Tax Policy Alert

Blueprint for global minimum wealth tax on ultra-high net worth individuals

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In brief

What happened?

The EU Tax Observatory published a report on 25 June that was authored by the French economist Gabriel Zucman, as commissioned by the Brazilian presidency of the G20. The report provides a blueprint for a coordinated minimum tax on ultra-high net worth individuals (UHNWI) equal to 2% of their wealth. The report estimates that the tax could raise up to $250 billion annually if levied on billionaires, or up to $380 billion annually if levied on centimillionaires.

Why is it relevant?

Recently, the discussion around the merits of wealth taxes has gained momentum. The Subcommittee on Wealth and Solidarity Taxes of the United Nations (UN) Committee of Experts delivered a report on policy options for the introduction of wealth taxes, and is working on a potential model wealth tax law to support jurisdictions that wish to implement it. The March 2024 Economic and Social Council (ECOSOC) Special Meeting on 'International Cooperation in Tax Matters' featured prominently a discussion on the role of these taxes in promoting equality and financing Sustainable Development Goals. Earlier in June, the matter was also identified as a proposed priority protocol in the 'Zero Draft' Terms of Reference (ToR) for the UN Framework Convention on International Tax Cooperation.

The global minimum wealth taxation topic also remains on the OECD's agenda and was recognised as an area needing further work in the recent February 2024 OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors. The report reiterates the need to address rising inequalities through the effective taxation of capital income and capital gains, referencing the OECD's previous report on The Role and Design of Net Wealth Taxes in the OECD. It also indicates that further work is needed to identify the specific challenges involved in taxing high net worth individuals, particularly in a globalised economy.

The blueprint for a global minimum wealth tax for UHNWI has received mixed reactions, with some countries (including Brazil and France) in favour and others (e.g., the United States) opposing certain aspects. Implementation would require global cooperation and adjustments to current tax reporting standards. As witnessed from the OECD's two-pillar project, there are tremendous practical difficulties to find consensus between countries and agree on coordinated global taxation. Additionally, another EU Tax Observatory Report on Tax Evasion suggests that most revenues from the proposal would stem from North America, Europe and East Asia, which raises the question whether the initiative would broadly benefit developing countries.

Observation: Any discussion around the introduction of a wealth tax as presented in the EU Tax Observatory blueprint would require a deep and holistic analysis of the broader taxation mix. Relevant topics to be considered could include the distributive effects of current personal income and inheritance taxes; how a wealth tax would impact the total progressivity of a country's tax system; the potential cross-border distribution effects; and the impact a wealth tax would have on the ability of companies to attract funding.

Action to consider

An internationally coordinated approach to the taxation of high net wealth individuals is on the agenda of some international tax policy makers. It is hard to predict how this will evolve, which international institution will take the lead or coordinate, and whether countries will ultimately support and be able to find consensus on such a proposal. However, given the topic's increased attention, taxpayers, including individuals and indirectly affected companies, should closely watch for developments.

Let's talk

For a deeper discussion of how the global wealth tax might affect your business, please contact:

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