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20 June 2023

THE INTERGOVERNMENTAL ORGANISATION OF THE SOUTH

2023 ATI General Assembly: Stepping up financing for sustainable development

Opportunities provided by United Nations wealth tax guidelines to more effectively and efficiently tax the wealthy

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First – Is it Worth it?

How much tax can be collected from the Rich at a global level?

First – Is it Worth it?

Oxfam Estimates: $1.7 trillion / year

wealth tax of 2% on the world's millionaires, 3% on those with wealth above $50m, and 5% on the world's billionaires

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World Inequality Lab Estimates

Table 1 *Global millionaires and billionaires, 2021*

Wealth group ($)	Number of adults	Total wealth ($ bn)	Average wealth ($ m)	Global wealth tax	
				Effective wealth tax rate (%)	Total revenues (% global income)
All above 1m	62,165,160	174,200	2.8	1.0	1.6
1m - 10m	60,319,510	111,100	1.8	0.6	0.6
10m - 100m	1,769,200	33,600	19	1.3	0.4
100m - 1b	73,710	16,500	220	1.5	0.2
1b - 10b	2,582	7,580	2,940	2.3	0.2
10b - 100b	159	4,170	26,210	2.8	0.1
Over 100b	9	1,320	146,780	3.2	0.04

Interpretation: *In 2021, 62.2 million people in the world owned more than $1 million (at MER). Their average wealth was $ 2.8 million, representing a total of $174 trillion.* ***Note:*** *Numbers of millionaires are rounded to the nearest ten.* ***Sources and series:*** *wir2022.wid.world/methodology.*

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Total Amount of Potential Tax Revenue from this Source

~$1.9 trillion (World Inequality Report 2022)

- Assuming universal implementation of 1% *effective* wealth tax
- United Nations Tax Committee to provide draft wealth tax guidelines in upcoming October 2023 Session

Global SDG Finance Requirement: $4.3 trillion

Percentage: 44%

Wealth Taxes single largest source of Tax 4 SDGs

Is it Worth it? YES

Second - Great, But How to do it?

Central problem of wealth taxation is not **what**, but **how**

Asset valuation

Tax base determination

Obtaining data on wealth ownership from tax havens

Reality of political influence & pressure

And so on

Countries need practical guidance on implementation

United Nations took up the issue

United Nations Tax Committee decided 4 year work program in 2021

Wealth Taxation key priority; Subcommittee formed

Subcommittee preparing guidelines for wealth taxation **with an emphasis on practical guidance for implementation**

United Nations Tax Committee Guidelines on Wealth Taxation

Available online: https://financing.desa.un.org/sites/default/files/2023-03/CRP%2017%20-%20Coordinator%20Report%20Wealth%20Taxes%20and%20Annex.pdf

1. Executive summary
2. Short introduction and the rationale behind wealth taxes
3. Different types of taxes related to wealth
4. Basic policy decisions upon introducing or amending current tax regimes
5. **Practical guidance for the implementation of net wealth taxes for individuals**
6. **Practical guidance for the implementation of exceptional solidarity property and net wealth taxes on individuals**
7. Conclusions
8. 8. Appendices: a. Potential revenue estimates methodology
9. b. ~~Annex: Model legislation~~ Legislative elements for net wealth taxes on individuals (*important*)
10. c. Overview on net wealth taxes around the world

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Short introduction and the rationale behind wealth taxes

a. Summary/Introduction of the chapter
b. Wealth
    i. Definition of wealth
    ii. Brief discussion on who owns wealth: individuals, corporations.
c. Wealth elements by nature
d. Definition of wealth taxation
e. Rationale behind wealth taxation
    i. Advantages
        - Addressing inequality
        - Complementing the tax system (References to 4.e. and 5.d.)
        - Revenue for governments (Reference to Appendix A)
        - Other
            - Positive behavioural responses
            - Positive economic impact
            - Potential political support
    ii. Disadvantages
        - Administrability
        - Double/burdensome taxation (Reference to 4.d.iv.)
        - Undesired behavioural responses (References to 5.e.iv and 5.g.)
        - Undesired impact on low versus high return assets holders and on low liquidity assets holders

