

Wealth Taxation, Including Net Wealth, Capital and Exit Taxes

Final Report – Volume 2 Case Studies



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List of Acronyms and Abbreviations

AC – Autonomous Communities (regions of Spain)

AEoI – Automatic Exchange of Information

ATS – Austrian Schilling (former currency before Euro)

DTT – Double Tax Treaty

EUR – Euro (currency)

FY – Fiscal Year

GDP – Gross Domestic Product

HNWI – High Net Worth Individual

IFI – Impôt sur la Fortune Immobilière (real estate wealth tax in France)

IGF – Impôt sur les Grandes Fortunes (net wealth tax in France)

ISF – Impôt de Solidarité sur la Fortune (Solidarity Tax on Wealth in France)

NOK – Norwegian Krone (currency)

OECD – Organisation for Economic Co-operation and Development

PFU – Prélèvement Forfaitaire Unique (single flat tax in France)

PIT – Personal Income Tax

SMEs – Small and Medium-sized Enterprises

TSTLF – Temporary Solidarity Tax on Large Fortunes

UVT – Unidad de Valor Tributario (Tax Value Unit)

VAT – Value-Added Tax

1. Austria

1.1. History and evolution of the net wealth tax scheme

As a consequence of the absorption of Austria into the German Reich in 1938, the tax laws of the German Reich were extended to Austria. Accordingly, the German Reich version of the wealth tax was implemented in 1940 and remained in force after World War II for a transitional period. In 1955 it was replaced by an Austrian wealth tax law, although this left key design features broadly unchanged. The net wealth tax was levied by the federal government, which also received all the revenue. It was intended as a revenue-generating as well as a redistributive tool.

The repeal of the wealth tax in 1994 was the last step of a comprehensive reform of capital and wealth taxation in Austria that started in the 1980s. In several steps, enacted between 1989 and 1994, capital income taxation was reformed: the progressive system, which could not be enforced effectively due to widespread tax evasion, was replaced by final withholding taxes on interest and dividend income, coupled with exemptions from the inheritance and net wealth taxes. Before, taxes on income from interest were largely avoided by using anonymous savings and securities accounts (Genser & Holzmann, 1995). In 1994, the net wealth tax was abolished, as was the inheritance tax for legal persons. To compensate for the loss of revenue, the corporate income tax rate was increased from 30% to 34%. The extension of the inheritance tax, also originally planned as a kind of compensation, was never implemented. In 2008, the inheritance and gift tax was also repealed.

1.2. Design features in more detail

Both the taxing power and the revenue of the Austrian net wealth tax were assigned to the central level of government. Private households as well as legal persons were liable to the net wealth tax, the rate of which was 1%. The net wealth tax base included real estate, business assets, agricultural and forestry assets, and other assets. Taxable wealth was determined by subtracting debts from gross wealth and reducing the resulting total wealth by tax-exempt amounts. There was no general tax exemption threshold, although a personal tax allowance of EUR 10 901 per household member living in the same household and an additional EUR 10 901 for individuals aged over 60 were granted. There were also several further allowances for each household member: EUR 21 820 for savings accounts, debt securities, and claims not yet due under life insurance policies, and EUR 14 535 for shares. In addition, allowances were granted of EUR 10 901 for jewellery and precious metals, and EUR 21 802 for works of art for a maximum of two household members. Claims

from statutory social insurance (but not private pensions), household effects, and works of art by living Austrian artists were tax-exempt. Spouses and any children living in the same household were assessed and taxed jointly. The net wealth tax was levied at 1% of taxable wealth on both natural and legal persons (Goldberg, 2007). Moreover, interest-bearing assets subject to the final withholding tax on interest income were exempt from the net wealth tax.

For domestic joint-stock companies, a minimum wealth of EUR 72 672.83 had to be declared, while for limited liability companies this amount was EUR 36 336.42. Other legal persons liable to taxation were taxed only if their wealth exceeded EUR 10 900.93.

Real estate was valued at increasingly outdated unit values reflecting only a small and decreasing fraction of market value (the last main assessment of unit values took place at the start of the 1970s). Financial and other assets were assessed at market values, as were business assets. As a result, the effective tax burden across different types of assets differed considerably.

As of 1989, corporations could deduct payable wealth tax from taxable corporate profits to avoid double taxation (Genser & Holzmann, 1993).

1.3. Enforcement mechanisms

Assets were self-reported by the taxpayers. No enforcement mechanisms were in place. Due to strict banking secrecy, third-party reporting did not exist. Financial wealth could easily be hidden in anonymous numbered accounts. At the same time, no exit tax applied in Austria.

1.4. Overall system of capital taxation

Table 1 provides an overview of the Austrian system of capital and wealth taxation in 1993, the year before the net wealth tax was abolished. Besides the net wealth tax, an inheritance and gift tax was levied at rates between 2% and 15% for close relatives (spouses and children) and between 14% and 60% for distant heirs (see Berghuber et al., 2007, for details). An inheritance tax equivalent of 0.5% was levied on legal persons exempt from the inheritance tax. Capital gains (on shareholdings below 1%) had to be included in the income tax declaration within the first year after acquisition to be taxed under the regular progressive personal income tax schedule, after which they were tax-exempt. Since then, capital income taxes have increased to a flat rate of 27.5%, and capital gains are taxed at a flat rate of 27.5% without a holding period, while the inheritance tax was repealed in 2008. Unrealised capital gains were, and still are, tax-exempt. Austria levies an exit tax on shares in corporations representing more than 1% of the share capital of the respective corporation.

Table 1 – System of capital and wealth taxation in Austria, 1993 and 2025

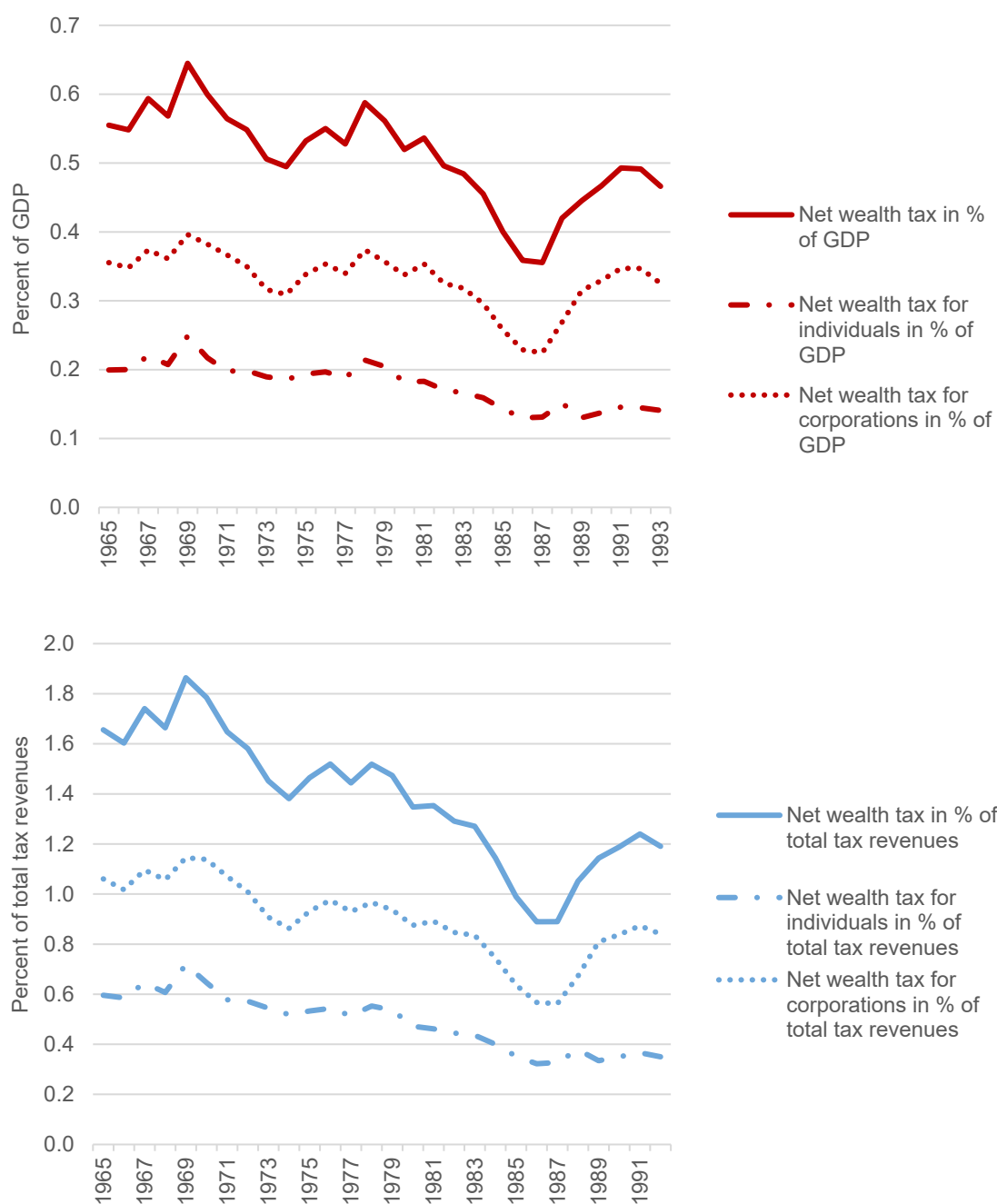
Tax	Brief description		Revenue in % of GDP	
	1993	2025	1993	2024
Net wealth tax	1% for natural and legal persons personal allowance EUR 10 900 per family member	None (abolished in 1994)	0.47	-
Inheritance and gift tax	2% to 15% for spouses and children, tax-exempt amount EUR 2 000 14% to 60% for distant heirs	None (abolished in 2008)	0.06	-
Inheritance tax equivalent	0.5% for legal persons, tax exemption limit EUR 10 901	None (abolished in 1994)	0.33	-
Capital income taxes	Final withholding tax 22% for interest incomes ²⁾ 25% for dividend incomes ¹⁾²⁾	Final withholding tax 27.5% for interest incomes and dividend incomes	0.9 ³⁾	1.2 ³⁾
Capital gains taxes (financial assets)	Progressive income taxation within the first year after acquisition, tax-exempt afterwards	Final withholding tax 27.5%	-	-

Source: OECD (2024), Bundesministerium für Finanzen (2025), Statistik Austria (2025), own representation. 1) Decreased to 22% in 1994. 2) Coupled with an exemption from inheritance and net wealth tax. 3) Including revenue from capital gains tax on financial assets.

1.5. Revenue aspects

Revenue from Austria's net wealth tax was always low. In relation to GDP and total tax revenue, this revenue saw its significance drop considerably in the long run (Figure 1). Between 1965 and 1993, net wealth tax revenue decreased from 0.55% to 0.47% of GDP, and from 1.66% to 1.12% of total tax revenue. One reason for the low wealth tax revenue was problems with enforcing the reporting of private wealth due to strict banking secrecy laws, coupled with anonymous numbered accounts (only abolished in 2002), which led to widespread tax evasion in respect of private wealth (Goldberg, 2007). Another reason for the very limited tax revenue was the valuation of real estate based on increasingly outdated unit values, which led to considerable undervaluation. Consequently, private households largely escaped the net wealth tax. In addition, debt incurred to finance the acquisition of real estate could be fully deducted from the tax base, which could lead to negative taxable wealth.

Figure 1 – Recurrent taxes on net wealth in Austria, 1965 to 1993



Source: OECD (2024), own representation.

Revenue was primarily generated by the taxation of legal persons (see Guger et al., 1996, for the following). According to the last wealth tax statistics published in 1994, for the year 1989 (Österreichisches Statistisches Zentralamt, 1994), 56% of taxable wealth was attributable to corporations and 44% to private households. The largest share of taxable wealth consisted of business assets (66.4%), followed by other assets (21.1%) and real estate (11.7%).

