‘No borders’ tax justice:

International taxation of wealth and the finance industry

EQUAL RIGHT

A proposal for international wealth and finance taxes

This briefing calls for the introduction of two new taxes, both to be levied and redistributed at the international level, or pooled and redistributed supra-nationally by participating governments:

- An international wealth tax
- An international financial transactions tax (FTT)

These international taxes aim to generate money for people and public services, shift wealth and ownership from the super-rich to the rest of us, and address persistent and unjust inequalities between the Global North and South. This briefing outlines why we need these taxes, how they could be implemented and how much they could raise for the people of the world.

Why we need international wealth and finance taxes

Wealth is created by the people of the world. Millionaires almost always get rich from global supply chains; wealth does not arise only from national efforts. The profits that build their fortunes originate in the labour of a global workforce and the natural resources of many countries.

But the wealthy and the finance industry are mostly in the Global North, so most tax revenues would land there too. There are 400 times more ultra-rich people (those with $30 million or more) living in North America than in Africa per head of population.[1] As capital and capital incomes tend to be taxed according to the residence principle,[2] the great majority of overall wealth tax revenues will be collected in the Global North. As the world’s major financial centres are in high income countries (e.g. the City of London, Wall Street, Singapore), rich nations would also collect the vast majority of financial transaction tax revenues.

[1] UHNWI residence data is from https://www.visualcapitalist.com/worlds-ultra-wealthy-population-live/#:~:text=In%202021%2C%20the%20top%20countries,five%20people%20per%20thousand%20residents. Population data is from https://www.worldometers.info/world-population/northern-america-population/, https://www.worldometers.info/world-population/europe-population/ and https://www.worldometers.info/world-population/africa-population/

[2] A longstanding point of contention between the Global South and the North is whether income and wealth should be taxed based on the source of that income and wealth (which is often the Global South) or the place of residence of the person owning/receiving it (which is usually the Global North). At present, nearly all capital taxation is based on the residence principle, which then creates the huge inequalities in expected wealth tax take that we discuss in this paper. If wealth taxation was instead taxed on the source principle this may partly solve the problem, but without a global minimum rate agreement it is likely to create a brisk race to the bottom as source countries may be obliged to compete for foreign investment by offering investors low or zero wealth tax rates. This issue is laid out in detail in a 2005 briefing by the Tax Justice Network, available here: https://www.taxjustice.net/cms/upload/pdf/Source_and_residence_taxation_-_SEP-2005.pdf Accessed 01/02/2023

What if every country had its own wealth tax and FTT? Every country should have its own wealth tax and FTT, but international versions are needed too to avoid replicating longstanding injustices and inequalities. Consider, for instance, the revenue potential of a UK wealth tax compared to a similar tax applied across Africa. Modelling by Advani *et al* of a UK wealth tax of 0.6% on fortunes above £2 million generated expected revenues of £10 billion (around $12.5 billion), enabling spending of $181 per person.[3] If we apply the same tax to African millionaires, just £3.5 billion ($4.3 billion) would be raised for the entire continent,[4] providing spending of just $3 per person - **sixty times less**. Given the concentration of the global financial industry in high income countries, similar results could be expected from national FTTs.

Nowhere to run, nowhere to hide. Money knows no borders: wealth is often split between multiple accounts in tax havens all over the world, while the finance industry shifts trillions of dollars worth of assets between countries every day. Applying national wealth taxes and FTTs is challenging, as wealth and transactions can be easily moved overseas where the taxes either don't apply or are more difficult to enforce. This risk of 'capital flight' is a headache faced by all governments, and it has contributed to the very minimal implementation of wealth tax and FTTs to date. International - especially global - taxation of wealth and financial transactions would help to side-step this problem, as the tax would apply no matter where the rich run to.

