



The taxation of wealth

Scottish Exchequer, 29 Aug 2023

Arun Advani (University of Warwick, CAGE, IFS)

[@arunadvaniecon](https://twitter.com/arunadvaniecon)

HMRC Disclaimer

This work contains statistical data from HMRC which is Crown Copyright. The research datasets used may not exactly reproduce HMRC aggregates. The use of HMRC statistical data in this work does not imply the endorsement of HMRC in relation to the interpretation or analysis of the information.

Who am I?

- Institute for Fiscal Studies (2010-17; ongoing as Research Fellow)
 - Environmental taxation,
 - Tax compliance (incl. 2020 NAO review, and budget measure passed in Mar 2020)
- University of Warwick (2017-)
 - Capital Gains Tax (incl. on 2021 OTS consultative cttee for CGT review)
 - Wealth Taxes (ran Wealth Tax Commission, given evidence in Westminster Parliament)
 - Personal tax (incl. reform of National Insurance Contributions)
 - Policy making process, incl. work with Institute for Government; OBR advisory board

Who am I?

- Institute for Fiscal Studies (2010-17; ongoing as Research Fellow)
 - Environmental taxation,
 - Tax compliance (incl. 2020 NAO review, and budget measure passed in Mar 2020)
- University of Warwick (2017-)
 - Capital Gains Tax (incl. on 2021 OTS consultative cttee for CGT review)
 - Wealth Taxes (ran Wealth Tax Commission, given evidence in Westminster Parliament)
 - Personal tax (incl. reform of National Insurance Contributions)
 - Policy making process, incl. work with Institute for Government; OBR advisory board
- Discover Economics: charity aimed at increasing access to economics

Outline

1. How is wealth taxed now?
2. Role for a Wealth Tax?
3. Reforming existing taxes on wealth
4. Better policymaking

How is wealth taxed now?

1. *Transfers* of wealth e.g. Inheritance Tax
2. *Returns* on wealth e.g. Income Tax and Capital Gains Tax
3. *Ownership* of wealth
 - a) Narrow, asset-class based tax e.g. annual tax on enveloped dwellings, council tax (sort of)
4. *Spending* of wealth e.g. VAT

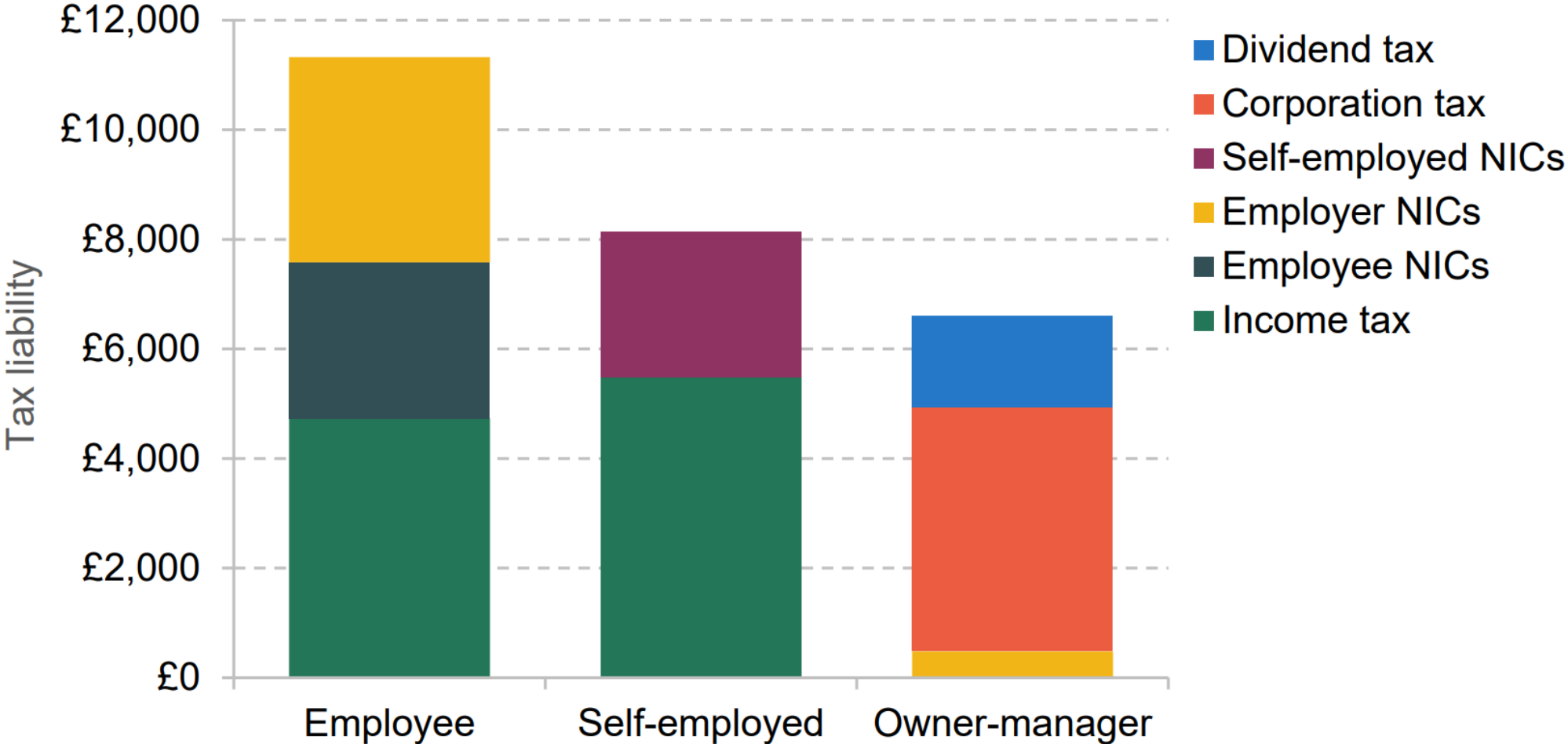
How is wealth taxed now?

