

## Should we tax wealth?

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This is a question raised at the Tax Justice Network conference yesterday, largely as it is an issue that is the focus of much of the work of Tax Justice UK. I am an adviser to Tax Justice UK.

The debate was in one part technical, focusing on whether we can tax wealth. The slightly frustrating element of the discussion on this issue was the failure to focus on why this is now possible, which is entirely down to the existence of automatic information exchange from the world's tax havens to the world's major countries. This process, which has only just begun, but which is already proving to have a real impact on tax collection rates from those using such places, is key to wealth taxation. Before automatic information exchange existed the possibility that wealth taxation could simply be evaded by relocating assets to tax havens was so significant that any proposal was undermined by it, and now it is not. Boltholes for wealth are now disappearing.

In that case the argument for or against wealth taxation is very much more about political will now. Helen Miller from the Institute for Fiscal Studies did, whether she intended it or not, present the case against that political will being created. I admit I found her arguments frustrating. To pretend that we cannot tax wealth is now wrong, for reasons I note above. And to suggest that it may be wrong in some instances to tax wealth because it is, as she suggested, just a second tax on labour where the benefit of consumption have simply been deferred is grossly inaccurate given the heavily skewed distribution of wealth within our society, plus the fact that the vast majority of the savings income of the vast majority of people in this country ( I use the term twice deliberately) has been exempted from any taxation by the simple expedient of exempting the first £1,000 of savings income from all tax liability in the UK, which should then have ended the need for ISAs, which did not happen.

So do we need a wealth tax? Some of the very wealthiest in the USA [say that we do](#), although I am not sure that I agree with all their reasoning which certainly conflicts with modern monetary theory.

I also do so. I explained how this could be done through the income tax and NIC systems [here](#), a while ago.

But we could also align income tax and CGT rates, as Nigel Lawson did in the 80s.

And we could substantially abolish the observed capital gains tax annual allowance which is a peculiar feature of the UK tax system in the sense that few other countries replicate it, but which provides those with wealth with the absurd entitlement to what is, in effect, a second personal allowance which is denied to those who have to work for a living. The injustice of the UK tax system and its inherent bias is obvious.

That is also the case when the absurdity of capital gains not being charged on death is considered: many of the problems with inheritance tax could be addressed if this exemption was removed, including on houses unless passed to a surviving partner or carer.

But so too is it by another simple fact. Over 80% of UK personal wealth is made up of tax incentivised assets, either in the form of people's homes or pension funds or ISAs. That is a staggering fact that makes clear it is the UK tax system that does help create the wealth inequality that we suffer in this country. In that case to tax the resulting imbalances in society makes complete sense.

I am not saying we need start with a tax on wealth as such, although I see little reason why we should not on the wealth of the top 0.1%, with the sole justification being that they are exceptionally wealthy and that the imbalance this creates society requires redress for no other reason than that. We should start by addressing the issues I note in my paper, [here](#), and those other obvious issues relating to capital gains tax noted above. We can have seriously big impact doing these things before ever getting near the politically charged case of inheritance tax.

The time for wealth tax reform has arrived.