> ***"National wealth taxation may result in capital flight, as the cross-border mobility of capital is rather high. Although most wealth tax systems levy taxes on the global wealth of the taxpayer, offshore assets are generally easier to hide."*** European Parliament, 2022

How international taxation fits with wider tax justice campaigns

Rigorous financial transparency measures, including automatic exchange of information and a global asset register, will be vital for the implementation of wealth tax and FTTs, whether these taxes are applied at the national or international level. The tax justice movement has achieved important successes in the last few years towards these goals, including securing an international agreement on minimum corporate tax rates (albeit with excessively low levels of tax so far agreed), and the beginnings of automatic sharing of tax records between countries. However there remains much to do. The battle for fair national taxation is far from over, and the first steps towards democratic global oversight (e.g. via a UN tax convention) are only just on the table.

Nevertheless, the movement's recent successes open up space to think ahead. International taxation deserves to be 'the next big thing' in tax justice. It would enable ongoing global redistribution, allowing us to tackle longstanding inequalities and injustices, wipe out poverty and address the world's biggest challenges together.

[3] https://www.wealthandpolicy.com/wp/WealthTaxFinalReport_ExecSummary.pdf Accessed 01/02/2023

[4] Calculated based on data showing that private wealth held by residents in the entire continent of Africa totals $2.1 trillion, and there are an estimated 136,000 dollar millionaires living there - one hundredth of a percent of the total population: https://cdn.henleyglobal.com/storage/app/media/Africa_Wealth_Report_220422_Digital_2.pdf (See p16 Accessed 01/12/2022), It has been assumed for this calculation that half of the continent's wealth is held by millionaires (Which would be an extreme level of wealth concentration indeed. It's likely that considerably less of Africa's wealth is held in big fortunes, so less of it would be taxable under a wealth tax and revenues would in fact be even lower).

How much would be raised if these taxes were global?

Wealth tax

World Inequality Lab model a number of global wealth tax scenarios. Their 'scenario 2' explores wealth tax rates ranging from 0.6% to 8.3%, which they found would generate 2.1% of global GDP, even accounting for tax evasion and depreciation.[5] Today this equates to around $2.1 trillion,[6] which would provide **$264 per year to every person in the world** if shared equally.

However, these tax rates are not high enough to tackle wealth inequality. Because big fortunes often make big returns, Oxfam report that we would have needed a wealth tax of 6.2% for millionaires and 12.8% for billionaires over the last five years just to keep their wealth levels constant.[7] If we want to actually reduce the assets of the super-rich, we need to think bigger.

World Inequality Lab's 'scenario 3' models wealth tax rates of up to 66.6%: this would generate **$666 per person per year**.[8] However, as this scenario effectively confiscates the top end of the very largest fortunes, it would erode its own tax base and therefore **only generate revenues at this level for a few years**. To avoid this problem we need to move beyond turning private *wealth* into public *income*, and instead turn private *wealth* into public *wealth*. This could be achieved by preserving revenues in a people's fund, akin to the wealth funds used by countries like Norway. A people's fund could hold onto wealth tax revenues and invest them ethically, effectively enabling us - the people of the world - to buy up, build and own a growing share of our own world economy.[9]

Our modelling demonstrates the long-term economic justice potential of this approach. The fund would make it possible to tax the super-rich at rates that actually redistribute their wealth, so would **reduce wealth inequality** worldwide. By adding an annual 2% redistributive wealth tax on top of the constancy rates suggested by Oxfam, we propose taxing fortunes over $1 million at 8.2%, while wealth above $1 billion would attract a 14.8% tax.

Even taking into account tax evasion and depreciation, this would raise $7.3 trillion in its first year.[10] To ensure the longevity of revenues, at least half would need to be preserved and invested via the people's fund, leaving an impressive **$463 per person per year** for immediate public spending or cash distribution. As the fund's capital - and therefore its income - builds up over time, this would rise rather than fall, **reaching nearly $1000 per person by 2200**.

The effects on public ownership may be just as important as the money that gets redistributed. The people's fund would contain **over $100 trillion by 2060, which is enough to buy up the world's 100 biggest companies three times over**.[11] This would represent a huge transfer of ownership - and therefore of power - from the global super-rich to the people of the world, and could provide a key part of economic systems change for global and social justice.

