

- A tax on **ownership** of wealth
 - Wealth = total assets minus any debt
- Not the only way to tax wealth
 - Can tax **returns** from wealth: taxes on dividends, rent from property, increases in asset values (capital gains)
 - Can tax **transfers** of wealth: inheritance, gifts, property sales

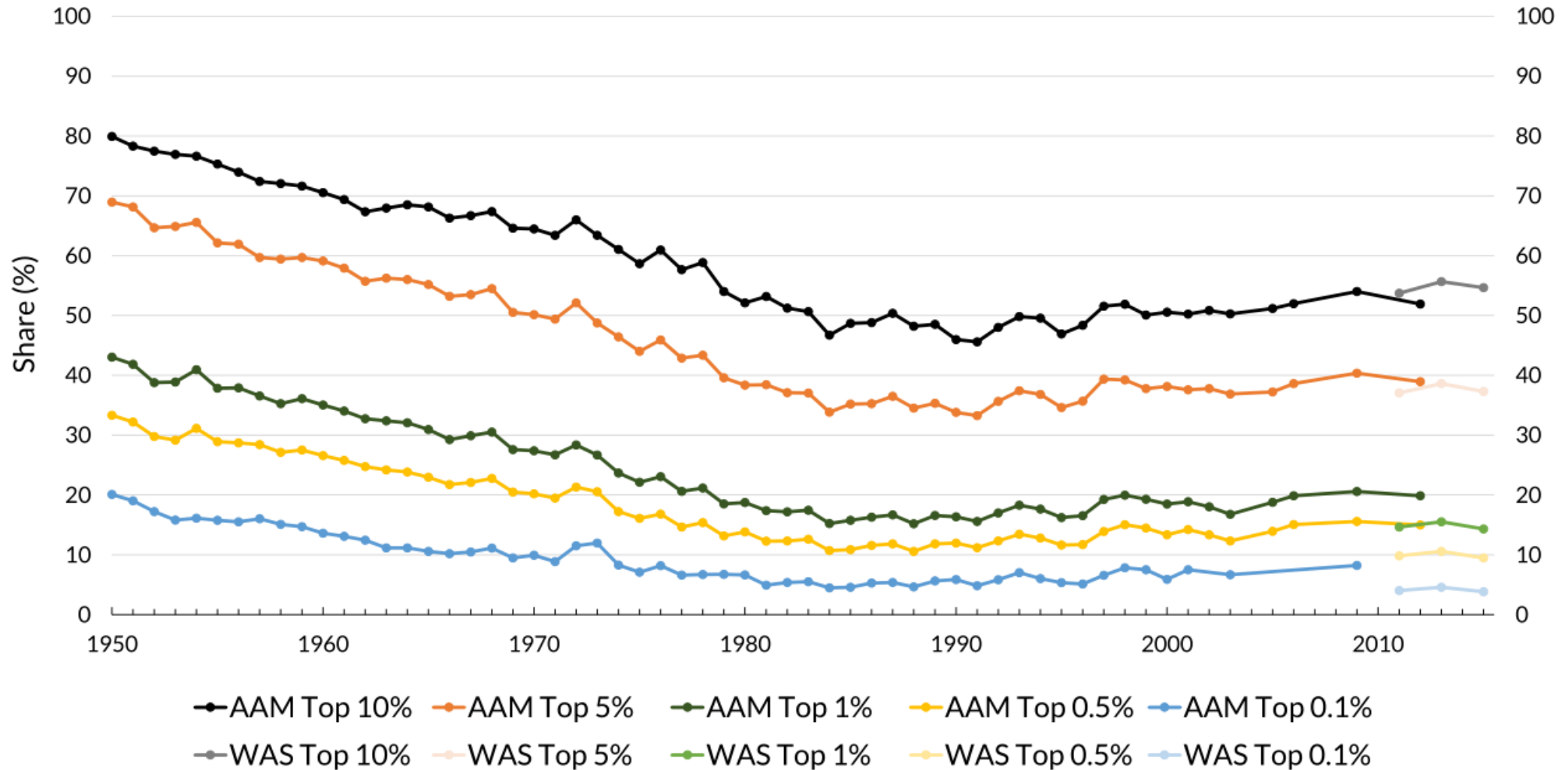
Wealth is rising

FIGURE 1: TOTAL UK WEALTH PER ADULT (18+) AT CONSTANT 2015 PRICES



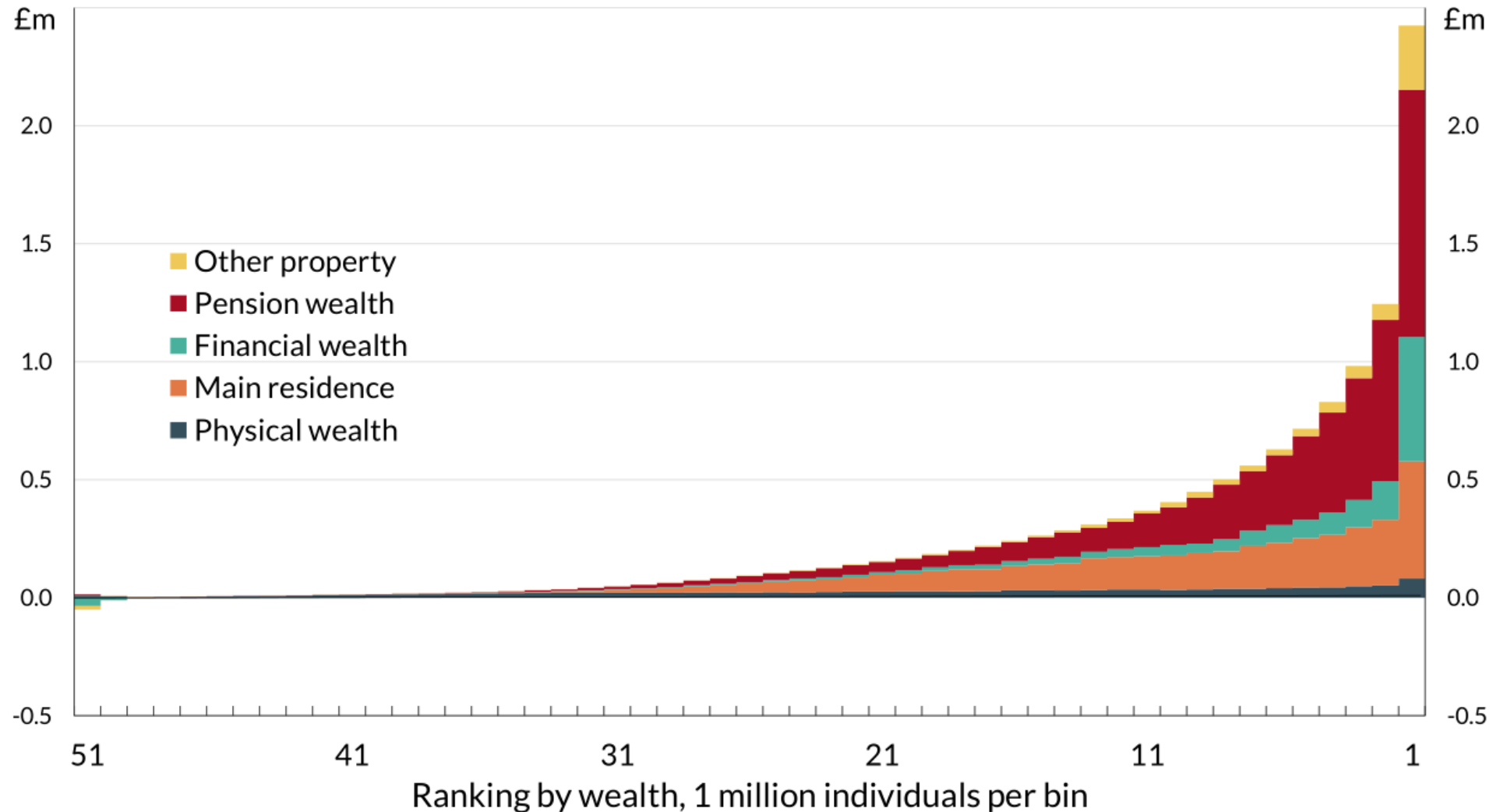
Wealth has started to become more concentrated again