A recent simulation by Heck et al. (2024) of the potential revenue of a net wealth tax, in two scenarios, shows that wealth tax revenue could be considerable. In the first scenario, a tax rate of 1% on net wealth above EUR 1 million yields revenue of EUR 5.6 billion when assuming strong avoidance reactions, and EUR 6.3 billion when assuming weak reactions. In the second scenario, a progressive tax schedule with a rate of 0.5% on net wealth above EUR 1 million, 1% above EUR 10 million, and 2% above EUR 50 million generates revenue between EUR 6.1 billion (1.5% of GDP) and EUR 6.8 billion (1.65% of GDP), depending on the strength of the avoidance reactions. This is more than three times as much as from the old net wealth tax.

1.6. Behavioural responses

Empirical evidence on economically relevant responses to Austria's net wealth tax does not exist. Tax evasion was widespread among private households (Goldberg, 2007), although its extent has never been quantified. There is no evidence of outward migration to avoid the wealth tax, which is probably attributable to the opportunities for easily evading the tax.

1.7. Distributional effects

In 1989, the share of individuals liable for wealth taxation amounted to 1.7%. In 1965, 64% of total wealth tax payments were made by corporations; this rose to 70.8% in 1993 (OECD, 2024). In 1989, the 1.2% of taxable (legal and natural) persons whose taxable wealth exceeded ATS 30 million (EUR 2.2 million) contributed 60% of overall wealth tax payments. Among taxable natural persons, the top 1% contributed one-third; the top 5% more than one-half; and the top 10% about two-thirds of overall net wealth tax payments, while the lower half of taxable natural persons paid only 6% of overall wealth tax revenue. This, of course, reflects a considerably uneven distribution of wealth. However, reliable data on the overall volume and distribution of gross wealth is available only from 2010 onwards, so it is not possible to draw conclusions on the degree of progressivity of the tax and its distributional impact. As wealth tax revenue overall was low and decreasing, and the lion's share of this already low revenue was contributed by legal persons, it can be assumed that the redistributive impact of the wealth tax was very limited.

1.8. Constitutional issues

While there were no constitutional issues associated with the net wealth tax, which was discontinued in 1994, initiatives to reintroduce it would face constitutional issues regarding the valuation of real estate. The significant undervaluation of real estate was the reason why the Constitutional Court ruled the inheritance tax unconstitutional in 2007. Therefore, a future reintroduction of a net wealth tax would have to be based

on a reform of valuation rules ensuring that real estate is taxed at market value, to avoid being declared unconstitutional as well. Another constitutional barrier to taxing financial assets through a wealth tax arises from the so-called Final Taxation Act, which has constitutional status. This act, which represents the legal foundation of the flat withholding taxes on dividend and interest income implemented at the beginning of the 1990s, stipulates that the wealth tax (as well as the inheritance tax) on financial assets, from which capital income subject to the final withholding tax is derived, is discharged by the withholding tax payment, so that the respective financial assets cannot be subject to a wealth tax.

1.9. Economic and political context: reasons for repealing the net wealth tax

The net wealth tax was ultimately repealed in 1994 due to several of the issues mentioned above. First, revenue was decreasing over time due to generous exemptions, the worsening undervaluation of real estate, and widespread tax evasion. A second and related reason was that the tax was regarded as unjust, since different kinds of asset were treated differently. The application of outdated unit values for real estate in particular was increasingly deemed unconstitutional. Moreover, the tax could be evaded easily, which particularly benefited the owners of very large estates. It therefore failed to meet its redistributive goals. Third, the lion's share of the tax burden fell on corporations, which were taxed regardless of their operating results ('substance taxation') and whose assets were taxed at market value: up to one in five corporations had to pay the wealth tax out of their assets (Lehner, 1994).

The re-introduction of a net wealth tax has been advocated repeatedly since the global financial and economic crisis, particularly by the Social Democratic Party, also against the backdrop of increasing wealth inequality. However, the party was unable to push the proposal through due to resistance from their partners in the new coalition government, formed at the beginning of 2025 by the People's Party and the Social Democrats, with the economically liberal Neos as junior partner. It is interesting that public opinion in Austria is very much in favour of a reintroduction of the wealth tax: according to Elsässer et al. (2023), in 12 surveys conducted between 2009 and 2016, the wealth tax received an average approval rate of 70.9%. A survey by Fessler et al. (2023) shows high approval rates for the reintroduction of the net wealth tax, on condition that income tax is simultaneously reduced: 74% (74.4%) of respondents are in favour of a net wealth tax if income tax is reduced by 2 (5) percentage points. The high approval rates stand in contrast to media coverage of wealth taxes, with the majority of this coverage taking a negative stance towards wealth taxation (Dammerer et al., 2023).

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2. Germany

2.1. History and evolution of the net wealth tax scheme

German wealth tax has a long history. It was first introduced in Prussia in 1893 as a supplementary tax to the new general income tax implemented in 1891, and as such was aimed at generating revenue. Most of the other states followed suit by 1918. After World War I, the Prussian wealth tax served as a model for the introduction of a wealth tax across the German Reich in 1923 (see Bach & Beznoska, 2012, for the following). It was based on a directly progressive tax schedule with tax rates that at first ranged between 0.1% and 1% and, as of 1925, between 0.5% and 0.75%, and it was levied on natural persons as well as corporations, foundations, trusts, associations, and other legal persons. In 1946, tax rates were raised to 1–2.5% for natural persons and to 2–2.5% for legal persons. At the beginning of the 1950s, the wealth tax rate was fixed at 0.75%; it was increased to 1% at the beginning of the 1970s. In 1974, the deductibility of wealth tax payments from personal income tax was abolished, at the same time, the tax rate was reduced to 0.7%, and the tax exemption threshold was considerably increased. From 1978, the tax rate for individuals was further decreased to 0.5%, while corporations were taxed at 0.7% (0.6% from 1984). In 1995, the tax rate for individuals was doubled to 1%, and the tax-exempt amount, unadjusted since the mid-1970s, was raised markedly from EUR 35 790 to EUR 61 354 per family member.

In 1995, the German Federal Constitutional Court ruled that the tax was unconstitutional due to the undervaluation of real estate relative to financial assets. As the federal government decided against the reform of valuation rules required by the Constitutional Court, the wealth tax has been suspended since then.

2.2. Design features in more detail

Tax provisions were determined centrally, and were uniform across the German federal states (Bundesländer), to which wealth tax revenues were assigned after the foundation of the Federal Republic of Germany in 1949 (the tax was never applied in the federal states of the former German Democratic Republic (GDR) after German reunification in 1990, although the GDR had also levied a net wealth tax).

The tax schedule was proportional for individuals and legal persons. The wealth of individuals was taxed at 1%, and that of legal persons at 0.6%.

The net wealth tax base consisted of agricultural and forestry assets, real estate, business assets, and other assets (for example, bank deposits, jewellery, antiques, and claims from endowment insurance policies not yet due, but not social security,

civil servant pension entitlements, or similar pension insurances) . All asset types were added together to gross wealth, from which debts and personal allowances were subtracted to determine taxable wealth.

The German Valuation Act provided for a so-called main assessment of unit values for real estate every six years. However, this main assessment took place in 1935 and 1964 (in West Germany) only. The values determined in 1964 were used as the tax base for the net wealth tax in 1974 for the first time, with a surcharge of 40% (with the exception of agricultural and forestry real estate). As a consequence, real estate was considerably undervalued relative to its market value and the other asset categories. The assessed unit values amounted to about 5% of market values for agricultural real estate, 25–30% for business real estate, and about 16–30% for single-family homes. The regular main assessments required in the Valuation Act were not conducted because the valuation procedure was complicated and entailed a substantial administrative burden. Financial assets were taxed at market value. Businesses and unlisted corporate shares were also often noticeably undervalued due to simplified income and cost approaches in the valuation.

2.3. Enforcement mechanisms

During the period when the German net wealth tax was in force, no enforcement mechanisms were in place. Strict banking secrecy laws prevented third-party reporting on financial wealth, and such reporting was also lacking for other assets. In 1972, an exit tax (“Lex Horten”) was implemented on unrealised capital gains for substantial shareholdings in corporations and shares in investment funds above a certain thresholds, whereas large parts of individual wealth (real estate, other financial assets, etc.) were not affected.

2.4. Overall system of capital taxation

Table 2 provides an overview of the overall system of capital and wealth taxation in Germany in 1996, the year before the net wealth tax was suspended.

Table 2 – System of capital and wealth taxation in Germany, 1996 and 2025

Tax	Brief description		Revenue in % of GDP	
	1996	2025	1996	2023

Tax	Brief description		Revenue in % of GDP	
Net wealth tax	1% for natural persons 0.6% for legal persons personal allowance EUR 61 354 per family member	None (abolished in 1997)	0.4	-
Inheritance and gift tax	7% to 30% for spouses and children, tax-exempted amount EUR 307 000 for spouses, EUR 205 000 for children 17% to 50% for distant heirs	7% to 30% for spouses and children, tax-exempted amount EUR 500 000 for spouses, EUR 400 000 for children 30% to 50% for distant heirs	0.1 ²⁾	0.2 ²⁾
Inheritance tax replacement levy for family foundations	n.a.	7% to 50% assuming a fictitious inheritance to two children Tax-exempted amount EUR 800 000 Every 30 years	.	.
Capital income taxes	Progressive income taxation of interest and dividend incomes	Final withholding tax 25% for interest incomes and dividend incomes	0.7	1.1
Capital gains taxes (financial assets)	Progressive income taxation within a holding period of one year, tax-exempt afterwards	Final withholding tax 25%	n.a. ¹⁾	n.a. ¹⁾

Source: OECD (2024), own representation. 1) Included in revenue from capital income taxes. 2) Including revenue from the inheritance tax replacement levy for family foundations.

Besides the net wealth tax, an inheritance and gift tax was imposed at rates between 7% and 30% for spouses and children and between 17% and 50% for distant heirs in the year of the repeal of the net wealth tax. In addition, there was an inheritance tax replacement levy for family foundations that was collected every 30 years, based on a fictitious transfer to two children. Interest and dividend incomes had to be included in regular progressive income tax. Capital gains were subject to the regular personal income tax schedule in the first year after acquisition, and were exempt thereafter;

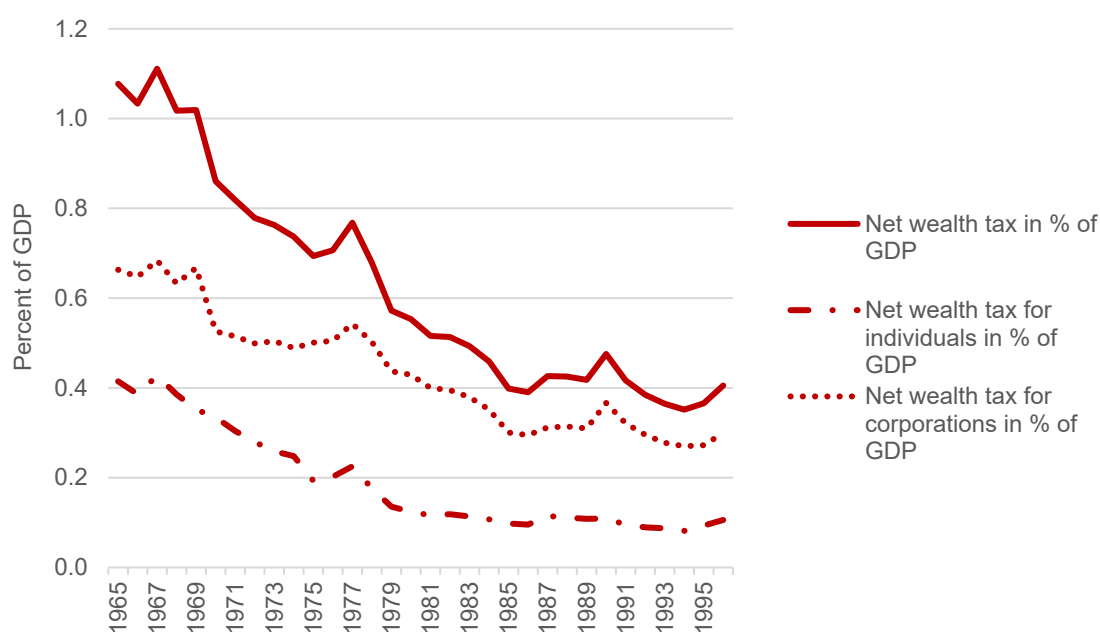
unrealised capital gains remain untaxed. Germany levies an exit tax on shares in corporations representing more than 1% of the share capital.

