The billionaire tax

– a (modest) proposal for the 21st century

by Gabriel Zucman

As recent projections warn **we are off-track to reduce poverty for the 2030 deadline of the Sustainable Development Goals**, the pressing need for equitable tax systems takes center stage at the 28th WIDER Annual Lecture.

Progressive taxation is a key pillar of democratic societies. A progressive tax system strengthens social cohesion and trust in governments to work for the common good. It is critical to fund public goods and services—such as education, healthcare, and public infrastructure—that are engines of economic growth and human wellbeing. Changes in the progressivity of taxation are historically a major driver of the evolution of income and wealth concentration.

A critical flaw in progressive income taxes?

Recent research reveals a critical flaw in contemporary tax systems: **there is now clear evidence that contemporary tax systems do not effectively tax the wealthiest individuals**. These studies show that, all taxes included, ultra-high-net-worth individuals tend to pay less in tax relative their income than other demographic groups, regardless of the specific tax design choices and enforcement practices of countries. This regressivity stems from the failure of income taxation, specifically—which constitutes the main instrument of tax progressivity—to effectively tax ultra-high-net-worth individuals.

The ultra-wealthy often have complex financial structures that allow them to minimize tax liabilities. Unlike average earners who primarily rely on wages and salaries, the ultra-wealthy tend to derive their income from investments, business ownership, and capital gains. These income sources are frequently subject to lower tax rates compared to regular income. For instance, an ultra-wealthy individual might purchase entire companies or large stakes in businesses, allowing them to benefit from capital gains and dividends, which are taxed at lower rates than ordinary income.

FINDINGS

Ultra-high-net-worth individuals pay less tax relative their income than other demographic groups, leading to regressive taxation and significant loss of potential tax revenue for governments

Wealth concentration among the elite undermines the social sustainability of global economic integration and increases social inequality and tension

A proposed 2% wealth tax on billionaires could raise USD 200–250 billion annually from about 3,000 taxpayers, extending the tax to those worth USD 100 million or more would raise an additional USD 100–140 billion

Addressing regressive taxation is crucial for meeting the Sustainable Development Goals by 2030 and enhancing social trust and cohesion

Such tax strategies, while legal in most cases, highlight the uneven distribution of the tax burden across the population. Progressive taxation aims to address economic disparity by ensuring that the ultra-wealthy contribute a fair share to public finances to support essential services and infrastructure.

The limitations of income taxation have significant consequences. Governments are deprived of substantial potential revenues. Additionally, the concentration of wealth in the hands of a few undermines the social sustainability of global economic integration. When the benefits of globalization are concentrated, social inequality and tension will increase.

A minimum standard tax of 2% on the ultra-wealthy

The WIDER Annual Lecture in 2024 details a proposal for a coordinated worldwide minimum standard ensuring that dollar billionaires pay at least 2% of their wealth in individual (income plus wealth) taxes each year. This standard would not require a multilateral treaty and could be flexibly implemented by participating countries through a variety of domestic instruments, including a presumptive income tax, an income tax on a broader notion of income, or a wealth tax.

A minimum tax equal to 2% of wealth on global billionaires would raise USD 200–250 billion per year in tax revenue from about 3,000 taxpayers globally; extending the tax to centi-millionaires, individuals with investable wealth of USD 100 million or more, would generate an additional USD 100–140 billion. By construction, these revenues would be collected from economic actors who are both very wealthy and undertaxed today. This standard would effectively address regressive features of contemporary tax systems at the top of the wealth distribution. Beyond revenue gains for governments, a global minimum tax on the ultra-wealthy is expected to increase social trust and cohesion and perceptions of fairness.

International cooperation is crucial for establishing and maintaining equitable tax systems that prevent tax evasion and bolster public services and environmental initiatives, especially in the Global South. A lack of coordination between countries can lead to a ‘race to the bottom’, where nations compete with one another by offering lower tax rates to attract wealthy individuals and corporations, undermining global tax fairness. By working together, countries can set common standards, such as the proposed 2% minimum tax on billionaires and ensure that the super-rich contribute fairly regardless of where they reside.

To implement such standards effectively, mechanisms like the automatic exchange of banking information are essential. This would help track the financial activities of the ultra-wealthy across borders and reduce opportunities for tax evasion. Strengthening international tax treaties and cooperation frameworks, such as those facilitated by the G20, can help create a more robust and fair global tax environment. Enhanced international cooperation can also direct additional resources to support social services and environmental projects in the Global South, addressing inequalities exacerbated by current tax systems.

Promote policies that reduce wealth concentration and address environmental impact

Reducing wealth concentration is vital for fostering social equity and addressing the environmental impact of concentrated wealth. Policies should aim to redistribute wealth more equitably through progressive taxation and targeted social programmes. By taxing the ultra-wealthy, governments can generate significant revenue to invest in public goods, such as education, healthcare, and infrastructure, which are critical for sustainable development.

Moreover, addressing the environmental impact of wealth concentration involves promoting sustainable practices and investments. The ultra-wealthy often have significant influence over large corporations and industries. By encouraging investments in green technologies and sustainable business practices through tax incentives and regulations, governments can leverage the wealth and influence of billionaires to drive positive environmental change.

In conclusion, policies that ensure fair tax contributions from the ultra-wealthy, combined with international cooperation, can help reduce inequality and promote a more sustainable and equitable global economy.

RECOMMENDATIONS

Implement a coordinated minimum tax standard of 2% on the wealth of dollar billionaires and centi-millionaires to increase revenue

Utilize various domestic tax instruments, such as presumptive income tax or a broad-based income tax, to achieve the minimum tax standard

Enhance international cooperation to ensure equitable tax systems, prevent tax evasion, and bolster social services and environmental initiatives, especially in the Global South

Promote policies that reduce wealth concentration, increase social equity, and address the environmental impact of wealth concentration

This WIDER Annual Lecture Brief is based on WIDER Annual Lecture 28 **The billionaire tax – a (modest) proposal for the 21st century**, by Gabriel Zucman.