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[5] https://wir2022.wid.world/www-site/uploads/2022/03/0098-21_WIL_RIM_RAPPORT_A4.pdf Accessed 27/09/2022
[6] https://data.worldbank.org/indicator/NY.GDP.MKTP.CD Accessed 12/04/2023
[7] https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf Accessed 02/02/2023
[8] https://wir2022.wid.world/www-site/uploads/2023/03/D_FINAL_WIL_RIM_RAPPORT_2303.pdf Accessed 12/04/2023
[9] Ownership and management of productive activities should be undertaken in partnership with the local communities, workers and others, to ensure that this new economic democracy benefits people at every level.
[10] Contact info@worldbasicincome.org.uk if you would like to view our calculations.
[11] https://www.pwc.com/gx/en/services/audit-assurance/publications/global-top-100-companies.html Accessed 12/04/2023

Financial transaction tax

Various FTT proposals have been put forward, including several that model global FTTs. The predicted revenues vary in line with the proposed tax rates and the assets they apply to.

The most radical proposal, which suggests an initial 1% tax on all 'casino economy' financial transactions, has been put forward by former City of London trading specialist Keval Bharadia, who is now the director of liberation campaign Revolutionary Reparations. Based on the $15.8 trillion traded in financial markets every trading day, the tax is expected to raise around $40 trillion annually - an incredible **$4,974 per person per year**.[12]

This tax rate is intended to bite hard into the finance industry, ultimately aiming to dismantle the casino finance system and exploitative capitalism with it. Therefore, like the redistributive wealth taxes described above, a tax of this kind would erode its own tax base. However in this case it might do so in an immediate and possibly even a total way, as the 1% tax rate may exceed the rate of profit that is expected on each financial transaction, leading traders to immediately cease trading that is undertaken primarily for profit. The uncertainty about what trading would remain with such a tax in place makes it difficult to model the revenues of this tax over time. Further research would be beneficial given the transformative potential that a tax at this scale may hold.

A more cautious approach by the Austrian Institute for Economic Research estimated that a global FTT of 0.1% could raise 1.52% of global GDP, which is around $1.54 trillion, equivalent to **$191 per person per year**.[13] This proposal included consideration of how the tax would reduce the volume of transactions (by making them less profitable, so disincentivising trade) and modelled three 'transactions-reduction-scenarios', all of which assumed a one-time drop in transactions volume when the tax is introduced, followed by stable revenues thereafter.

This long-term stability makes it technically less important to use a people's wealth fund approach, as the revenues would continue indefinitely anyway. However to open up the possibility of dismantling casino finance while still maintaining public revenues for the people of the world, we have modelled potential investment revenues from a wealth fund using the Austrian Institute's annual tax revenue projections: this generates annual proceeds equivalent to **$97 per person per year in 2025**, rising to **$150 per person by 2050** and **$793 by 2200**.

If using a wealth fund it would also be possible to charge higher tax rates (ones that would more significantly reduce, and eventually eliminate profit-oriented financial trading), and therefore generate larger revenues. Further research is needed to understand how quickly transaction levels would reduce at different tax rates, to then make it possible to calculate these potentially higher tax revenues and explore the benefits they may have for people worldwide.

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[12] https://revolutionaryreparations.org/the-ubuntu-tax/ Accessed 05/07/2023
[13] https://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=31819&mime_type=application/pdf Accessed 28/09/2022

Total global revenues and their potential impacts

These taxes, applied internationally, have the potential to provide a substantial and long-lasting annual income for the people of the world, which could be used for public spending or distributed as universal basic income. If both wealth tax and financial transactions tax were applied at the global level, and the revenues from both were preserved in a wealth fund (with the fund's capital used to buy up and own productive assets for the people of the world together), modelling of the tax rates and parameters we propose above generates the following expected revenues:

