

A European Wealth Tax

S&D Working Group on Halting the economic inequality crisis

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1) Private Wealth in the EU in 2017

Private Wealth in the EU in 2017

Middle-class, upper-class, rich, super-rich: Who is who?

Equal distribution (mean):	€260,000	168m households
The poorest 50% (median):	≤ €90,000	84m households
Middle class (richest 50%-80%):	€90,000 to €282,000	50m households
Upper class (richest 80%-90%):	€282,000 to €490,000	17m households
The rich (richest 90%-99%):	€490,000 to €2,153,000	15m households
The super rich (richest 99% to 99.9%):	€2.1m to €10m	1.5m households
The ultra rich (richest 0.1%):	>€10m	168,000 households

Detailed distribution tabulations for all 22 countries in [▶ Online Appendix](#) of Kapeller et al. (2021)

2) Wealth Tax: Design Choices

Designing a European wealth tax

- 1 **high threshold:** €1 (top 3%), €2 (top 1%)
- 2 **no exemptions:** threshold of €1 or €2 million is exemption
- 3 **use market valuations:** avoid fate of many property taxes
- 4 **allow payment in equity:** resolve liquidity problems
- 5 **strongly progressive design:** to reduce inequality
- 6 **third party reporting:** domestic financial institutions
- 7 **automatic information exchange:** pressure foreign jurisdictions
- 8 **credible enforcement:** necessary resources for tax agencies
- 9 **exit tax:** reduce incentive to relocate
- 10 **EU:** ideally at EU level

3) Wealth Tax: Revenue Estimations

Wealth Tax Models

	model I	model II	model III	model IV	
approach	flat tax	mildly progressive	strongly progressive	wealth cap	
threshold	€1 million	€1 million	€2 million	0.5 times av wealth (€130,000)	
tax brackets				tax brackets	
€1 million	2%	1%		$\emptyset \times 0.5$	0.1%
€2 million	2%	2%	2%	$\emptyset \times 2$	1%
€5 million	2%	3%	3%	$\emptyset \times 5$	2%
€10 million	2%	3%	5%	$\emptyset \times 10$	5%
€50 million	2%	3%	7%	$\emptyset \times 10^2$	10%
€100 million	2%	3%	8%	$\emptyset \times 10^3$	60%
€500 million	2%	3%	10%	$\emptyset \times 10^4$	90%

Revenue estimation

		Survey data + Pareto tail + evasion effects
model I: flat tax	€ bn.	192
	% GDP	1.6%
model II: mildly progressive	€ bn.	224
	% GDP	1.9%
model III: strongly progressive	€ bn.	357
	% GDP	3.0%
model IV: wealth cap	€ bn.	1,281
	% GDP	10.8%

Source: Kapeller et al. (2021) and Heck et al. (2020) for Austrian model.

Thank you!

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Appendix

Who owns how much?

- the richest 1% of households hold 32% of total wealth in the EU22
- some individual countries:
 - ▶ Italy: 27%
 - ▶ Poland: 33%
 - ▶ Germany: 38%
- how does that compare?
 - ▶ South Korea: 25% (2015)
 - ▶ China: 30% (2015)
 - ▶ USA: 35% (2017)
 - ▶ Russia: 43% (2015)
- Europe is much more unequal than we like to think

Other estimates of European wealth distribution

- Top 1% share for France:
23.4% (Garbinti et al. 2016) vs our estimate of 27.5%
- Aggregate wealth for Europe:
€46,294 billion (Krenek & Schratzenstaller 2022) vs our estimate €43,629 billion
- Billionaires on rich lists:
across Europe 431 vs our estimate 461
- Top 1% share for Germany:
 - 35.3% (Schröder et al. 2019)
 - our estimate of 37.7%
 - 28% (Blanchet & Martinez-Toledano 2021)

Accounting for tax evasion

- Based on Bach & Beznoska (2012) we assume the following proportion of the tax base is lost due to evasion:
 - real estate 20%, financial wealth 24%, directly held companies 13% and other assets 100%
 - in addition we model strong evasion as: real estate 20%, financial wealth 48%, directly held companies 26% and other assets 100%