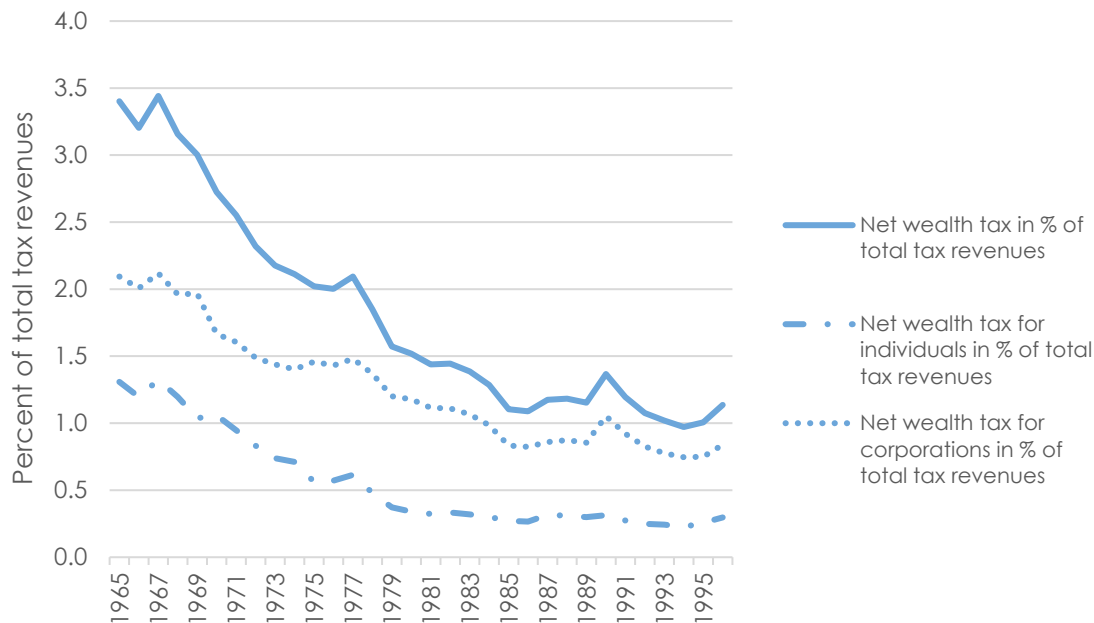
Since then, the overall system of wealth and capital income taxation has been thoroughly reformed (see Table 2). Capital income taxation, which can be seen as a net wealth tax equivalent, has been made less progressive by removing capital income (including capital gains) from progressive income taxation, and taxing it at a flat rate of 25%. Unrealised capital gains are still tax-exempt. Inheritance taxation has been overhauled substantially in several steps since 2009 (Beznoska et al., 2020), doubling revenue.

2.5. Revenue aspects

Between 1965 and 1996, revenue from the German net wealth tax decreased from 1.1% of GDP to 0.4%, and from 3.4% of total revenue to 1.1% (Figure 2).

Figure 2 – Recurrent taxes on net wealth in Germany, 1965 to 1996





Source: OECD (2024), own representation.

One reason for the long-term decrease in the importance of the wealth tax was the considerable undervaluation of real estate. In addition, sizeable exemptions were granted for assets in corporations (Bach & Bartholmai, 2002), and there was widespread tax evasion for financial assets (Bach & Thiemann, 2016) facilitated by strict banking secrecy provisions (Bach et al., 2004). Due to the complicated valuation procedures, several older studies based on differing methodological approaches estimate that the wealth tax caused an extraordinarily high administrative burden compared to other tax types. Bauer (1988) estimates tax collection costs for the tax authorities at 10.75% of wealth tax revenue. Rappen (1989) estimates tax collection costs at 20%. Similarly, Loeffelholz et al. (1988) arrive at an estimated ratio of 42.3% between administrative costs (tax collection costs for tax administrations and tax compliance costs for taxpayers) and wealth tax revenue. However, the assumptions underlying these estimates are not always transparent (Spengel et al., 2013). Bach & Thiemann (2016), in their simulations for a reintroduced German net wealth tax, estimate considerably lower tax collection costs, at between 6.6% and 8.2% of total tax revenue, with the major part of total collection costs falling on taxpayers, while administrative costs for tax authorities would be rather low.

2.6. Behavioural responses

Empirical evidence on behavioural responses to the German net wealth tax is lacking. There are no empirical estimates for the extent of wealth tax evasion. Nor are there any empirical studies of other kinds of behavioural responses (for example, with regard to savings or migration abroad).

2.7. Distributional effects

The share of households liable to the tax rose from 2.3% in 1972 to 3.6% in 1993, only to shrink to 3.1% by 1995 due to the marked increase in the tax exemption threshold (see Bach & Beznoska, 2012, for the following). One important reason for the small share of households coming under the tax was the undervaluation of real estate. At the same time, the share of corporations liable for taxation decreased significantly from 74.2% in 1974 to 7.1% in 1995. This development followed the introduction of a tax-free amount of EUR 63 911 EUR in the mid-1980s, which was raised considerably to EUR 255 646 EUR at the beginning of the 1990s. The share of corporations in overall wealth tax revenue rose from 61.5% to 73.9% between 1965 and 1996.

Although empirical ex-post analyses on the distributional effects of the German net wealth tax are lacking, one may safely assume that these effects were rather limited due to the low rates and revenue of the tax (Scherf, 2013). Bach and Thiemann (2016) simulate the effects of a hypothetical reintroduction of a net wealth tax, considering two scenarios: one applying a flat tax rate of 1%, and the other based on a progressive tax schedule with rates of 1.25% for net wealth over EUR 10 million and 1.5% for net wealth over EUR 20 million. The simulations indicate that the tax would be highly progressive, as it would focus on the top 0.1%; nevertheless, due to the limited tax revenue, the resulting inequality-reducing effect would be rather moderate.

2.8. Economic and political context: reasons for repealing the net wealth tax

The German net wealth tax was ruled unconstitutional in 1995, mainly because of the different valuation of real estate, its assessment based on outdated unit values, while other assets were assessed at market value. Moreover, in its ruling, which ultimately led to the abolition of the wealth tax, the German Federal Constitutional Court stated that the wealth tax may only be levied as a supplement to other taxes, and that altogether not more than half of the (potential) returns of taxed assets may be taxed away (so-called 'Halbteilungsgrundsatz'), as otherwise the individual property rights enshrined in the German constitution could be violated. According to the Constitutional Court, an unconstitutional excessive tax burden can only be avoided if a net wealth tax together with other taxes does not erode the assets themselves. Although in a later ruling the Federal Constitutional Court declared the 'Halbteilungsgrundsatz' not legally binding, it had some influence on the political and academic debate regarding the legal and economic viability of a net wealth tax in the years after its repeal.

While several federal states lobbied for a reform of valuation rules and thus of the net wealth tax, the federal government decided against the reform required to comply

with the ruling of the Federal Constitutional Court, and abandoned the wealth tax (Bach & Bartholmai, 2002). This decision was also motivated by the relatively high administrative burden associated with the collection of the net wealth tax in general, and the valuation of real estate in particular. Furthermore, fears of capital flight or the migration of wealthy individuals abroad led policymakers to refrain from keeping or reviving the wealth tax.

There have been repeated initiatives and calls for a revival of the net wealth tax. For example, in 2012, several states that were governed by the Social Democrats launched an unsuccessful initiative to reintroduce the net wealth tax as a fiscal consolidation measure after public debt had risen considerably due to the financial and economic crisis. Proposals to revive the net wealth tax, with a focus on the very rich, were included in the 2024 election programmes of the Green Party, the Social Democrats, and the Left Party. However, the new coalition between the Conservatives and the Social Democrats formed in April 2025 does not have a net wealth tax on the agenda, as the tax is fiercely opposed by the Conservatives. The reluctance of German policymakers to re-establish a net wealth tax stands in contrast to public opinion: Elsässer et al. (2023) find that 11 public surveys conducted between 2006 and 2015 yield an average approval rate for the introduction of a net wealth tax at 62.5%. In contrast, German media take an overall negative position towards wealth taxes (Dammerer et al., 2023).

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3. France

3.1. History and evolution of the net wealth tax scheme

A recurrent net wealth tax (IGF, *Impôt sur les grandes fortunes*) was first introduced in France in 1982¹, in response to growing inequality and a skewed wealth distribution², but was promptly abolished four years later with the change in power. The mid-1980s and 1990s saw both a fall in savings among the poorest 90% and a significant increase in financial assets in the wealth of the top 1% (Garbinti & Goupille-Lebret, 2020). In 1989, a revised wealth tax, the solidarity tax on wealth (ISF, *Impôt de solidarité sur la fortune*), was introduced, with revenue going to fund minimum income for the poorest households. Compared to the IGF, the ISF featured a higher threshold and lower tax rates³ (Akinmade, 2018; Suzuki, 2020). As pointed out by Trannoy (2015), France has historically favoured wealth taxation over income taxation, which could explain why, until recently, it was one of the few European countries with such a tax still in place.

From the beginning, the ISF was marred by controversy for allegedly driving out the wealthy, and its repeal was part of Macron's presidential campaign, ostensibly to 'support the creation and growth of French businesses' and encourage investment (Perret, 2021). President Macron made good on this promise and introduced three important tax reforms, which transformed the ISF into what is now called the *Impôt sur la Fortune Immobilière* (IFI) – a tax that takes after its predecessor, but is more akin to a property tax, since it is limited to property wealth – and introduced a single flat tax (the PFU - *prélèvement forfaitaire unique*) of 30% on some capital income⁴ (Paquier & Sicsic, 2022).

¹ In 1945 France introduced a one-off wealth tax, the National Solidarity Tax (*Impôt de solidarité nationale*), which targeted war profiteers (the tax was levied on real estate in 1945 and wealth accumulated between 1940 and 1945)(Archives départementales de l'Hérault, 2023).

² Around the time of the tax introduction the top 1% of French families owned 33% of total wealth, while the bottom half owned only 5% of the wealth (Verbit, 1991).

³ The threshold for the IGF was set at 3 million Francs, with the top rate (for net wealth exceeding 10 million Francs) at 1.5%, with an extra bracket added from 1985 (2% for net wealth in excess of 20 million Francs). On the other hand, upon introduction the threshold for ISF was established at 4 million Francs, with the top tax rate of 1.1% (for individuals with net wealth in excess of 20 million Francs). Later this rate was increased to 1.2% and another bracket was added (1.5% for net wealth in excess of 40 million Francs).

⁴ A change from a progressive tax regime with an added increase in the rate of the general social tax (CSG).

3.2. Design features in more detail

The ISF design featured high thresholds and tax rates⁵, with rates ranging from 0.5% to 1.5% and a tax-free threshold of EUR 1.3 million⁶. The tax was levied at the household level⁷ and also included cohabitants (Chamberlain, 2020). The tax base was global wealth (market values) net of deductible debts.

Table 3 – The ISF tax brackets and rates

Owned assets value [EUR]	ISF tax rate
< 800 000	0%
800 000 – 1 300 000	0.5%
1 300 000 – 2 570 000	0.7%
2 570 000 – 5 ,000 000	1%
5 000 000 – 10 000 000	1.25%
> 10 000 000	1.5%

Source: Own elaboration.

The tax base comprised the non-exempt value of assets owned on 1 January: real estate, cash, financial investments, non-exempt business assets that did not meet the conditions for exemption, furniture, vehicles, jewellery, gold and non-exempt precious metals. Primary residences were discounted by 30%. Due to fears that the tax would impede entrepreneurship, professional assets⁸ meeting certain conditions were exempt from taxable wealth from the very beginning of the tax. Other exemptions included vintage and collection objects; art; artistic, literary, or industrial rights (as long as the taxpayer was the author or inventor); woodlands and participation in forestry plantations (for 75% of their value); capital value of pensions and retirement plans; and capital obtained as compensation for physical injury in

⁵ The threshold of EUR 800 000 was raised to EUR 1.3 million from 2012.