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Different types of taxes related to wealth

a. Summary/Introduction of the chapter

b. ~~Taxes on the flow of wealth~~ Capital income taxes ~~(including capital gains taxes, dividends, interest, etc.)~~

   i. Introduction / General characterization
   ii. Taxes on interest
   iii. Taxes on dividends
   iv. Taxes on capital gains
   v. Taxes on royalties
   vi. Taxes on rents from immovable property
   vii. Other capital income taxes (for example movable property leases)

c. Taxes on the stock of wealth

   i. Introduction / General characterization
   ii. Property taxes (References to chapters 4 and 5)
      - Taxes on immovable property
      - Taxes on tangible movable assets
      - Taxes on intangible assets
   iii. Net wealth taxes (References to chapters 4 and 5)

d. Taxes on the transfer of wealth~~, including inheritance and gift taxes~~

   i. Introduction / General characterization
   ii. Inheritance taxes
   iii. Estate taxes
   iv. Gift taxes
   v. Other (accession taxes, taxes to prevent generation-skipping transfers)

Basic policy decisions upon introducing or amending current tax regimes

a. Summary/Introduction of the chapter
b. Capital income taxes
c. Taxes on the transfer of wealth (incl. property)
d. Key design issues for taxes on property and ~~Developing a~~ net wealth ~~tax for individuals~~
    i. Taxable person
        - Individuals
        - Fiscal households
        - Corporations (Reference to 2.b.ii)
        - Non-residents
        - Proxies / Substitutes
    ii. Exemptions / Exclusions
    iii. Thresholds
    iv. Maximum taxation
    v. Taxable base (Cross reference to 5.b.)
        - Covered assets
        - Qualified deductions
    vi. Rates
    vii. Taxable event
    viii. Double taxation (Cross reference to 5.d.)
    ix. Administrability (Reference to 5.e.)
    x. Information management (Reference to 5.f.)
e. Tax system interactions
    i. Among taxes related to wealth
    ii. Between taxes related to wealth and other taxes
    iii. Between taxes related to wealth and other legal regimes

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Practical guidance for the implementation of net wealth taxes for individuals

a. ~~Covered assets~~ Summary/Introduction of the chapter (References to 2.a. and Appendix B)

b. ~~Thresholds / Exemptions~~ Tax base determination (Cross reference to 4.d.v.)
   i. Valuation of covered assets
   ii. Inflation adjustments
   iii. Qualified deductions

c. Liquidity / Timing / Periods of taxation and collection

d. Double taxation issues and interaction with other taxes (References to 4.d.viii. and 4.e.)
   i. Integration with income tax

e. ~~Rates~~ Tax administration and compliance management
   i. Level of the tax authority (national, subnational)
   ii. Identifying the beneficial owner
   iii. Collection mechanism
   iv. Addressing tax avoidance and evasion
   v. Formal requirements

f. Information management / exchange of information
   i. Sources of information
      - Tax Administration databases
      - Declaration of assets held
      - Other governmental sources
      - Other non-governmental sources

   ii. Use of information
   iii. Exchange of information

g. Capital flight / exit taxes (Cross reference to 2.e.ii)

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Practical guidance for the implementation of exceptional solidarity property and net wealth taxes on individuals

a. Summary / Introduction of the chapter
b. Purposes, advantages and disadvantages
c. Key design issues (References to 4.d. and 5.)
    i. Taxable person
    ii. Exemptions / Exclusions / Thresholds
    iii. Taxable base
        - Covered assets
        - Valuation of assets
        - Qualified deductions
    iv. Taxable event
    v. Double taxation and other design issues
    vi. Rates
d. Liquidity / Timing / Periods of taxation and collection (References to 5.c.)
e. Administrability (Reference to 5.e.)
f. Information management (Reference to 5.f.)
g. Interactions with other regimes (Reference to 4.e.)

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Appendices

8. Appendices:
    a. Potential revenue estimates methodology
    b. ~~Annex: Model legislation~~ Legislative elements for net wealth taxes on individuals
    c. Overview on net wealth taxes around the world

Going Forward - I

Draft guidelines to be released tentatively in October 2023 at next session of UN Tax Committee

Feedback invited from general public

Tax officials can participate in UN Tax Committee session as country observers either remotely or in-person and comment on guidelines

What You Can Do: Your comments on the guidelines are needed and valuable; will help the United Nations strengthen them

More details here: https://financing.desa.un.org/what-we-do/ECOSOC/tax-committee/tax-committee-home

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Going Forward - II

Original plan was to develop model wealth tax legislation which could be used by countries

Opposed by developed countries who did not want a stronger rôle of the UN in international tax standard-setting

Compromise of ‘legislative éléments’ arrived at; however this can be basis for model legislation

Support of developing countries needed to push for model wealth tax law by UN Tax Committee

What You Can Do: Please participate in next session of UN Tax Committee, either remotely or in-person, and call on the UN Tax Committee to prepare model wealth tax legislation

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THANK YOU

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