



Universität St.Gallen



Global Tax Policy Options for Taxing Billionaires

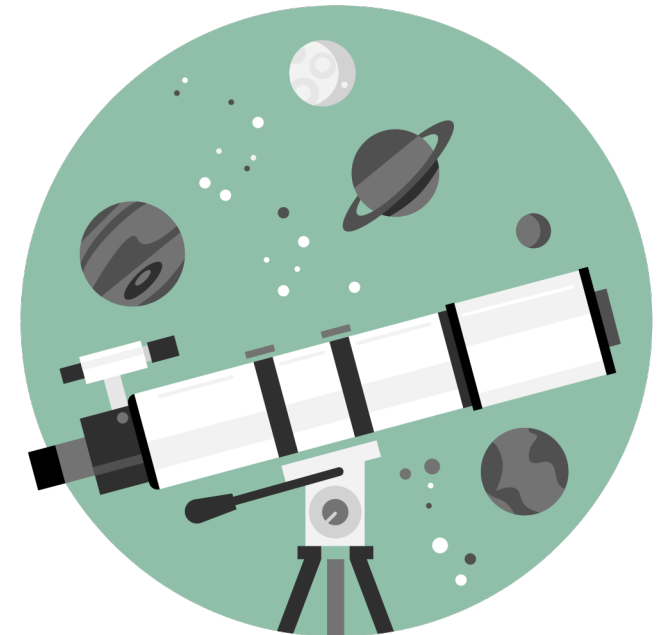
Belgrade, 6 October 2022

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*“From insight
to impact”* 

Disclaimer

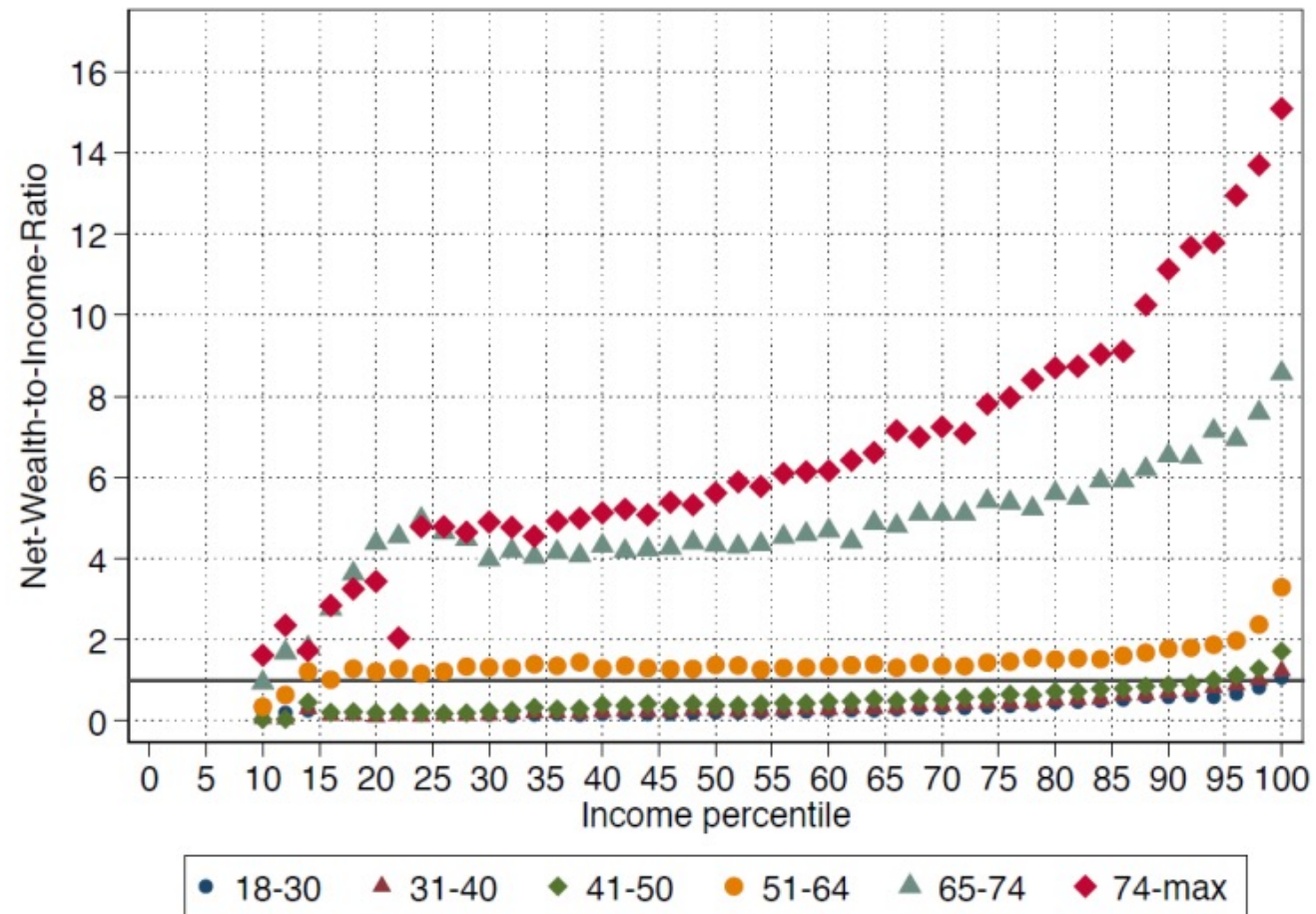
I was asked to talk about the topic – do not expect too progressive solutions!