Year	Amount raised less evasion, depreciation and collection costs	Total amount in the fund, invested in people's ownership of our economy	Annual revenue per person
2025	$8.9 trillion	$4.4 trillion	**$560**
2050	$6.0 trillion	$97.3 trillion	**$600**
2100	$3.1 trillion	$269.6 trillion	**$924**
2200	$1.7 trillion	$538.5 trillion	**$1,743**

There are four key ways in which international taxes, once raised, could be spent:

Global basic income	Global public services	Governments	Project grants
Direct redistribution to the people of the world via cash payments. Either on a per capita basis or according to a progressive formula.	Better funding of existing global services (e.g. UN humanitarian response). OR setting up new global public services such as a global health service.	Transfers to national governments e.g. for health spending. Either on a per capita basis or according to a progressive formula.	Grants for charities or communities for specific projects. Could target key aims like climate mitigation, health or infrastructure.

Our modelling suggests that even in the first year, the amounts that would be raised would be enough to fund a more than 50% uplift in average global health spending (in low income countries they could provide a health budget sixteen times higher than current levels).[14]

Alternatively, if provided as a universal basic income these amounts would provide a substantial financial boost to the 99% of households that these taxes would not touch, substantially reduce income inequality worldwide, and eradicate extreme poverty worldwide.[15]

[14] https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD Accessed 06/07/2023
[15] At least according to current definitions, in which extreme poverty is defined as $2.15 per day, equivalent to $784.50 per year (see https://www.worldbank.org/en/news/factsheet/2022/05/02/fact-sheet-an-adjustment-to-global-poverty-lines#:~:text=The%20new%20international%20poverty%20line,in%20this%20situation%20in%202019. Accessed 06/07/2023). Although the projected revenues per person don't quite reach this level in the early years of this proposed tax system, they come close and are likely to bring pretty much everyone worldwide over this line as everyone will already be consuming at least some dollar amount already, as required for survival.

How to collect international taxes

A tax system that redistributes sixty times more to some people than to others is clearly unacceptable: we should prioritise the development of new ways forward. Redistribution of tax revenues beyond borders could be achieved in two ways:

1. National governments collect taxes, then transfer revenues to an international fund
2. An international body collects revenues directly

The first option is simpler but carries political risks: revenues collected by national governments may appear to be that nation's money, and there may be tensions around the amounts submitted to the international fund, or a perception that these transfers are a form of aid or charity. Nevertheless, this option is only a small step from our current national tax systems, so is likely to be easier to push through political processes to reach implementation.

The second option avoids the perception that countries are handing over their own money and therefore may be more politically sustainable once introduced. However, it would represent a radical development in international tax cooperation that would inevitably be very challenging to get in place. The recent successes of tax justice advocates nevertheless give grounds for hope. The United Nations' mandate on tax matters was recently expanded:[16] once the initial work of this body is well underway, their remit could be further extended to enable that body to levy and collect international wealth taxes and FTT. Another option could be for two or more forward-thinking countries to create an opt-in international body, ideally with substantial democratic oversight, through which countries would agree to collaborate on cross-border taxation.

International financial transparency cooperation will be vital for the successful implementation of wealth tax, whether collected at the national or international level. Beneficial ownership disclosure, automatic exchange of information and a global asset register will all be vital to prevent wealth vanishing into secretive trusts and tax havens. These developments are already being fought for - successfully, in several cases - by tax justice movements around the world.[17] Financial transactions taxes are comparatively simple to implement, as taxes would be levied automatically via SWIFT and the other payments systems already used in financial markets. The payment system providers would need to be compelled to facilitate this, but this means dealing with only a few large companies rather than millions of individual taxpayers, so the space for evasion and avoidance would be significantly reduced.

Nevertheless, for both wealth taxes and FTT, enforcement mechanisms including hefty fines and asset confiscation would be needed to target financial institutions, system providers, individuals and companies that evade tax or fail to fulfil their responsibilities. Collaboration with national tax authorities in participating countries would also be key in order to block avenues for tax cheating and ensure that offenders are brought to justice.