⁶ Throughout the existence of the ISF the thresholds and tax rates were subject to some changes, the ones presented in this section reflect the most recent schedule.

⁷ A household includes married, cohabiting and civil partners, and any minor children. Other adults within the household are considered separately for tax assessments.

⁸ This refers to shares owned in a company in which the taxpayer in question carries out a management activity as their main activity.

accidents or due to illness (Trannoy, 2015). Moreover, foreign assets were exempt from the wealth tax for the first five years of residence (Chamberlain, 2020).

Beyond the exemption of professional assets, the other two mechanisms built into the tax to reduce taxation of equity assets were the ISF-PME scheme granting a tax credit upon subscription to a company's newly issued equity, provided that the company qualified as an SME, and an exemption for long-term shareholders (the so-called Dutreil pact)(Bach et al., 2020).

Assets included in the tax base were valued at market value as of 1 January of the given year. In general terms, where possible, the value of an asset had to be determined by comparison with the sale, at the time of transfer, of intrinsically similar assets.

Securities admitted to official listing were valued at the last known price on 1 January or the average of the last 30 prices (the lower of the two could be chosen). For unlisted shares, the Court of Cassation ruled that market value was to be determined by combining different methods, weighted to best account for the characteristics of the company and the economic context in which it operated (Direction Générale des Finances Publiques, 2012). This approach was to ensure that the estimate was closest to the value that would have resulted from the normal forces of supply and demand. This meant taking into consideration the mathematical value obtained by discounting the net book value of the company's assets, but also the productivity value derived from the size of the profit and the yield value established by capitalising the dividend. Furthermore, it was also important to take into account the prices observed in previous transfers of the same securities and the company's future prospects, particularly in terms of its self-financing capacity. It was advised that the main point of reference should be the mathematical value for controlling stakes, which would confer decision-making power in the company, and the expected return for minority stakes.

Jewellery and precious stones were valued according to the price at public auction if one took place in the preceding two years, the insured value, or a declared estimate. The value of property was self-reported (detailed declaration), although upon review it could be contested by the tax authorities. When the taxpayer contested their valuation, the tax authorities were required to justify it by means of comparison with intrinsically similar assets.

Finally, certain debts could not be deducted or could only be deducted up to a specified amount. For instance, if the debts had been incurred in respect of a fully or partly exempt asset, they were non-deductible (full exemption) or deductible only up to the non-exempt portion (partial exemption).

To address concerns that some taxpayers would be overburdened by the combined income and wealth tax, a wealth tax cap (*plafonnement*) was introduced alongside

the ISF. This established a ceiling on combined tax and social security liabilities⁹, which is currently set at 75% of annual income for the year in question. From 1996 to 2011, the cap itself was capped – the reduction in wealth tax caused by the cap could not exceed 50% of the wealth tax initially payable, or the tax payable on assets at the upper limit of the third bracket of the wealth tax schedule (Bach et al., 2023a). In addition, 2006 saw the introduction of the ‘tax shield’ (*bouclier fiscal*), which was repealed in 2011. The tax shield covered a slightly different set of taxes than the wealth tax cap and was set at 60% of income¹⁰.

Like its predecessor, the IFI applies to all property held by French tax residents (including abroad) and property in France held by non-residents. It also shares other features of the previous tax, such as tax-free thresholds dependent on tax residence, tax rates, and the discount for primary residences.

3.3. Enforcement mechanisms

Enforcement of the ISF is considered to have been weak and, to some extent, to have tolerated tax evasion through wealth offshoring (Cosnard & Riché, 2025; Garbinti et al., 2024; Pichet, 2007). There was no third-party reporting of assets for the ISF. Wealth was self-reported by households according to detailed guidelines provided by the tax administration (Garbinti et al., 2024). Taxpayers had to list the value of each asset taxable under the wealth tax, and file it alongside detailed appendices listing all of their assets’ characteristics and any additional documentation needed as proof. Furthermore, in 2011 a reform introduced a simplification threshold of EUR 3 million (reduced to EUR 2.57 million in 2013), below which the taxpayer only had to report their total gross and net taxable wealth, without asset breakdowns.

The authorities also conducted audits, and if non-compliance was detected they could require amended returns for up to the last 10 years preceding the audit, and could fine the taxpayer. However, there was a window of tolerance for underreporting – the French tax code states that in cases where the underreporting does not exceed 10% of the actual tax base, the taxpayer will not face any penalties¹¹. In 2017, tax

⁹ The tax base includes the ISF (now IFI), PIT before tax credit, income tax withholding, the general social security contribution (contribution sociale generalisee, CSG), the social security debt repayment contribution (contribution au remboursement de la dette sociale, CRDS) and the exceptional contribution on high incomes (contribution exceptionnelle sur les hauts revenus, CEHR).

¹⁰ It took into consideration the tax liability from the ISF (post-capping), income tax, property tax and council tax. In 2008 the cap was reduced to 50% of income and also considered the CSG and CRDS (Bach et al., 2023a).

¹¹ Art. 1733.

audits uncovered EUR 13 981 million, of which ISF liabilities constituted EUR 627 million (4.5%)¹² (Direction générale des Finances publiques, 2017a).

In 2013, a special unit, the Offshore Disclosure Unit (STDR, *Service de traitement des déclarations rectificatives*), was opened. It allowed individuals to voluntarily regularise previously undeclared foreign assets, and was open until the end of 2017. By the end of 2016, over 49,000 taxpayers had filed compliance requests with the STDR, with the revenues collected from the beginning of the scheme to 2016 amounting to EUR 7 billion (Direction générale des Finances publiques, 2017b). Between 2014 and 2017, the ISF liabilities uncovered through the STDR disclosures amounted to EUR 2.065 billion, constituting nearly 60% of the ISF revenues collected in that period¹³. The end of the scheme was prompted by the implementation of automatic bank data exchanges (Direction générale des Finances publiques, 2018).

3.4. Overall system of capital taxation

Beyond the ISF (and now IFI), France also levies several other wealth-related taxes, listed in Table 4 below.

Table 4 – Current wealth-related taxes in France

Tax	Description
Capital gains tax on securities	30% flat rate (PIT+social levies) or progressive income tax rates ¹⁴ , granting rebates based on length of holding. Changed in 2018 by the Finance Act for 2018, which removed capital income from the progressive income tax base.
Capital gains tax on real estate properties	Overall net gain taxed at 19% + 17.2% surtaxes. Principal residences are exempt, many other conditional exemptions are also foreseen. EUR 15 000 is tax-free, and a rebate for gains based on length of holding period is applied, leading to full exemption after 22 years of holding.
Property wealth tax (IFI)	Progressive tax with the threshold amount and brackets corresponding to those of the ISF (see Table 3).

¹²A similar amount was uncovered in 2016, however In contrast to this, in 2015 the unpaid ISF liabilities uncovered amounted to a little over EUR 1 bn – 6.3% of all unpaid tax liabilities uncovered by tax audits that year. The sharp fall in the ISF liabilities uncovered in the following years could be connected to a fall in disclosures of previously unreported offshore assets to the STDR.

¹³ Own calculation based on statistical reports of the Direction générale des Finances publiques.

¹⁴ One can opt to choose between the two regimes, with the latter offering rebates based on length of holding for shares acquired/subscribed before 1 January 2018.

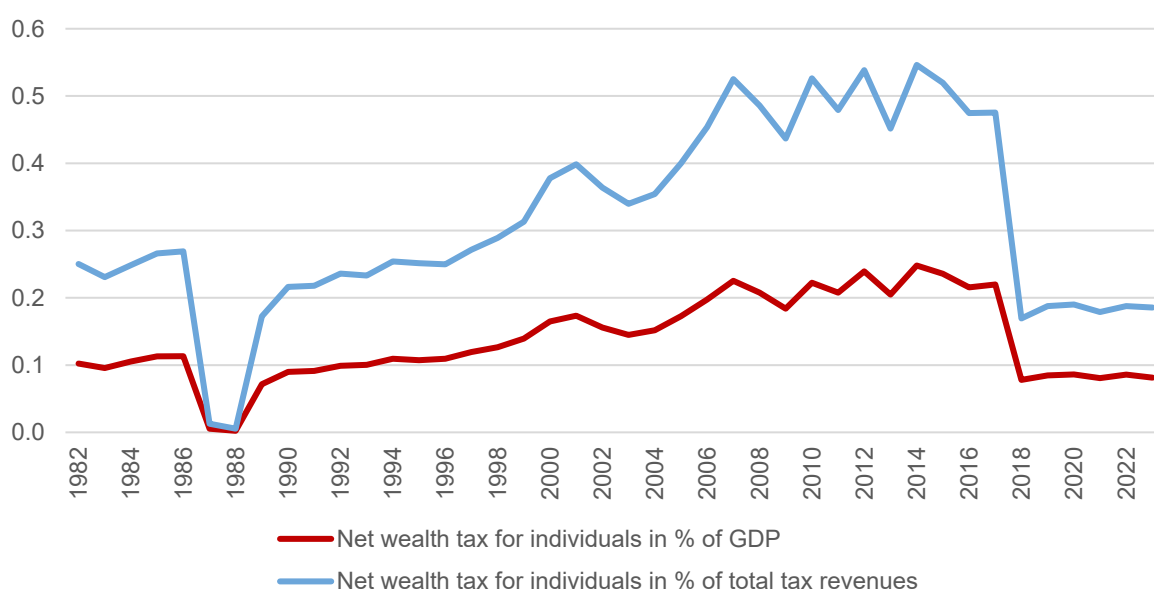
Tax	Description
Exit tax	30% flat rate (PIT+social levies). Applies to unrealised capital gains on shares and rights held directly by tax household members when they either hold majority shares or shares exceeding EUR 800 000 total value. Only levied if the individual has been tax resident for 6 out of the last 10 years.
Inheritance, estate, and gift taxes	0-60% (inheritance and gifts), rate depends on proximity with the beneficiary.

Source: PricewaterhouseCoopers (2023).

3.5. Revenue aspects

At its peak in 2014, ISF revenue accounted for 0.55% of total tax revenue (Bunn, 2022). In GDP terms, in the years 1990–2022 revenue increased from 0.09% of GDP in 1990 to 0.248% in 2014, but then declined abruptly to around 0.08% of GDP in 2018 following the transition to a real estate wealth tax (see [Figure 3](#)). In 2017, the last year of the tax, the ISF generated EUR 4.23 bn in tax revenue, and was paid by 385,000 households, partly reflecting its relatively high exemption threshold (France Stratégie, 2023; Tirard, 2020). In comparison, in the following year the IFI, which replaced it, generated EUR 1.29 bn (Tirard, 2020).

Figure 3 – Recurrent taxes on net wealth in France, 1982–2023



Source: OECD (2024).

In 2016, the administrative costs of the ISF were estimated at EUR 103 million, with enforcement and auditing activities responsible for nearly two-thirds of this (Ministry of Public Action and Accounts, 2019). The administrative cost was thus equivalent to 2.07% of the wealth tax revenue collected – a ratio comparable to that of other taxes (1.8% for income tax and 2.52% for the dwellings tax). However, as noted by Burgherr (2021), this may be an underestimate, as it does not adjust for tax reliefs and refunds. On the other hand, a different estimate calculated for 1997 suggests an even lower administrative cost: 1.6% of revenue from the tax, making it only slightly higher than the administrative costs relative to total tax revenue that year (Pichet, 2007).

3.6. Behavioural responses and economic effects

According to the evaluation carried out by France Stratégie (2023), since the replacement of the ISF with the IFI, there has been a fall in departures and a slight increase in returns among households subject to the tax¹⁵. However, the authors note that these flows represent a minuscule fraction of both the individuals subject to the IFI and the nationwide revenue from it¹⁶. Moreover, it is impossible to determine the extent to which those leaving were motivated specifically by the net wealth tax. As noted by Perret (2021), net negative migration has also been observed following reforms favourable to the wealthy, and net migration itself fails to account for migration in anticipation of upcoming reforms.