Some Data (Economics)

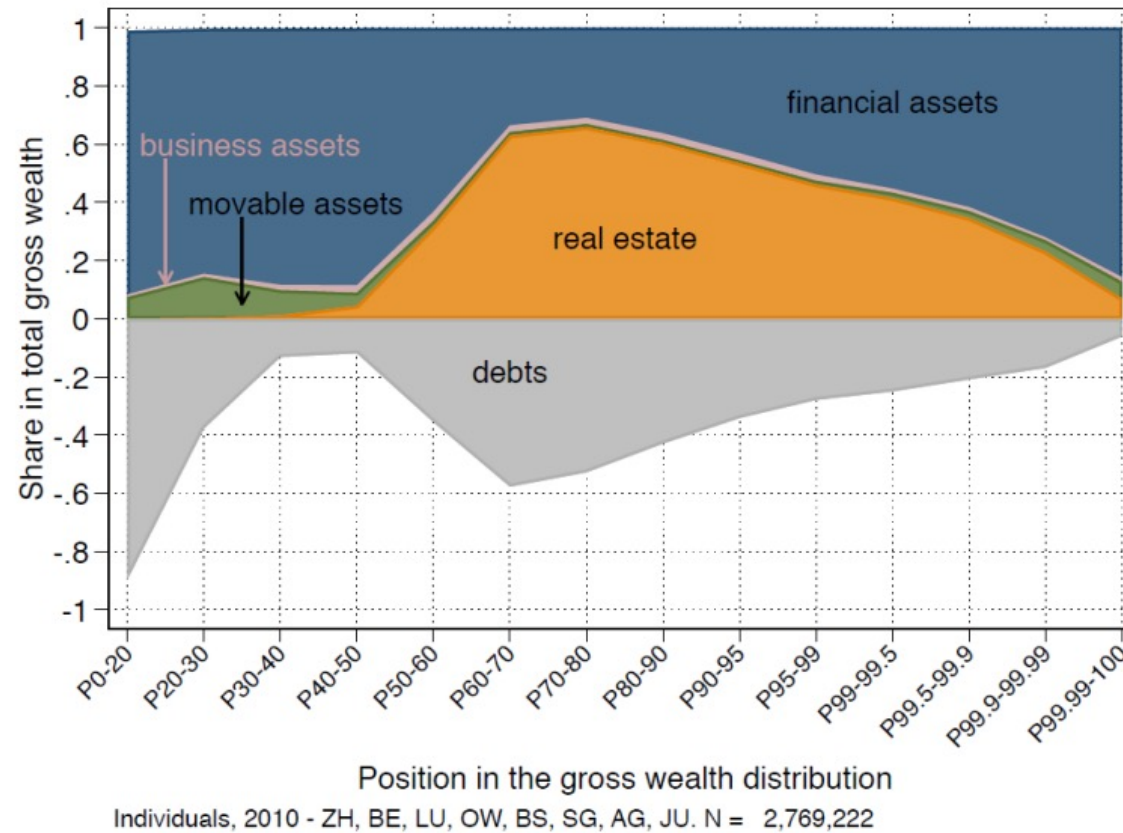
- Global inequalities (wealth and income) are decreasing (but maybe not at the very top – 0.01% - data is unclear)
- Domestic inequalities are very different (Gini coefficients!)
- Wealth/income ratios are key from a policy perspective
- Wealth composition should impact tax policy decisions
- Conclusion: It seems not possible to develop a clear tax policy valid for all states

Some Data (Economics)



Source: Martinez 2021

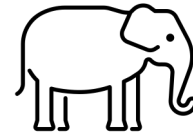
Some Data (Economics)



Source: Martinez 2021

International Tax Policy and Inequalities (Philosophy)

- No moral duty to decrease **global inequalities** but humanitarian duty
- What level of inequalities do we want to achieve in a domestic situation:
 - Wealth inequalities
 - Income inequalities
 - Equality of opportunities
- Elephant in the room: spending side!



Intermediate conclusion

- No moral agreement on what kind of inequalities we want to achieve (philosophy!) and inequalities are so different that a common international tax policy is extremely difficult to develop (economics!). Moreover, taxation might not be the most effective tool to reduce inequalities (elephant!)

Policy options

The following four options exist:

1. A global minimum tax for billionaires (no normative justification)
2. A global wealth tax for billionaires (no normative justification)
3. A global income tax for billionaires (no normative justification)
4. **Challenging harmful income tax regimes for billionaires (seems persuasive)**



Challenging Harmful Income Tax Regimes

Examples:

1. Non-Dom status in the UK
2. Tax exemption upon relocation in Israel
3. Lump-sum tax regime in Switzerland
4. Italy's flat tax regime

Main design elements:

1. Limited personal scope
2. Often different treatment between foreign and domestic income
3. Often no comprehensive reporting regarding foreign income and wealth



Challenging Harmful Income Tax Regimes

1. Similar features as harmful corporate income tax regimes (no or low effective tax rates, ring-fencing of regimes, transparency, lack of effective exchange of information)
2. Why challenging harmful income tax regimes:
 - Most blatant forms of injustice! It is not about comparing 25% vs. 40% income tax rate but maybe 2% vs. 40%.
 - It is not about reducing inequalities but about challenging the most extreme forms of injustice (Amartya Sen!)
 - Intransparency of these regimes is one of the last jigsaw pieces missing in the framework of global transparency
 - Transparency in the resident state protects source taxation (sic!)



Questions