1. *Transfers* of wealth e.g. Inheritance Tax
2. *Returns* on wealth e.g. Income Tax and Capital Gains Tax
3. *Ownership* of wealth
 - a) Narrow, asset-class based tax e.g. annual tax on enveloped dwellings, council tax (sort of)
4. *Spending* of wealth e.g. VAT

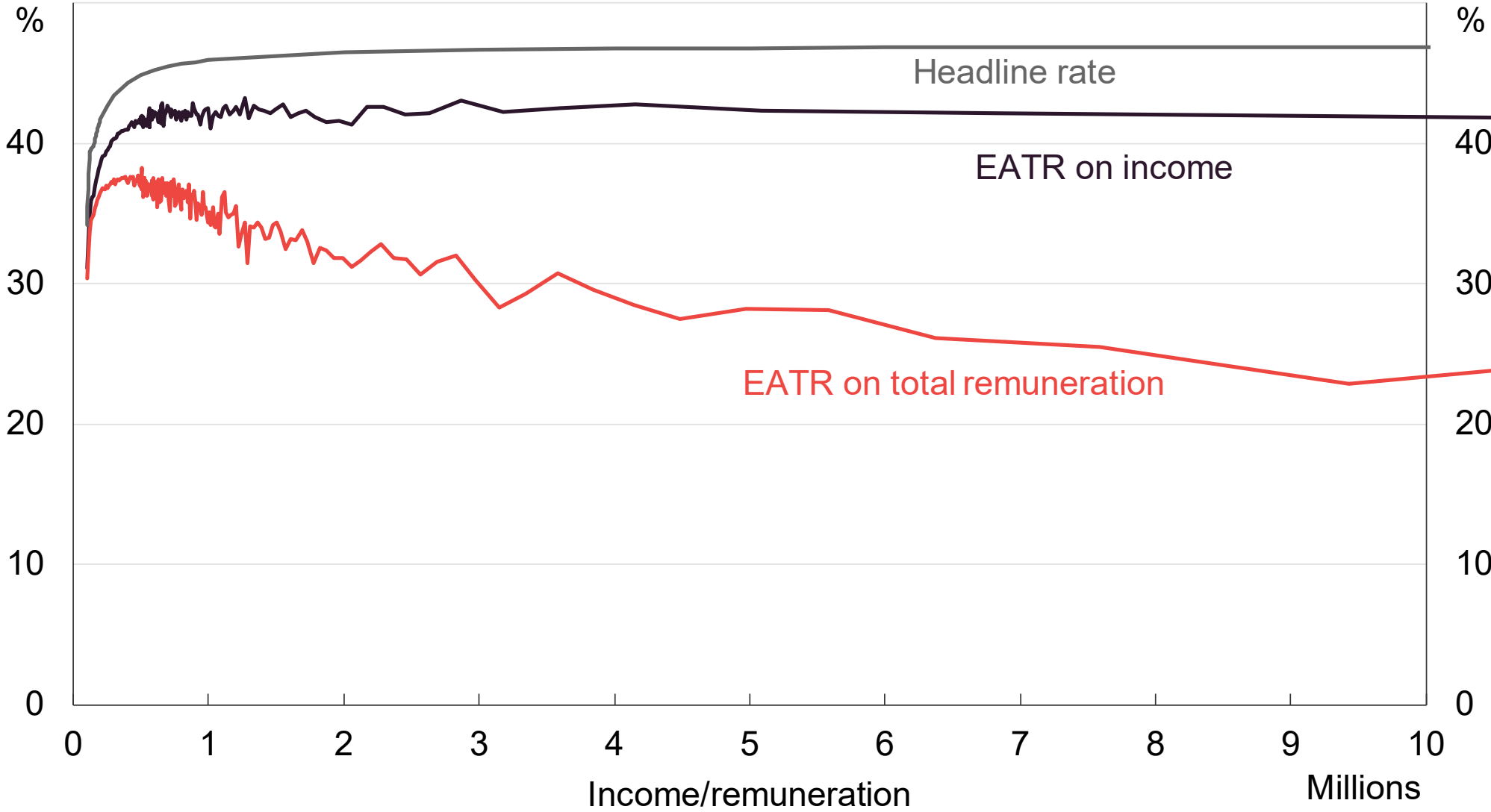
A *Wealth Tax* would be a broad-based tax on the ownership of wealth