In their analysis of departure flows following capital taxation shocks, Bach et al., (2025) find that a one-percentage-point increase in taxation on high-net-worth individuals (HNWIs) would lead to an annual decrease of 0.003 to 0.03% in the population of HNWIs who are French tax residents. Focusing on the tax reforms that replaced the ISF with the IFI and introduced the PFU, the authors also find that the relative impact on the return rate was between 0.01 and 0.04 percentage points. They also reveal that the mobility of households at the top of the capital-income distribution is almost one-half the nationwide average.

Bach et al. (2020) find that the French wealth tax was accompanied by a low elasticity of residence decisions with respect to both the wealth tax rate and the increase in tax burden resulting from professional assets becoming liable on retirement. In the latter case, they also find that taxpayers were more likely to invest in SME equity instead. They also find the likelihood of expatriation in response to a hike in the tax burden to be low and comparable to that of other retirees in similar

¹⁵ For the years 2018-2021, the average annual flows of IFI taxpayers amounted to 380 returns against 260 departures. In contrast in the years 2011-2016 there were on average 370 returns and 950 departures of ISF taxpayers (France Stratégie, 2023).

¹⁶ IFI taxpayers returning to France in 2021 paid around 0.3% of the IFI paid at the national level (France Stratégie, 2023).

income groups. Overall, these findings suggest that the wealth tax reform (limiting it to immovable assets) may have led to lower investment in SMEs among retiring owners, and that a wealth tax designed with targeted rebates may be better for stimulating investment in SMEs than no wealth tax.

Despite concerns about the ISF negatively affecting investment and company performance by driving up dividend payouts, no such effect was found – the transition to the IFI also failed to redirect wealth away from real estate in favour of other assets (France Stratégie, 2023).

A factor complicating the identification of behavioural effects is the fact that behavioural responses are caused not only by changes in, for example, tax rates, but also by the design of the tax itself. For instance, in 2011 a reform was introduced that simplified the wealth tax reporting requirements for taxpayers with less than EUR 3 million in wealth. Garbinti et al. (2024) find that this change led to sharp bunching responses to the information discontinuity, with 35% of wealth taxpayers missing from the affected bracket and evading 10% of their total wealth tax payments each year. The same study also finds that under-reporting was more prevalent in the case of assets whose value was fairly difficult to verify, such as real estate.

3.7. Distributional impact

According to Bach et al. (2023b), the wealth tax was not effective at taxing the rich because it exempted professional assets and capped the amount of tax due. The authors measured the effective direct tax rates of households at the top of the income distribution and found that, upon reaching the top 0.1% of the income distribution, rates became regressive, falling from 46% for the richest 0.1%, to 26% for the richest 0.0002%. This is due to the different composition of incomes at the very top – the incomes of households at the top of the income distribution were primarily made up of corporate profits not distributed to the tax households that control them (thus not included in the income tax base). As a result, the effective income tax rates fall as a percentage of overall economic income to around 2% among the top 0.001%, and in the end corporate income tax is the only tax reaching substantial rates for billionaires. Similarly, a committee evaluating the capital tax reforms found that the effective ISF tax rate paid by the wealthiest 0.001% of households was 0.1% (compared to the marginal rate of 1.5%). This was primarily the result of the capping of the ISF, which gave ample opportunity for tax optimisation and mainly benefitted the wealthiest (France Stratégie, 2023). This suggests that, while the ISF funded a new minimum income for the poorest households, its impact on the wealth distribution is unlikely to have been significant.

3.8. Economic and political context

As highlighted by Delalande and Spire (2013), France provides a good example of the power of political framing. Using specific cases of asset-rich and income-poor households, interest groups successfully campaigned for the introduction of a cap on the amount of combined wealth and income tax due, which was ultimately exploited by the wealthy to avoid taxation. This, combined with the exemption of equity wealth, has been identified as the reason why the tax failed to generate more revenue or tax the rich effectively (Saez & Zucman, 2022).

Bach et al. (2020) see the transformation of the net wealth tax (ISF) to a property wealth tax (IFI) as a continuation of the recent history of measures lowering the tax burden on equity, as it exempted all equity ownership from the wealth tax.

Despite the repeal of the tax, support for a net wealth tax continues to be strong in France, with its abolition fuelling political anger among the *gilets jaunes* (Limberg and Seelkopf, 2022). According to French opinion polls, three in four respondents are in favour of taxing very large estates (Cosnard & Riché, 2025). Combined with mounting national debt, this creates political pressure to introduce new solutions that would effectively tax the wealthiest tax residents. This is also evident in the recent proposals to reintroduce a net wealth tax, such as the recent National Assembly vote in favour of a bill to introduce a 2% wealth tax for households whose net wealth exceeds EUR 100 million (following Gabriel Zucman's proposal)¹⁷, proposed by the Ecologist Party. Although the proposal was ultimately rejected by the Senate, it may still serve as an important starting point for upcoming discussions between the new Prime Minister, Sébastien Lecornu, and the Socialists (Cosnard & Riché, 2025).

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¹⁷ The tax would function as a ceiling, affecting only those whose current tax burden is below 2% of their net wealth.

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4. Colombia

4.1. History and evolution of the net wealth tax scheme

Colombia has had a long, albeit inconsistent, history with net wealth taxes. On the whole, the introduction of these taxes was motivated by the need to strengthen direct taxation (due to evasion and a small base caused by widespread informality) and to raise revenue for public goods (Bérgolo et al., 2023).

A net wealth tax was first introduced in 1935, initially as a temporary measure. Its primary objectives were to consolidate and strengthen direct taxation by taxing income from capital at a higher rate than income from wages and personal services, and to impose a financial burden on landowners who withheld their property from productive use (Tanabe, 1967). Various reforms affecting both the marginal tax rate and the tax base were introduced over the years¹⁸, but the tax was ultimately abolished in 1992, ostensibly to attract foreign capital (Londoño-Vélez & Avila-Mahecha, 2024).

A net wealth tax was reintroduced in 2002 as a temporary measure to fund *Seguridad Democrática*, aimed at combating drug trafficking and paramilitary activities¹⁹. Over the years, Colombia has enacted numerous tax reforms (approximately every four years, aligned with post-presidential election cycles). Because the net wealth taxes introduced were generally designed as one-off or temporary, a large share of these reforms focused either on extending the existing net wealth tax to further years, or introducing a new iteration in its place. Over the years, Colombia has seen numerous significant changes to net wealth taxation, including considerable changes to the top wealth tax rates and exemption thresholds, and the addition of new tax brackets). **Table 5** provides an overview of the major net wealth tax reforms enacted in the years 2002–2022.

Table 5 – Major reforms and laws relating to net wealth taxes introduced in Colombia, 2002–2022

¹⁸ For example Law 45/1942, Law 135/1944, Law 81/1960, Law 9/1983.

¹⁹ The tax accounted for around 20% of the total budget of the defence and security budget and 1% of the national GDP, however it is no longer earmarked for this purpose (Flores-Macías, 2014; Hebous, Klemm, Michielse, and Buitron, 2024).

Wealth Taxation, Including Net Wealth, Capital and Exit Taxes

Year	Law/Decree	Key Features	Tax Rates	Additional Notes
2002	Decrees 1838, 1885, 1949	Introduction of the 'special tax for Democratic Security' to fund security policies.	Flat rate 1.2% on the liquid assets of individuals and corporations whose assets exceeded COP 169.5 million	Initial implementation of a wealth tax under President Uribe's administration.
2003	Law 863/2003	Extended the 'special tax on wealth' for 2004–2006 to continue funding the fight against illegal groups.	Flat rate: 0.3% on all taxable wealth, with a threshold of COP 3 billion	
2006	Law 1111/2006	Extended the wealth tax for 2007–2010 following Uribe's re-election.	Average rate of 1.2% for net worth \geq COP 3 billion	Only taxpayers with net worth of at least COP 3 billion in 2007 were levied in the next fiscal years.
2009	Law 1370/2009	Adopted the tax for 2011–2014 (for armed forces and disaster relief), modifying the tax rate and introducing a second tier	Average rates of 2.4% for taxable wealth between COP 3–5 billion , 4.8% for taxable wealth \geq COP 5 billion .	Due to the disastrous effects of the 2010 extreme weather conditions, newly elected Santos changed rates: 1% for taxable wealth between COP 1–2 billion , 1.4% for wealth between COP 2–3 billion , 3% for taxable wealth between COP 3–5 billion , 6% for wealth \geq COP 5 billion .
2010	Law 1430/2010	Amended Law 1370/2009 to reduce thresholds and add new rates.	1% for wealth between COP 1–2 billion , 1.4% for wealth between COP 2–3 billion , 3% for wealth between COP 3–5 billion , 6% for wealth \geq COP 5 billion .	The tax was to be paid in up to eight equal payments between 2011 and 2014.
2014	Finance Bill Proposal	Proposed a permanent and progressive wealth tax for individuals with net worth \geq \$1 billion pesos .	0.4% for wealth between COP 1–3 billion , 1.1% wealth between COP 3–5 billion , 2% for wealth between COP 5–8 billion , 2.25% for wealth \geq COP 8 billion .	Proposal made by the Minister of Finance.

Year	Law/Decree	Key Features	Tax Rates	Additional Notes
2014	Law 1739/2014	Established a wealth tax for the years 2015 to 2018 ²⁰ , applied to taxpayers with net worth ≥ \$1 billion pesos in FY 2014 only.	0.125% for wealth < COP 2 billion , 0.35% for wealth between COP 2–3 billion , 0.75% for wealth between COP 3–5 billion , 1.5% for wealth ≥ COP 5 billion .	Wealth thresholds and rates applied only for those meeting the 2014 threshold .
2018	Law 1943/2018	The law was applicable for the years 2019 to 2021 , however only remained in force until the end of 2019 due to being declared unconstitutional. The law included other relevant changes, in particular reducing the tax burden of corporations and SMEs ²¹ .	1% on net assets ²² exceeding COP 5 billion (approximately USD 1.5 million)	The law was declared unconstitutional by the Constitutional Court of Colombia on October 16, 2019 due to procedural flaws but allowed to be in force until the end of 2019
2019	Law 2010/2019	In effect for the fiscal years 2020 and 2021, it introduced several changes but also maintained continuity by retaining many of the provisions of Law 1943 (including the net wealth tax and the SIMPLE regime).	1% on net assets ²³ exceeding COP 5 billion (approximately USD 1.5 million)	

²⁰ 2015 to 2017 in the case of companies.

²¹ The latter was done through the introduction of the opt-in SIMPLE tax regime, which replaces and integrates to consolidate the corporate or personal income tax, industry and commerce tax (ICA), the national consumption tax and the VAT in case of mom and pop stores, minimarkets and hairdressers. The regime is reserved for resident individuals or businesses whose gross income does not exceed 80,000 UVT (approx. COP 2.8 billion) and who are registered in the Single Tax Registry (RUT). The rates applied are fixed and dependent on the sector in which the enterprise operates.

²² In the case of non-resident individuals, only their Colombian assets were considered. Certain assets were excluded from the tax base – among them were shares in Colombian companies, accounts receivable from Colombian debtors, specific portfolio investments, and financial lease agreements.

²³ In the case of non-resident individuals, only their Colombian assets were considered. Certain assets were excluded from the tax base – among them were shares in Colombian companies, accounts

Year	Law/Decree	Key Features	Tax Rates	Additional Notes
2021	Tax reform proposal (<i>withdrawn</i>)	Proposed a package of reforms that included a net wealth tax, but was overall deemed regressive (due to the proposed expansion of VAT and lower income tax thresholds) and sparked nationwide protests.	1% wealth tax on fortunes over COP 4.8 billion (approx. \$1.35 million) and 2% for those over COP 14 billion	The proposal was revised to be less controversial and enacted as Law 2155/2021, which no longer included the proposed wealth taxes.
2022	Law 2277/2022	Introduced updates to taxation, including wealth taxation for 2023–2026 .	0.5% for wealth between 72 000 - 122 000 UVT , 1% + 250 UVT for wealth between 122 000 - 239 000 UVT , 1.5% + 1 420 UVT for wealth ≥ 239 000 UVT .	Recent modifications by Congress under the latest wealth tax framework.

