

Wealth taxes won't work

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I have posted this video on YouTube this morning:

<https://www.youtube.com/watch?v=CkIxUR9Fc9s>

The transcript is as follows:

Lots of people are calling for wealth taxation to be introduced, not just in the UK, but around the world. It sounds like a really good idea. There are, after all, billionaires and multi-millionaires who are fueling inequality around the world, and also driving things like monopoly power and the exploitation of workers and so much else that needs to be addressed within our economy.

But, - and this is an enormous but - much as it sounds like a good idea, I really don't think that it is. Let me explain why I don't think wealth taxes work in the first instance and then explain what we should do instead.

Wealth taxes don't work because there are some almost insurmountable problems inherent within them.

First of all, you've got to find out what the wealthy own, and that is not as straightforward as you think. They hide their wealth in companies, which may have disguised ownership. They put their wealth in trusts and will claim this is no longer their asset. And is it, or isn't it? Can you imagine the number of years in court that it'll take to resolve that one?

Once you've discovered what they supposedly own, you've then got another problem to solve. And that is valuing it. Now, people think that valuing wealth is really straightforward. I promise you, it isn't.

How much is a private company worth? Because its shares aren't traded, you've got to

work out, therefore, what somebody might pay for it, even though it isn't available for sale.

How much is a racehorse worth? Well, some might only be worth a couple of thousand pounds. Others might be worth tens of millions of pounds.

And a work of art? I can daub a bit of paint on a canvas if you like. How much is it worth? Fifteen quid on a bad day. Twenty quid on a good day. That's about it. But, how much is a Picasso worth? Again, the variation in value is enormous. But it's a lot more than my daubs. Which figure is correct? No one will really know.

The point I'm making is this. By the time you have actually even established what is owned and what it's worth, first of all, you've got to start the process again for the next year because the proposal is that this is an annual tax.

Secondly, you're going to have to do this process for a lot of people who you are never going to tax because it turns out they don't have enough wealth to be charged, but they've still got to prove that point.

And then thirdly, you're going to have to employ an absolute army of tax inspectors to do the negotiations, an enormous number of specialist valuers, and legions of lawyers to take on the wealthy who are going to object to every single thing that is put to them as to that valuation and the tax charge that is being proposed.

I don't think that's a good use of tax authority resources. What do I suggest we do instead? I think it is easier - much easier - if we do, instead of charging wealth to tax, increase the tax on the income from wealth, and on capital gains derived from the sale of that wealth, when the wealthy, inevitably, eventually buy or sell things.

That's because, as I've shown in the [Taxing Wealth Report](#), if we have a truly progressive tax system that does genuinely increase tax rates as people's income rises, and if we overcome some of the stupidities in our tax systems as well, which means that things like income from wealth are not subject to the equivalent of national insurance charges, which they aren't at present, but which people who earn their incomes from work have to pay, and if we equalise the tax rates on capital gains and income, as well as having decent progressive inheritance tax rules that have limited or no allowances for business assets because there is frankly no reason why the billionaires of the world need to have allowances for their business assets which reduce the tax charge on them when they pass them to the next generation, then we could have truly significant increases in the tax charges on those people.

Vastly more additional tax, in fact, could be charged in the way I suggest than we could achieve by having wealth taxes in the UK. The TUC have looked at having a wealth tax and suggested they might be able to raise an additional £10 to £12 billion. Just one of the recommendations I make in the Taxing Wealth Report, which restricts the tax relief

on contributions to pension funds by those who are higher rate taxpayers, would raise more than that by itself.

Equalising income tax rates and capital gains tax would do the same thing with almost no additional tax inspectors required at all, and no extra valuation problems.

My point is this: it would be much easier to increase taxes in the way that I am suggesting than to have a wealth tax.

Now, if you're into political posturing, a wealth tax is a great thing. If you're into pragmatic tax collection that will reduce inequality in the world, then what I'm proposing is a better outcome.

I'm not into gesture politics. I'm into pragmatic solutions to the problems that exist in this world. And that's why, attractive as they sound, I don't think wealth taxes are the answer to any problem that we have with inequality.