Taxes on returns from wealth lower than on labour

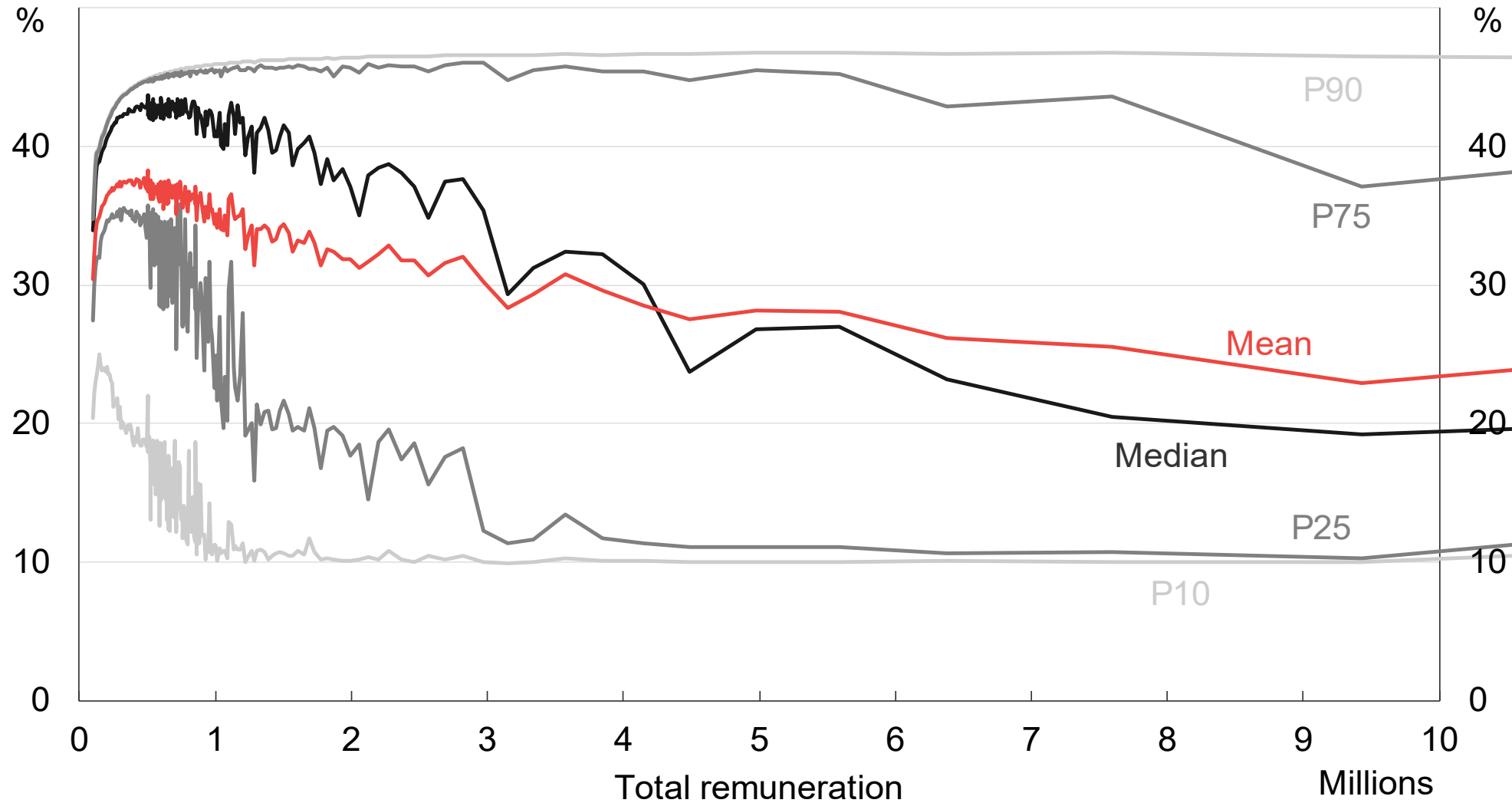
Figure 6. Tax due on a job generating £40,000 in 2023–24