Source: Own elaboration.

The most recent reform, enacted in 2022 (Law 2277), reintroduced a wealth tax (the so-called Equity tax), this time as a permanent measure (Becerra et al., 2024). This introduction was spurred by the significant fiscal deficits faced by Colombia, and exacerbated by the COVID-19 pandemic, creating a need for additional revenue. Together with the introduction of the tax, the reform also raised the capital gains tax and the withholding tax on dividends.

4.2. Design features in more detail

The current net wealth tax, the so-called Equity tax, is only applied to individuals – a feature that sets it apart from many of its predecessors, as historically net wealth taxes in Colombia have often applied to both individuals and corporations²⁴. The tax applies to net wealth, excluding debt. Exempt are shares in Colombian companies, accounts receivable from Colombian debtors, certain portfolio investments and financial lease agreements, and primary residences with a value up to COP 137 000. Non-residents are only taxed on their Colombian assets.

receivable from Colombian debtors, specific portfolio investments, and financial lease agreements.

²⁴ In the case of the wealth tax implemented in 1935, the tax on corporations was rescinded in 1960, a change motivated by a desire to eliminate international double taxation and attract foreign capital (Tanabe, 1967).

The exemption threshold is set at 72 000 UVTs²⁵ (approximately EUR 757 564), with the tax base determined annually (Becerra et al., 2024). As previously, the tax is progressive and consists of three brackets (0.5%, 1% and 1.5%), with the highest in force only until 2026 inclusive²⁶ and reserved for individuals with a net wealth of over 239 000 UVTs (approx. EUR 2 514 692) (KPMG, 2022).

Before 2019, the wealth tax schedule featured average, rather than marginal, tax rates²⁷. The schedule shifted to marginal tax rates from 2020 onwards.

Table 6 – The net wealth tax for years 2023–2026

	0 – 72 000 UVT	72 000 – 122 000 UVT	122 000 – 239 000 UVT	239 000 UVT +
2023	0	0.5%	1% + 250 UVT	1.5% + 1 420 UVT
2024	0	0.5%	1% + 250 UVT	1.5% + 1 420 UVT
2025	0	0.5%	1% + 250 UVT	1.5% + 1 420 UVT
2026	0	0.5%	1% + 250 UVT	1.5% + 1 420 UVT

Source: Own elaboration based on PricewaterhouseCoopers (2025).

The high threshold set by the tax means that over 99% of adult taxpayers are exempt (Londoño-Vélez & Avila-Mahecha, 2024). The tax is designed with banded valuations, meaning that once the net wealth falls into a certain bracket, the entire amount is taxed at the rate assigned to that bracket (rather than only the share that exceeds the bracket threshold).

Information on wealth is recorded annually via income tax returns. Taxpayers must file an income tax return if total assets, gross income, credit card purchases, bank deposits, or financial investments exceed specific thresholds (Londoño-Vélez & Avila-Mahecha, 2024). They must declare financial assets (cash, bank deposits, shares, bonds, unlisted securities, financial assets held abroad), non-financial assets (real estate, land, large durable goods, non-corporate business assets, non-financial assets held abroad) and debts. Individuals who qualify for the net wealth tax must also file a separate tax statement.

As a general rule, securities and bonds are valued at book value, plus any unpaid interest or financial returns accrued and not collected by the last day of the taxable

²⁵ The adjusted tax value unit (Unidad de Valor Tributario – UVT) is set annually and for 2024 was set at COP 47,065, equivalent to roughly EUR 10.52 (applying the 21 January 2025 exchange rate).

²⁶ Starting from 2027 the highest rate will be 1%.

²⁷ Average tax rates lead to discrete tax jumps at bracket thresholds, creating stronger incentives to bunch below the tax rate cut-offs (Londoño-Vélez & Avila-Mahecha, 2024).

period. If they are listed, the basis for the valuation is the average price of the stock exchange transactions in the last month of the taxable period. If they are unlisted, they are valued based on the accrued yield, proportional to the time held.

Capitalisation bonds and life insurance policies are valued at surrender value. Equity holdings are valued at fiscal cost (acquisition cost and additional costs incurred on acquisition), unless they are subject to special valuation regimes. The value of real estate is assumed to be the highest of the fiscal cost, the updated cadastral value, or the self-assessed valuation. The value of intangible assets (e.g. industrial, literary or artistic property rights) is based on their acquisition cost.

4.3. Enforcement mechanisms

In the years 2015–2017, the Colombian government launched an amnesty scheme, prompting voluntary disclosures of hidden wealth, which shed light on the prominence and distribution of exposed wealth tax evasion. Among the taxpayers who revealed their hidden wealth under the scheme, two-fifths of individuals in the top 0.01% admitted to evasion (Londoño-Vélez & Ávila-Mahecha, 2021). This group was also 55 times more likely to engage in tax evasion than the top 5% overall, indicating that the risk of evasion increases sharply with wealth. What is more, following the Panama Papers leak, participation in the scheme skyrocketed, indicating that policy enforcement leads to a significant increase in compliance in Colombia.

Third-party reporting (or lack thereof) plays a key role in bunching responses. Third-party reporting is not as developed in Colombia as in some other countries. That being said, Colombia has third-party reporting of financial assets, which sets it apart from Switzerland and France (Londoño-Vélez & Avila-Mahecha, 2024). Moreover, the degree of coverage is dependent on the type of asset. Assets that have low or no third-party reporting include cash, large durable goods, unlisted equities, non-corporate business assets (for example, inventories) and interpersonal debts. This is further exacerbated by a lack of precise valuation for assets, especially less liquid ones such as real estate and inventories, which increases the potential for value manipulation. Bunchers react not by making adjustments to liquid assets but by underreporting the value of their inventories or inflating the value of their interpersonal debts – neither subject to third-party reporting – by 22% and 35% respectively (Londoño-Vélez & Avila-Mahecha, 2024).

Colombia has introduced several measures to improve tax compliance. In 2006, a list of public and private institutions required to provide third-party reports was established, and a web portal (Sistema Muisca) was created to allow institutions to upload information directly. In 2012, the tax authority improved tax technology (Resolutions 111–118 from 31 October 2012, and Law 1607/2012), expanded the coverage of third-party reports, and granted taxpayers online access to view all their third-party-reported data. Colombia has also adopted the Common Reporting

Standard for the Automatic Exchange of Information on financial accounts between tax authorities, which deters offshore tax evasion (Bérgolo et al., 2023).

4.4. Overall system of capital taxation

Besides the net wealth tax, the Colombian tax system also includes capital gains and capital income taxes (inheritance and gifts are taxed under the former), but does not include any exit tax. **Table 7** provides an overview of existing capital and wealth taxes (other than the net wealth tax).

Table 7 – Present system of capital and wealth taxation in Colombia

Tax	Description
Capital gains tax	Capital gains are considered extraordinary income – this includes gains from the sale of assets or liquidation of a company (held or existing, respectively, for at least 2 years), gains derived from lotteries or gaming and inheritances and gifts – treated as capital gains for tax purposes. The general tax rate is set at 15%, with gains derived from lotteries, gaming, etc., taxed at 20%. Gains from the sale of shares representing no more than 10% of total company shares are exempt.
Inheritance and gifts	
Capital income taxes (corporate or individual tax + withholding tax)	Only dividends paid out on profits since financial year 2017 are subject to the dividend withholding tax.
	<p>The effective rates depend on the residence of the beneficiary, whether the beneficiary is an individual or company and whether the profits have already been taxed at the corporate level (the corporate income tax rate is 35%):</p> <ul style="list-style-type: none"> • resident companies: 35% + 10% (41.5% effective rate, dividends paid out of untaxed profits) or 10% (dividends paid out of profits taxed at corporate level) • resident individuals: 0% to 15%, then taxed according to the progressive personal income tax rates if they have not been taxed at the corporate level • nonresident individuals and companies: 35% + 20% (48% effective rate, dividends paid out of untaxed profits) or 20% (dividends paid out of profits taxed at corporate level) <p>Interest is subject to a 7% withholding tax for residents and 20% for non-residents²⁸.</p>

Source: Own elaboration based on Deloitte (2025).

Besides the net wealth tax, Colombia has also had a presumptive tax on income – a tax that presumes that wealthy individuals earn income corresponding to a certain fraction of their wealth. Upon its creation in 1974, the presumed income was set at

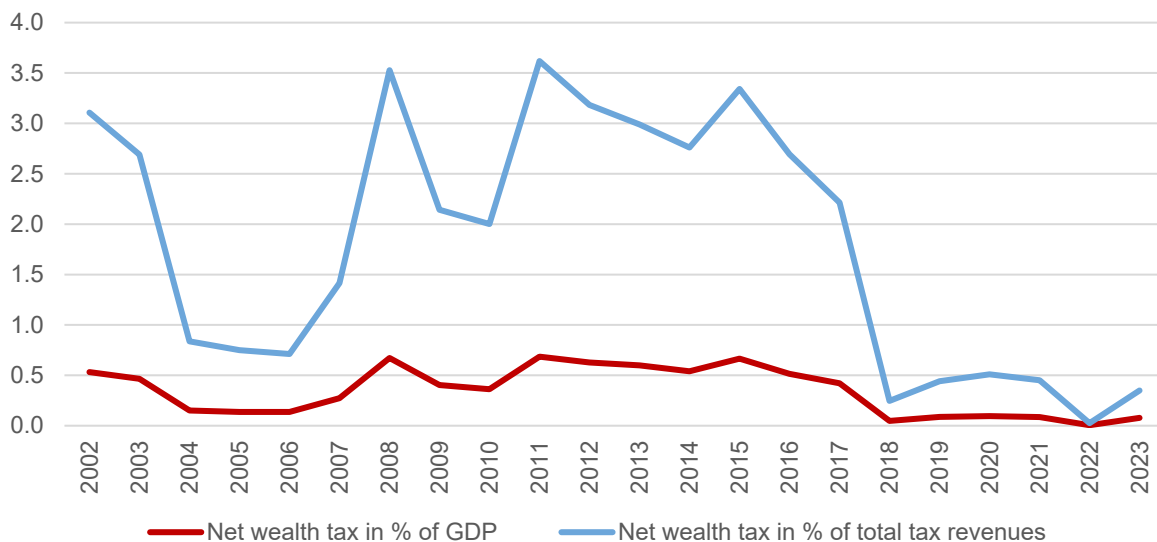
²⁸ In both cases some exceptions exist where a lower rate applies.

8% of wealth – a rate that was gradually reduced until 2021, when the tax was abolished (Zucman, 2024). In 2016, the tax covered 4.5% of all taxpayers, including 10% of all individuals with wealth exceeding COP 1 billion (Londoño-Vélez & Avila-Mahecha, 2024).

4.5. Revenue aspects

Figure 4 shows the revenues collected from the net wealth tax, presented as a share of total tax revenue and the share of GDP. The large differences in collected revenues reflect the frequent reforms. For instance, the dip in revenues in 2004–2006 corresponds to the simultaneous decrease in the tax rate and increase in the exemption threshold, while the sharp decline in revenues from 2018 can be explained by the complete elimination of the tax for corporations.

Figure 4 – Net wealth tax revenues in Colombia, 2002–2023



Source: OECD (2024).

Looking at a longer time horizon, revenues from net wealth taxes as a share of revenues from income tax and supplementary taxes have been falling. From their first introduction in 1936 until 1984, they represented, on average, a fifth of these revenues, declining to 5.45% in 1991 (Rico Torres, 2004).

4.6. Behavioural responses and economic effects

The use of offshore accounts is extremely concentrated in Colombia (Saez & Zucman, 2019c). Taking advantage of the frequent wealth tax reforms that characterise Colombia, Londoño-Vélez and Ávila-Mahecha (2024) found that increasing the net-of-wealth-tax rate by 1% led to a 2% rise in reported wealth, a shift

that can largely be attributed to tax evasion through the creation of offshore entities in tax havens, and the underreporting of asset values and inflating debts. Crucially, the bunching responses persisted even after the wealth tax that triggered them was no longer in effect, as a way to avoid future wealth taxes and detection. By linking Colombian tax microdata with the individuals named in the leaked Panama Papers, the authors also found that, on average, these individuals offshored 7.7% of their wealth to evade the newly introduced wealth tax. That number grew to 9.5% over the two post-event years following the creation of offshore entities.

