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A GLOBAL WEALTH TAX ON THE SUPER-RICH

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In the post-war period, significant improvements in income distribution were achieved globally, but inequality, net of withdrawal and transfers, has risen almost steadily over the past two decades. This phenomenon largely reflects the fact that tax policy has become less redistributive, with a less progressive income tax.

Another factor that greatly affects inequality is the distribution of property. In his 2021 book, *Une brève histoire de l'égalité (A brief history of equality),* Thomas Piketty shows that in Europe, in 1913, 40% of the population, between the richest 10% and the poorest 50%, owned about 10% of total property, while by 2020 their share had grown to 40%, especially in the form of real estate. The redistribution of ownership has been heavily skewed towards the middle class, leaving the poorest 50% with a mere 5% of all property in 2020, while the richest 10% has amassed 55%.

According to data collected by Gabriel Zucman in *Global* Wealth Inequality, wealth inequality in the United States has increased dramatically since 1980, with the top 1% of the income distribution scale holding nearly 40% in 2016, up from 25-30% in 1980. A similar trend of increasing wealth concentration has occurred globally: the combined wealth share of the richest 1% in China, Europe, and the United States has increased from 28% in 1980 to 33% today, while the share of the bottom 75% barely reaches 10%.

While the accumulation of large amounts of capital is the result of personal ability and commitment, the social environment and access to public goods play a crucial role. A progressive wealth tax should ensure that after accounting for wealth and inheritance tax – which help finance the production of public goods essential for supporting individual efforts – there remains sufficient residual wealth to reward the activity and commitment that enabled the accumulation of assets. Individuals can choose to pass on their residual wealth to heirs, allocate it to socially useful causes or support activities of collective interest. A progressive wealth tax would thus contribute to strengthening social cohesion and promote economic growth in a society with reduced inequality.

In Europe, as spending rises to support the ecological and digital "twin transitions" and to fund the necessary measures for defence of the continent and the security of Europeans, the tax burden falls on ordinary tax payers, while the super-rich virtually manage to avoid paying any taxes. According to the *Global Tax Evasion Report 2024*, compiled by the *EU Tax Observatory*, the super-rich can exploit numerous tax loopholes to effectively pay little to no tax, amounting to only 0%-0.5% of their total wealth. Meanwhile, wealthy individuals who do not use these loopholes pay between 20% and 50% in income taxes.

This situation is increasingly politically unsustainable, although some progress has been made with the creation of a new form of international cooperation – an automatic, multilateral exchange of banking information in force since 2017 and implemented by over 100 countries in 2023 – and with a historic international agreement for a global minimum tax on multinational corporations approved by over 140 countries and territories in 2021.

To address growing wealth inequality, a recent meeting of G20 finance ministers put forward a proposal by four countries - Germany, Spain, Brazil and South Africa - to introduce a wealth tax with a rate of 2% on the approximately 3,000 billionaires that exist globally. The *Global Tax Evasion Report 2024* estimates this could generate about $250 billion in tax revenue annually, helping to reduce inequality – at least partially – and raise public funds, which have been strained by the economic shocks of the pandemic, the climate crisis and military conflicts in Europe and the Middle East.

The Report estimates that Europe's 499 billionaires possess a collective wealth of €2,260 billion, averaging €4.5 billion per individual. A 2% wealth tax on this group could generate a revenue of €45.3 billion. After subtracting the amount of personal taxes that the super-rich currently pay (estimated at around €5.6 billion), the additional revenue would be approximately €40 billion, impacting each taxpayer by roughly €80 million.

As the four ministers (two from EU Member States, two from BRICS countries) who signed the proposal stated, "Of course, the point that billionaires can easily move their fortunes to low-tax jurisdictions, and thus avoid the new form of taxation, is strong. And that is why such tax reform must be on the G20 agenda. International cooperation and global agreements are fundamental to making this form of taxation effective. What the international community was able to do with the global minimum tax on multinationals, it can do with billionaires."

A minimum tax on the rich would certainly not solve all the problems of tax equity. It is only one part – albeit an important one – of a fair tax system, together with a highly progressive income tax and an equally progressive inheritance tax. In addition to indirect taxes on luxury consumption in advanced societies and on the excessive, harmful use of natural resources, the financing of public goods will have to increasingly rely on wealth taxation. A substantial wealth and inheritance tax could gradually reduce income inequalities, which make social cohesion in our communities increasingly precarious.

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(The opinions expressed here do not necessarily represent the CSF)