Effective ave. tax rate on remuneration declines from £300k

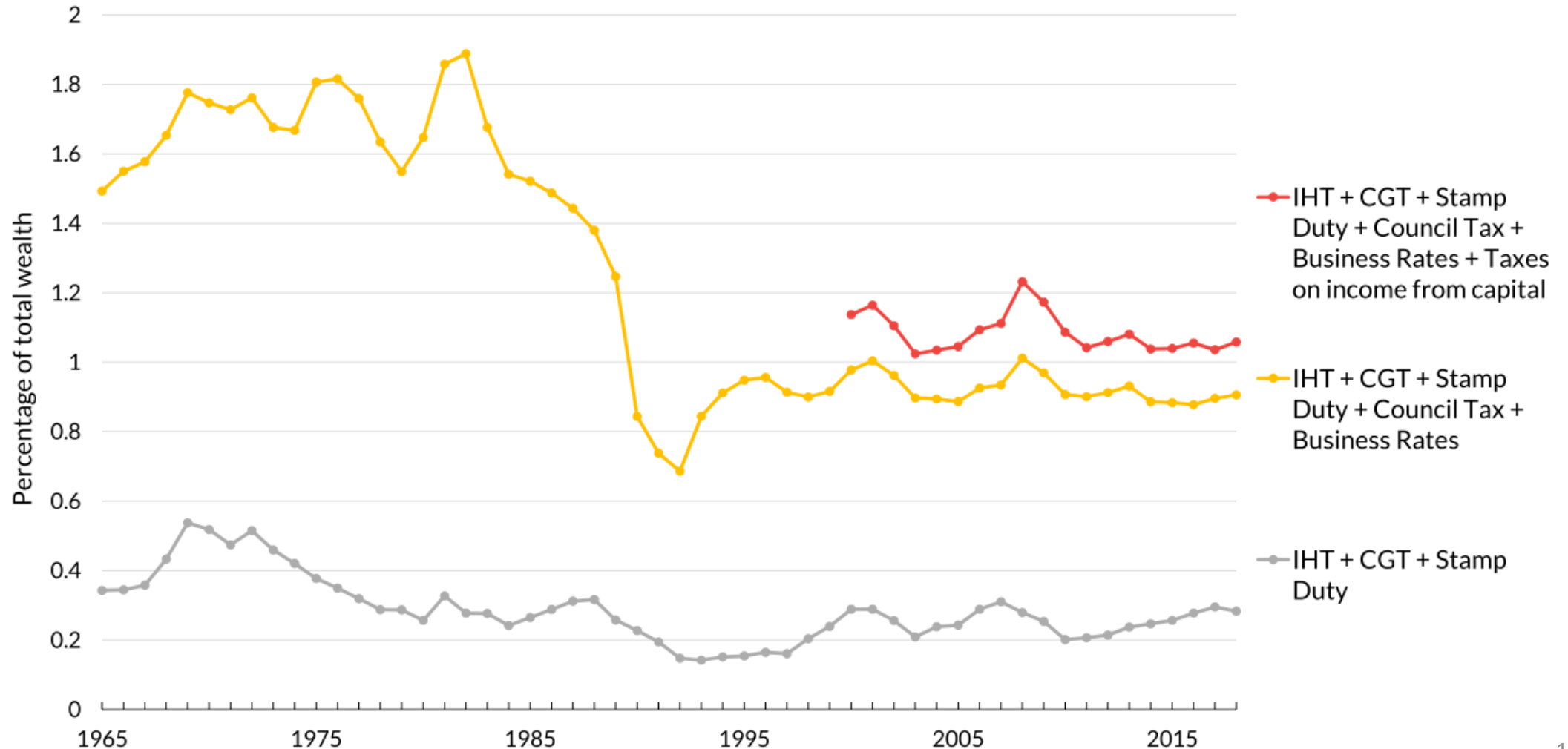


Including gains, EATRs lower and more varied



Taxes on wealth have fallen, relative to total wealth

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



Role for a WT?