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[16] https://www.un.org/development/desa/financing/tax-report-2023#:~:text=On%2030%20December%202022%2C%20the.aggressive%20tax%20avoidance%20and%20evasion . Accessed 13/04/2023

[17] https://taxjustice.net/take-back-control/ Accessed 12/01/2023

If not now, when?

International taxation is vital for justice, but discussing and campaigning on it feels challenging. When is the right time to start talking about it? It will always be easier to campaign only for national initiatives, which are much more familiar and easier to push through the political process.

However, as discussed above, most people accept that extreme wealth arises from the work and resources of people in many countries, rather than only from national efforts. It is also widely understood that - for unjust historical reasons - global wealth mostly finds its way to richer countries, and therefore wealth tax and FTT revenues would overwhelmingly land there too. By taxing wealth and the finance industry only within borders, revenues that really should belong to the people of the world together, and especially to people in the Global South, would end up with the richest and most historically problematic governments, and circulate mainly within the richest regions of the world.

It's time to shed this colonial hangover. If we are serious about global justice, work on international taxation should begin now. Equal Right are working with a growing network of justice organisations and movements to get the ball rolling. We hope you will join us.

First steps towards 'no borders' tax justice

To avoid replicating longstanding injustices in our tax systems, we need to think beyond borders. You can help to create a more equal world by starting work now on international taxation. You can:

- **Campaign for financial transparency and for national wealth taxes and FTT.** Transparency measures will be vital for the international tax systems. Campaigns for wealth taxes and FTT at all levels help build support and momentum for these ideas.
- **Include demands for international wealth and finance taxes in your work.** Whether you are campaigning for tax justice or for wider social justice, it's time to think beyond borders. Add in messaging that supports international taxation alongside your wider demands.
- **Join the Tax the Rich Coalition and work with us to build a movement.** These demands should be communicated outwards (to the people) and upwards (to those in power), to help build momentum for change. Work with us to help make that happen.
- **Co-create our emerging Call to Action on International Taxation** and share it within your networks. When signatures have been collected, show it to people with influence and demand a response.

To get involved in this co-creation process and the coalition, please contact Laura Bannister at Equal Right info@equalright.org, or Keval Bharadia at our lead partner organisation in this work, Revolutionary Reparations, revolutionaryreparations@gmail.com.

Towards economic systems change for global justice

International wealth and finance taxation are radical policies that we could introduce right now to create a more equal world. However they are also mechanisms that would help to transform our economic system and move us beyond extractive capitalism and towards global justice.

International wealth tax would directly strip away the assets of the wealthy, moving them into public ownership by the global grassroots. Ownership of the means of production would therefore gradually shift into the hands of the people, and the full value of that production would accrue to the people of the world as a whole. This would amount to a gradual, peaceful post-capitalist revolution which could be undertaken as fast and as far as the people desire.

International financial transactions tax would make it less and less profitable to trade financial products, and - if set at a high enough rate - would ultimately extinguish financial trading except where it is useful to the real economy. This will be a vital step in achieving economic systems change, as it will strip out a sector that serves profit rather than people, leaving space for us to recapture the money and banking system for use as a public good.

These systemic changes, alongside the rebalancing effects of wealth and finance tax revenues, would dramatically reduce economic inequality. This is a vital prerequisite for degrowth: if we aren't growing the pie, we need to make sure we are sharing more equally the pie that we already have. In a more equal world, with shared public ownership of productive assets, universal income security and free public services, growth in personal incomes will no longer be vital for well-being. Shared ownership is also a key basis for shared stewardship, helping to ensure that natural resources and spaces are conserved and our planet is restored.

Find out more

To find out more and to get involved, see https://www.equalright.org/ and contact Laura Bannister at info@equalright.org, or Keval Bharadia at our partner organisation Revolutionary Reparations, revolutionaryreparations@gmail.com.

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ECONOMIC JUSTICE WITHOUT BORDERS