4.7. Distributional impact

No information on the distributional impact of the net wealth tax in Colombia is available. Overall, wealth inequality in Latin America is high and significantly higher than income inequality, while the tax burden on wealth is low (Gómez-Sabaini et al., 2017). Moreover, Colombia stands out as one of the most unequal countries in the region (Jiménez & Rossignolo, 2019). This is also reflected in the low redistributive power of its taxes and transfers. Studying the distributional impacts of the Colombian tax and social transfer system as a whole, Lustig (2017) finds that the marginal equalising contribution of taxation and direct transfers in the country was negative (albeit nearly neutral).

4.8. Economic and political context

Political support for wealth taxes in Latin America continues to be strong, particularly in the aftermath of the pandemic (Bérgolo et al., 2023). Flores-Macías (2014) examined how the Colombian government, known for its inability to effectively tax the wealthiest, was able to adopt the initial wealth tax of 2002 and subsequently renew it. He concludes that this was possible due to an interplay of three factors. First, the introduction of wealth taxes in Colombia has always been seen as a response to a major shock or crisis – whether armed conflict, natural disasters or dire economic conditions (economic downturns, high inflation) – creating a window of opportunity for more ‘extreme’ measures to be passed. Second, the government closely cooperated with the business elites, directly involving them in the process, providing assurance that they would have a say in how the money was spent, that the tax would be provisional and, ultimately, that their interests would be protected and they would avoid an introduction of more painful and permanent tax reforms. Finally, because revenue from the tax was to be used to finance security efforts, he finds that improving perceptions of security played an important role in maintaining approval for and willingness to pay the tax. Moreover, in the context of high income and wealth inequality and ineffective taxation in other areas (for example, income and inheritance), a net wealth tax both serves a complementary role and has the potential to generate considerable revenue (Bérgolo et al., 2023).

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5. Switzerland

5.1. History and evolution of net wealth tax scheme

Switzerland has a long history of wealth taxation, with the first wealth tax introduced at the turn of the 18th century, within a centralised tax system (Eckert & Aebi, 2020). Upon gaining tax autonomy, not all cantons retained the tax, although it became more widespread again once cantons could no longer levy customs and had to fill the gap in tax revenue. Eventually, levying it became obligatory under the Federal Constitution of 1848 (Eckert & Aebi, 2020). In addition to the cantonal net wealth taxes, over the years the Swiss Confederation also levied one-off crisis and war taxes, which included wealth taxes, at the federal level. Wealth taxation once more became the sole prerogative of cantons and municipalities after 1957 (Brühlhart et al., 2022; Eckert & Aebi, 2020). While there have been attempts in the past to abolish or reform wealth taxation, none have been successful.

5.2. Design features in more detail

At present, cantons are obliged to levy a net wealth tax ('impôt sur la fortune', 'Vermögenssteuer', 'imposte sulla sostanza') under the Federal Act on the Harmonisation of Direct Taxes of Cantons and Municipalities of 1990, which also provides specific rules regarding the object of the wealth tax and valuation – the rest of the tax design being at the discretion of the canton (Brühlhart et al., 2022; Eckert & Aebi, 2020; Scheuer & Slemrod, 2021). As a result of this decentralised approach, there is considerable variation between cantons in aspects of the tax design, such as tax-free thresholds, the choice between a flat and progressive tax schedule, and the tax rates.

The Swiss wealth tax is assessed annually, based on a combined declaration for wealth and income taxes. The tax is levied by the municipality in which the main legal residence of the taxpayer is located. Although it is levied at the individual level, married couples are considered a single tax unit, and are obliged to file jointly. Their tax rate is also determined based on joint wealth, and they are subject to a different schedule than single-person households. Most cantons use either a full or partial splitting method, but some cantons have different rates for married couples and individuals assessed separately (Kirn et al., 2025). The different types of joint taxation can sometimes result in a higher tax burden on married couples. If one spouse is not a Swiss resident, the joint wealth of the couple is still used to determine

the tax rate, but only the wealth of the resident spouse is taxable. The net assets of minor children are included in parents' wealth tax base²⁹.

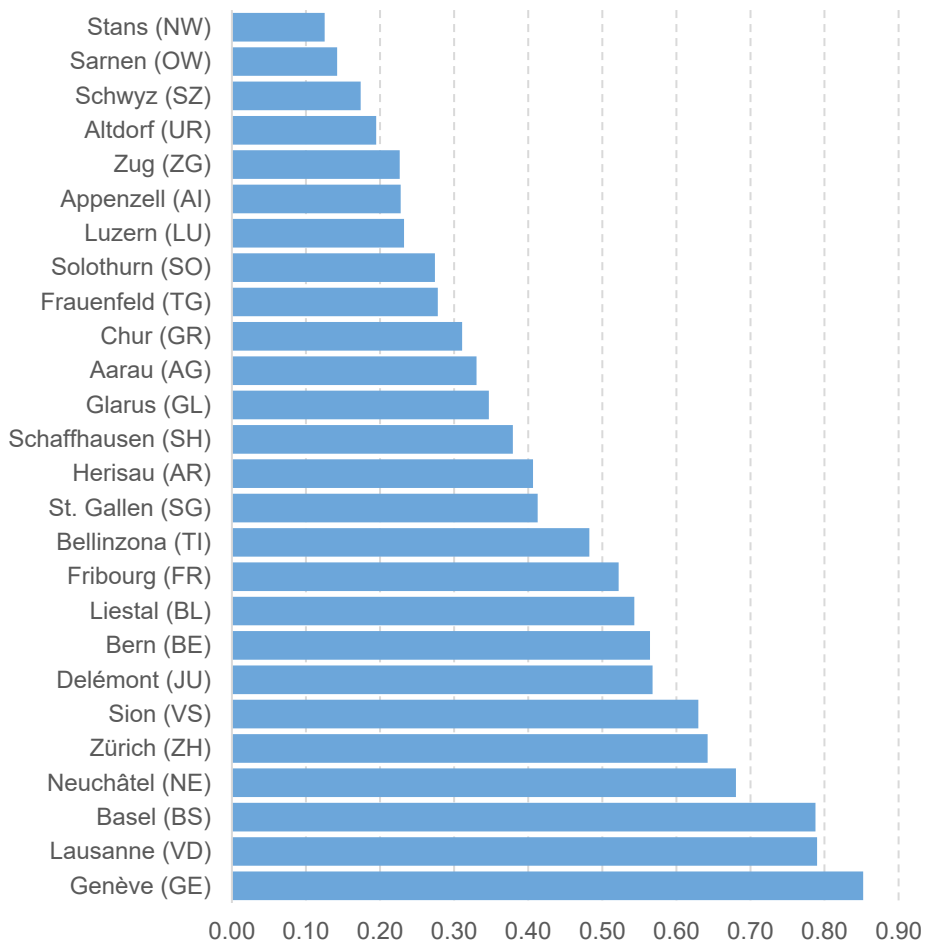
In addition, to account for taxpayers' circumstances and ability to pay the tax, when determining taxable wealth, cantons apply social deductions to net wealth. These fall into one of three categories: individual (e.g. age), married, and child³⁰. Each canton except Zürich applies at least one (Kirn et al., 2025). Cantons have considerable freedom in the design of these deductions, and some apply a tax-free minimum instead of or alongside the deductions.

The tax covers all worldwide assets, including bank account balances, bonds, shares, funds and other equities; life insurance policies with a surrender value; cars, boats, airplanes, etc.; real estate; and other valuable assets, e.g. paintings, art collections, jewellery (Drometer et al., 2018; PricewaterhouseCoopers, 2024). Capital insurance of occupational pension schemes and tied private pension schemes is exempt (Kirn et al., 2025). Certain assets are considered when determining the tax rate (rate-determining wealth), but are not included in the taxable wealth itself. For instance, any movable assets are assumed to be in Switzerland and thus subject to the tax. However, if they are owned by a foreign-resident individual and not attributable to a Swiss business or permanent establishment, they are only considered when determining the tax rate (Eckert & Aebi, 2020; PricewaterhouseCoopers, 2024). By the same token, assets held by residents, but attributable to foreign businesses or permanent establishments or located outside Switzerland (in the case of real estate), are also only considered when determining the tax rate and not included in the tax base itself. Taxable wealth is calculated net of mortgages and debt (with no cap) and does not include leased assets, foreign real estate, household goods, compulsory pension savings (pillar 2) or voluntary pension savings (pillar 3a) (PricewaterhouseCoopers, 2024; Scheuer and Slemrod, 2021).

In practice, taxation proceeds in three steps. First, each canton defines rates and exemption thresholds in its tax laws. In eighteen of the cantons (around 2/3) the tax schedule is progressive, the remaining eight apply a flat rate tax. Combined with the varying exemption thresholds, the tax is at least slightly progressive in all cantons. Next, the 'base tax' or 'simple tax' is calculated applying this cantonal tax schedule. The final cantonal and municipal tax, respectively, are obtained by multiplying the base tax amount by a cantonal and municipal tax multiplier. Both multipliers can be adjusted annually to meet the budgetary needs of the canton or municipality. As a result, the ultimate tax burden varies considerably depending on the canton and municipality in which the individual is a tax resident. **Figure 5** presents the top marginal wealth tax rates by canton.

²⁹ In the case of the parents being separated, the assets are attributed to the parent who is the legal guardian or with whom the child lives most of the time.

³⁰ Set per child, accumulating with each (Kirn et al., 2025).

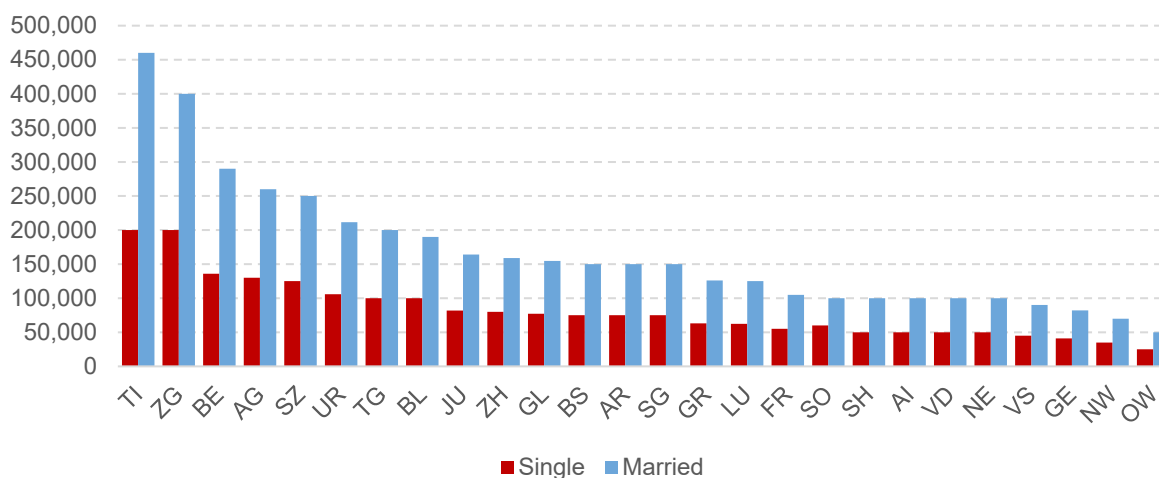
Figure 5 – Top marginal wealth tax rates by canton for 2025

Source: Own elaboration based on <https://swisstaxcalculator.estv.admin.ch/#/calculator/income-wealth-tax>.

Note: the rates assume the municipal multiplier of the municipality in which the cantonal capital is located.

Figure 6 presents the exemption thresholds for each of the cantons for both married and single households. Overall, Swiss exemption thresholds are maintained at relatively low levels by international comparison (Brühlhart et al., 2022; Perret, 2021). Moreover, as shown by Martínez and Scheuer (2025), there has been a decreasing trend in the average cantonal top tax rates on wealth; it fell from 0.73% to 0.49% between 1969 and 2018.