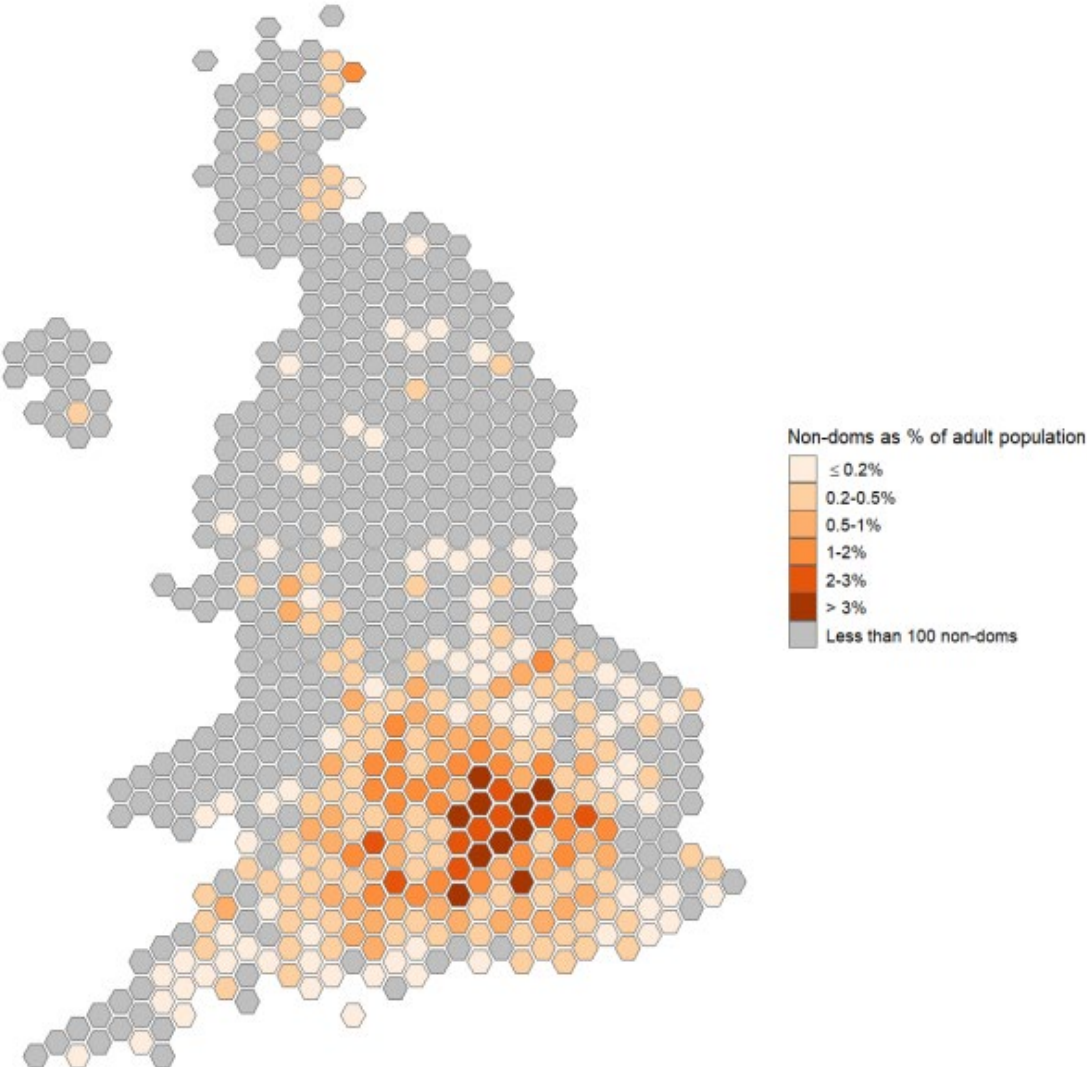
- No strong case for a “mass market” WT in UK
- Is a case for a “top” WT if concerned about wealth ineq.
 - But this would definitely be better if UK rather than Scotland
 - Evidence from Switzerland and Spain that intranational variation in rates is very costly
- WTC also has specific evidence paper looking at devolved WT

Reforming existing taxes on wealth

1. CGT
2. IHT
3. NICs
4. Non-doms

Location of non-doms

Figure 12: Location of non-doms within the UK by parliamentary constituency, 2018



Better policymaking

How is evidence used in tax policy making?





The taxation of wealth

Scottish Exchequer, 29 Aug 2023

Arun Advani (University of Warwick, CAGE, IFS)

[@arunadvaniecon](https://twitter.com/arunadvaniecon)