FIGURE 2: SHARE OF UK WEALTH GOING TO PEOPLE AT THE TOP



Property and pensions are largest asset classes

FIGURE 3: AVERAGE WEALTH PER ADULT (18+), BY ASSET CLASS



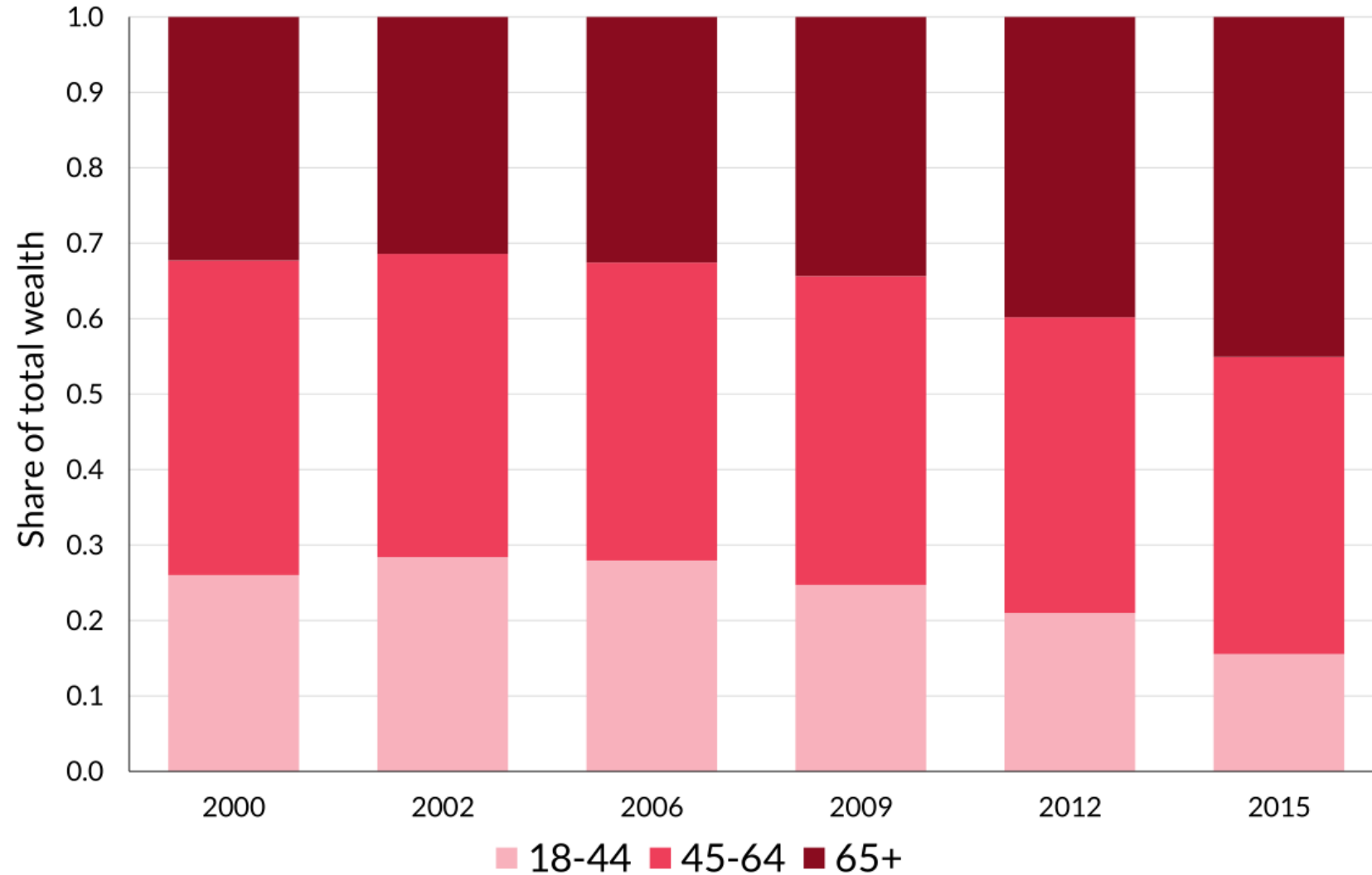
Some people have high wealth but low incomes

