

Tax After Coronavirus (TACs) : The wealthy arenâ€™ ...

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TACs

Tax After
Coronavirus
Wealth taxes

The issue of wealth taxation is, perhaps unsurprisingly, controversial. A simple lack of familiarity with the issue, because wealth taxation is so rare, only exacerbates this issue. And yet discussion of wealth taxes is becoming more commonplace, which the Tax After Coronavirus (TACs) project welcomes.

Amongst those newspapers that have discussed the issue is the Financial Times. As the [FT noted this](#) morning:

When the FT recently organised a Q&A for readers on [wealth taxes], I expected it to provoke strong feelings. But the reaction was still surprising: there were more than 300 comments on the question “How would a wealth tax work?” That is the highest number received on any of FT’s Live interactive Q&A sessions ever.

And this point was unsurprising:

First, to put it mildly, most FT readers are not in favour of a wealth tax. This is in contrast to a recent poll by YouGov which surveyed 1,682 UK adults and found 61 per cent would approve of a wealth tax for those with assets of more than £750,000.

As they noted:

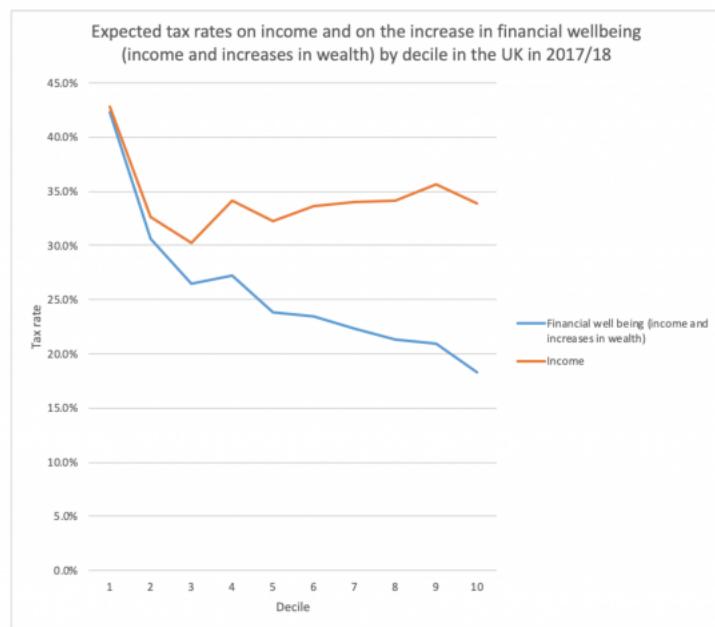
In one sense this isn’t surprising. Most FT readers are significantly wealthier than the average UK adult. Or, as one reader sardonically put it: “Most of those people who said that they support [a wealth tax] wouldn’t be those who would be paying it themselves. Always easy to use other people’s money.”

Indeed. That's true. But let's be clear that this explanation cuts both ways. The wealthy have been very keen that rates do not impact them to date, and that on the whole other people pay the taxes that they do not like. And they have succeeded. That is why:

- [Council tax is regressive](#)
- [VAT is regressive](#)
- [National insurance is regressive](#)
- [Corporation tax is charged at rates lower than income tax](#)
- The top, 50%, rate of income tax introduced in 2010 was so rapidly dispensed with.

The tax system as it stands is unjust. It is biased to the wealthy.

As I have shown, the combined effective overall levels of tax on income alone and income and increases in wealth when combined, organised in successive 10 per cent bands of equal size within the UK taxpaying population is as follows:



I am not, as I have always made clear, suggesting as a result that all increases in wealth should automatically be taxed as they arise. The point is, instead, that wealth is seriously under-taxed in the UK and that the capacity to increase taxes on wealth, is significant and substantial.

This is, of course, what the Tax After Coronavirus (TACs) project is all about. Those with wealth may not like the idea that additional taxes on wealth are now necessary, but they are, for two reasons.

The first is that tax cuts are also necessary. Taxes on consumption and employment must be reduced at present if there is to be any economic stimulus provided through the tax system. That means cuts in VAT and NIC are required. To rebalance the tax equation that does require an increase in taxes on wealth and income derived from it.

Second, this is economically appropriate. As is being widely noted, the savings ratio is rising rapidly as the coronavirus crisis develops. In other words, people are saving higher proportions of their income. That is a natural reaction to economic stress, but only exacerbates the problems that we face because there will be less available to be spent on consumption as a consequence. This, then, means that wealth should be taxed more to encourage the redistribution of income and wealth from those who are saving to those who will spend, and that necessarily means that the wealthy pay more tax so that those on low income, who have the lowest savings ratios, have more income available to them. This will speed economic recovery and alleviate poverty at the same time.

The consequence is that the wealthy might not like the idea of wealth taxes, but that there is nothing new in that: they have ensured that the whole tax system has been rigged in their favour to date. And, changing this is now an economic imperative if we are to see anything like reasonable recovery from the coronavirus crisis.