



Is it possible to tax the super-rich?

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*“What is't to us if taxes rise or fall?
Thanks to our fortune, we pay none at all”*

Charles Churchill (1761)

- Recent evidence highlights the very low effective tax rates paid by those at the extreme top
 - US: Piketty, Saez & Zucman (2018); Pro Publica Leaks (2022)
 - UK: Advani & Summers (2020)
- ‘Super-rich’ have strategies for reducing tax that are not available to ordinary taxpayers
- This creates impetus for reform, but can also be a counsel of despair: **is it possible to tax the super-rich (more)?**

This paper

Focuses on examples from UK context...

1. Why did past attempts fail?

- Changes to Income Tax rates 2010-2016
- Reforms to 'non-dom' tax regime 2008-2017

2. Three key policy issues

- Capital taxes (on capital gains, gifts and inheritances)
- Mobility of assets and individuals
- Trusts

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Who are the non-doms?

Anecdotes



Mark Carney
Ex- Governor of the Bank
of England



Sajid Javid
Ex-Chancellor

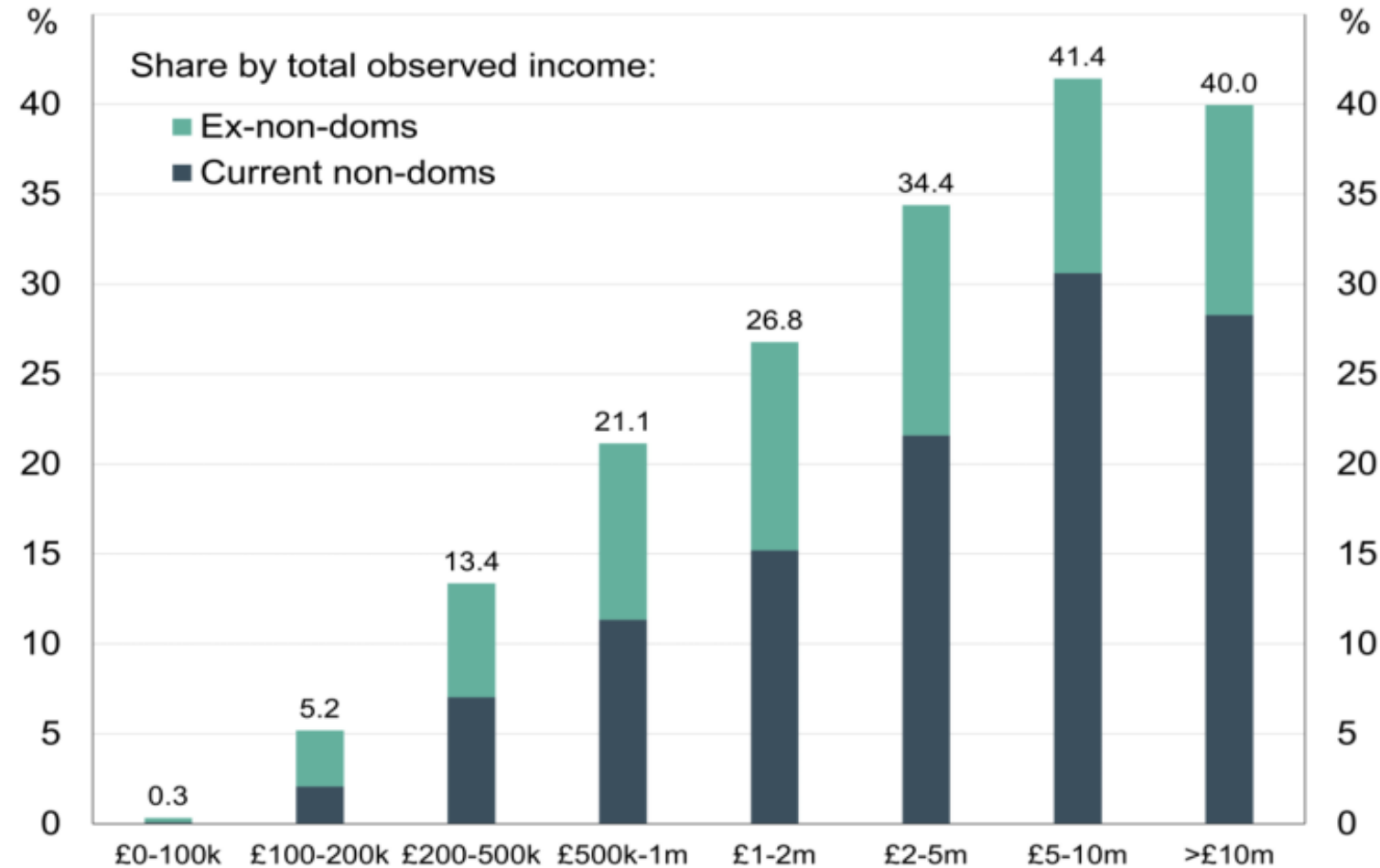


Akshata Murty
Wife of Chancellor
Rishi Sunak

Who are the non-doms?

Evidence from tax records

Figure 3: Share of non-doms at different levels of income, 2018



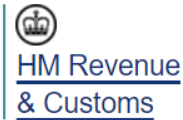
Advani, Burgherr, Savage & Summers (2022)

The 'deemed domicile' reforms

**Budget Speech,
July 2015**

*“It is not fair that people live in this country for very long periods of their lives, benefit from our public services, and yet operate under different tax rules from everyone else. Non-dom status was meant to be temporary, but it became permanent for some people. Not any longer. **I am today abolishing permanent non-dom tax status. Anyone resident in the UK for more than 15 of the past 20 years will now pay full British taxes on all worldwide income and gains ... British people should pay British taxes in Britain – and now they will.**”*

The 'deemed domicile' reforms



**Technical briefing
published simultaneously
by HMRC**

Guidance

Technical briefing on foreign domiciled persons changes announced at Summer Budget 2015

Published 8 July 2015

Non doms who have set up an offshore trust before they become deemed domiciled here under the 15 year rule will not be taxed on trust income and gains that are retained in the trust and such excluded property trusts will have the same IHT treatment as at present (subject to the announcement made at Budget 2015 on UK residential property held through offshore companies and similar vehicles). However, such long term residents will, from April 2017 be taxed on any benefits, capital or income received from any trusts on a worldwide basis. The government will consult on the necessary changes

Some lessons

- Read the technical briefings! (Or ask someone who has)
- **Anticipate artificial responses** (e.g. retiming of transactions, use of corporate/trust structures, reliefs etc)
- **Consider reforms wholistically**: avoid the 'whack-a-mole' approach
- **Be wary of elite capture**: instrumental *and structural* power

Conclusions of the paper

- Yes, it is possible to tax the super-rich more
 - Responsiveness not a structural parameter; is a function of policy
 - Must understand individual margins of response as they have different policy implications
- Reducing scope for artificial responses is key
 - Not all reforms will be large revenue-raisers in themselves, but may still be necessary as 'backstop'
 - Balance between consultation 'to get the detail right' vs undermining crucial principles