FIGURE 4B: MEDIAN AND QUARTILES OF WEALTH-TO-INCOME RATIO AT DIFFERENT PERCENTILES OF WEALTH WITHIN TOP DECILE



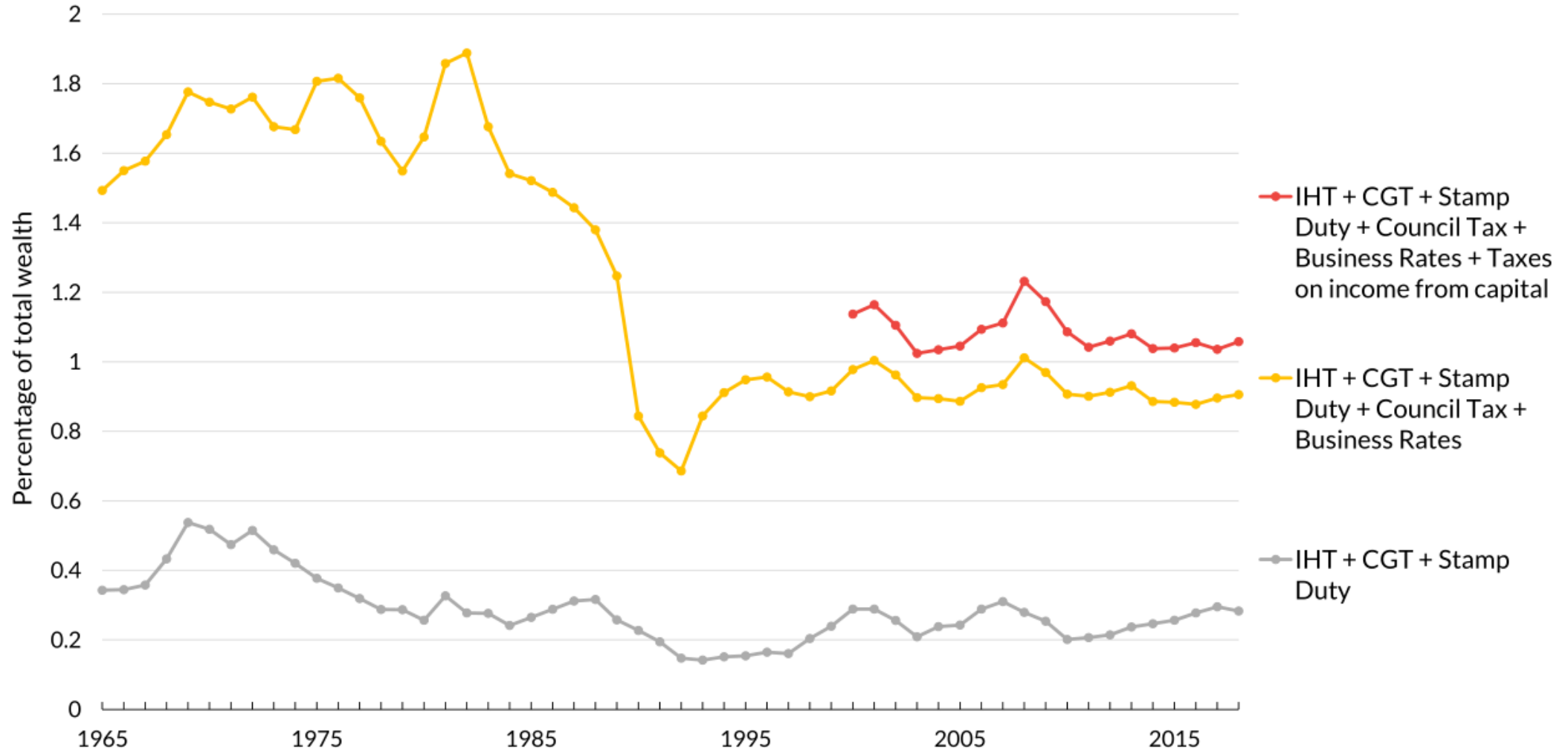
Wealth increasingly concentrated among the old

FIGURE 5: SHARE OF WEALTH OWNED BY DIFFERENT AGE GROUPS OVER TIME



Taxes on wealth have fallen, relative to total wealth

FIGURE 8: UK WEALTH TAXES AS A PERCENTAGE OF TOTAL WEALTH



Some other issues

- If you want to tax wealth more, is a wealth tax the best way to do it?
- How might people respond?

Would a wealth tax work in practice?

1. Introduction
2. Defining the tax base – what assets should be taxed?
3. Who should be taxed? The household or the individual? Gifts to minors
4. What about trusts and foundations? How do we stop people splitting wealth or hiding it?

Would a wealth tax work in practice?

5. The international dimension – should all UK residents pay on arrival or only after a certain period of residence here?
6. Should non-residents pay on UK situated assets? E.g. UK houses
7. What about those who leave the UK – an exit tax immediately on departure or wealth tax imposed for a minimum number of years after leaving? Or just let them leave with no tax?

Would a wealth tax work in practice?

8. How do you tax a person's wealth? Valuation issues – problems in Germany led to abolition of WT in 1996. The family company/fine art. Revalue every year or periodically e.g. every five years
9. Liquidity issues – how do you pay an annual tax out of illiquid assets – roll up the WT until a realization event?
10. Borrowing – deduction of liabilities is needed but anti-avoidance rules also required to prevent manipulation. Finance (No 2) Act 2017 may provide some solutions in the IHT context .

Would a wealth tax work in practice?

11. Interaction with other taxes such as inheritance tax and CGT.
Should charitable gifts be deductible against inheritance tax?
cf France

12. Enforcement and administration. Transitional rules

Should the UK have a wealth tax?

Project timeline:

- **Thursday 2nd July – initial report and project launch**
- **July/August/Sept – workshops**
- **October – ‘evidence papers’ published**
- **December – final report and modelling**