Figure 6 – Wealth tax exemption thresholds for single and married households in 2025, by canton.



Source: Own elaboration.

Federal harmonisation rules state that non-business assets must be valued at fair market value (though without specifying how this value should be determined), with exceptions for insurance, securities and real estate³¹ (Kirn at al., 2025). For business assets, the valuation is based on tax book values. All other valuation decisions are left to the cantons, leading to very different valuation approaches. For example, in the case of real estate, paths taken include valuation of the principal residence by property experts, while investment properties are valued based on rental income multiplied by the capitalisation rate, a formulaic valuation. In the case of artwork, tax authorities will usually rely on the insured value of the work, although this often exceeds its market value³². Finally, the value of private companies is calculated annually on the basis of an inter-cantonal administrative guideline; where it is difficult to estimate the fair market value, a formulaic method (practitioner's method) is used³³ (Eckert & Aebi, 2020).

Some cantons offer tax breaks or exemptions for owner-occupied (primary) residences, as in the case of Geneva, where the tax on such properties can be

³¹ In practice properties are often valued below actual market value, on average 80-100% of market value ('Wealth Tax in Switzerland', 2024).

³² An added difficulty in the case of artwork is determining whether it should be taxed to begin with, as some artwork can be classified as household effects (exempted). In a case from 2012, the Zurich Administrative Court reclassified an inherited work of art as an asset, rather than a household item, and levied a supplementary wealth tax for the period during which it was displayed in the house.

³³ This is the weighted average of the company's 'earnings value' (capitalised adjusted average net profit of the last two or three years) and its net asset value (fair market value of assets minus liabilities), regardless of industry. Where the company value is dependent on a single individual, adjustments are made to counter overvaluation (Eckert and Aebi, 2020).

reduced by four percentage points per year of consecutive occupation, up to a 40% reduction.³⁴

To counter the risk of confiscatory taxation and overburdening some taxpayers, some cantons have put tax ceiling (*bouclier fiscal*) mechanisms in place, limiting the combined tax burden of the income tax and capital tax (e.g. 60% of net taxable income in Geneva, which has the highest net wealth tax rate). However, in cantons without such protection, taxpayers can only appeal the tax assessment, usually unsuccessfully (Eckert & Aebi, 2020).

5.3. Enforcement mechanisms

Asset value determination and enforcement of the tax are significantly constrained by bank secrecy laws, which preclude third-party reporting. Swiss banking secrecy is enshrined under the Swiss Banking Act (1934)³⁵ and its violation falls under criminal law (Gronwald, 2025). Under banking secrecy, Swiss tax authorities cannot access third-party information from Swiss financial institutions. Swiss banks only provide legal or administrative assistance to foreign tax authorities in cases of suspected tax fraud. Due to this tradition, Switzerland initially resisted implementing the Automatic Exchange of Information (AEOI) on grounds of defending privacy rights. However, it eventually yielded to growing international pressure, and in 2014 adopted tax transparency reforms (Bomare & Le Guern Herry, 2025).

As a result, banking secrecy no longer applies to foreign taxpayers who are tax resident in countries with an AEOI agreement with Switzerland. However, it is still maintained for Swiss tax residents, allowing tax authorities access to information only in tax fraud cases (Gronwald, 2025). Nevertheless, thanks to international third-party reporting of offshore assets following the establishment of AEOI, the compliance of Swiss tax residents has also improved. Switzerland has had a permanent tax amnesty in place since 2010, providing taxpayers evading taxes with a one-time opportunity to disclose previously hidden assets and income without any fines or legal repercussions³⁶. Studying the effects of this programme, Baselgia (2025) estimates that 2% of all Swiss taxpayers participated in the programme, prompted by

³⁴ In addition to this, private real estate is always valued below market value for tax purposes, corresponding to around 70% of market value on average (Brülhart et al., 2018).

³⁵ Banking secrecy in Switzerland dates back to the 18th century, however it was the Swiss Banking Act of 1934 that codified it, made it nationwide, and included its violation under criminal law (Guex, 2000; Pruska, 2015).

³⁶ Provided that they pay back-taxes (including interest) for up to 10 years. An exception is given to simplified inheritance after-taxation (SIT) cases, where the heirs of hidden accounts who had no involvement in the evasion themselves may disclose them as part of the inheritance process and face no penalties and must only pay back-taxes for three years (Baselgia, 2025).

the introduction of the AEol (disclosing over 6% GDP in hidden assets)³⁷. He also finds that the increase in the perceived risk of detection following the AEol was particularly effective among taxpayers in the middle of the wealth distribution³⁸ and that the increases in tax compliance from previously non-compliant taxpayers were sustained over the medium to long run.

Beyond these, the Swiss tax system also includes other measures that improve tax compliance and prevent the use of certain standard tax planning techniques, such as shielding of assets in trusts or the use of passive investment companies³⁹ (Eckert & Aebi, 2020). The Swiss tax authorities also follow a general anti-avoidance rule, which allows them to disregard transactions or structures that appear to have been established solely to avoid taxes, unless they meet high standards to qualify as legitimate. Finally, cantonal tax authorities conduct audits (resulting in penalties if a taxpayer is caught evading taxes).

Switzerland also applies a 35% withholding tax on capital incomes. Its primary function is to incentivise declaring all private assets. However, the tax can be easily avoided, for example using sham corporations (Zucman, 2013). Moreover, Baselgia (2025) estimates the rough indifference withholding tax rate, finding that the current rate of the tax is insufficient to deter taxpayers whose net wealth level makes them liable to the wealth tax, in particular top wealth holders.⁴⁰

5.4. Overall system of capital taxation

Capital income is taxed at the same progressive rate as other income, at the federal, cantonal and municipal levels, with rates ranging from 0 to 41.5% (Finér & Pankka, 2025). A withholding tax is levied at the federal level. It covers investment income (in particular interest and dividends) and lottery winnings (both taxed at 35%), life annuities and pensions (15%), and certain other insurance benefits (8%). The tax can be refunded by the canton by offsetting it against cantonal and municipal taxes if the resident taxpayer discloses earnings and investment income subject to the tax

³⁷ Estimates for the period 2010-2020. Overall, the author finds that, until 2020, nearly 3% of all taxpayers participated in the programme and disclosed assets equivalent to 10% of GDP (3.5% of total taxable wealth in Switzerland).

³⁸ Increased compliance among the wealthiest individuals who had previously been non-compliant was driven primarily by the introduction of the amnesty programme.

³⁹ Assets in trusts are still attributed to the settlor and taxed as their personal wealth and passive investment companies, are not taxed as a separate entity.

⁴⁰ One limitation to this is that top wealth holders tend to reside in low-tax cantons – a lower net wealth tax liability naturally leads to a lower incentive to evade the tax.

and the assets on which the capital gains were realised⁴¹. For individuals abroad, the tax may be fully or partially refunded provided their country of residence has concluded a double tax treaty (DTT) with Switzerland and they have met the conditions set out in it.

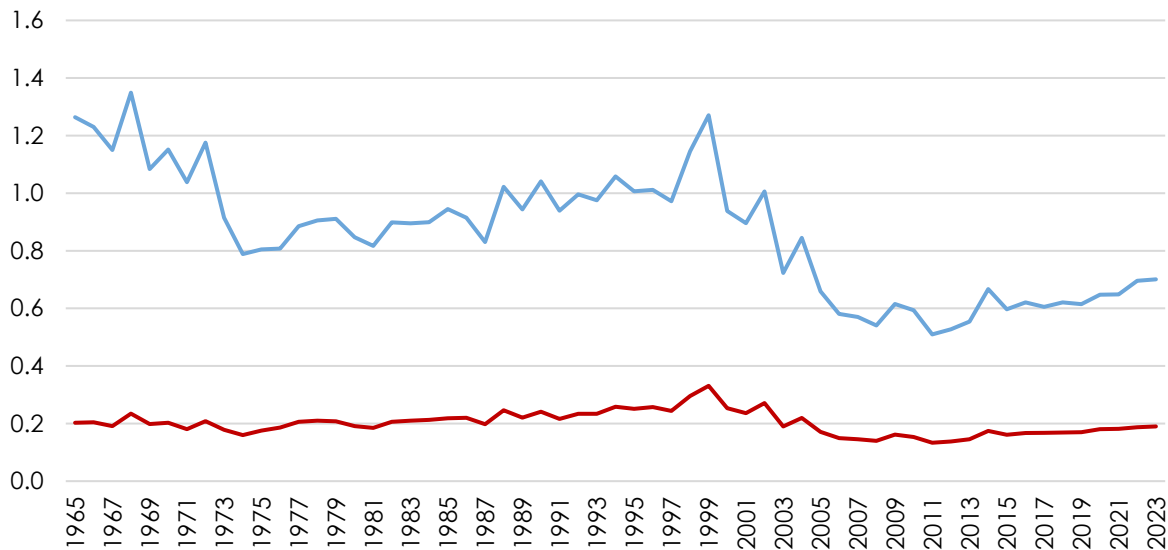
Capital gains tax applies only to capital gains realised upon the sale of Swiss real estate, with capital gains on movable assets (e.g. shares) normally tax-exempt, as long as the individual does not qualify as a professional securities dealer⁴². The Swiss tax system also does not include an exit tax.

Taxes on inheritances and gifts are levied by cantons, although in some of them, municipalities also have this authority (usually only indirectly, in the sense of receiving a share in the revenue from the cantonal tax) (Eidgenössische Steuerverwaltung, 2025). Almost all cantons levy tax on both inheritances and gifts, although some impose only one of the two, or even forgo inheritance and gift tax altogether (the cantons of Schwyz and Obwalden). Furthermore, in practice the taxes are limited in scope, as spouses, and usually also direct descendants, are exempt (on the abolition of inheritance taxation across Swiss cantons in the 1990s, see Brülhart & Parchet, 2014). For other beneficiaries a progressive rate multiplied by a factor reflecting the relationship with the deceased is generally applied (PricewaterhouseCoopers, 2024). Donations to charities and public organisations are also exempt (Eckert & Aebi, 2020). As a result, revenues from taxation on inheritance and gifts are negligible (see [Figure 7](#)).

Figure 7 – Revenues from the inheritance tax in Switzerland, as % of GDP (red) and total tax revenues (blue).

⁴¹ In the case of legal entities the withholding tax is refunded directly by the Federal Tax Administration.

⁴² This is determined using criteria such as holding periods or share of income attributed to capital gains (Hourani et al., 2023).



Source: Own elaboration based on OECD (2024), code 4300 (Estate, inheritance and gift taxes)

Taken together, this means that the Swiss net wealth tax can be seen as an alternative to these forms of wealth taxation, rather than an ambitious redistributive project (Scheuer & Slemrod, 2021).

A unique feature of the Swiss tax system is a special tax regime called expenditure-based (or lump-sum) taxation. In order to be eligible, one must reside in Switzerland but not hold Swiss citizenship or earn any labour income in Switzerland.⁴³ Under this scheme, the tax base for income tax is determined using total annual global living expenses, and the net wealth tax liability is usually based on a set multiple of this taxable income⁴⁴. The extent to which tax on expenditure covers the wealth tax liability is determined by the cantons (Eidgenössische Steuerverwaltung, 2025). The expenses include living necessities (e.g. expenditures for food, clothing, housing), various financial obligations (e.g. taxes and social security), and other living expenses, for example on education, leisure, household staff, health, pets and the maintenance and operating costs of held assets (Baselgia & Martínez, 2025a). The living expenses of the individual's spouse⁴⁵ and any dependants are also included.

The expenditure-based tax is an attractive option for wealthy foreigners, as it can significantly lower the tax burden of taxpayers whose overall living expenses are lower than their true income, or whose multiple of these expenses is significantly lower than their total global net wealth. This is further confirmed by Baselgia and

⁴³ Labour income is broadly defined in Switzerland, including not only employees but also, for example, sportspeople and entertainers (provided they are tax resident or staying in Switzerland a set amount of time) investors who actively manage their Swiss holding company.

⁴⁴ This is with the exception of several cantons which either apply different rules or have repealed expenditure-based taxation altogether (Baselgia and Martínez, 2024).

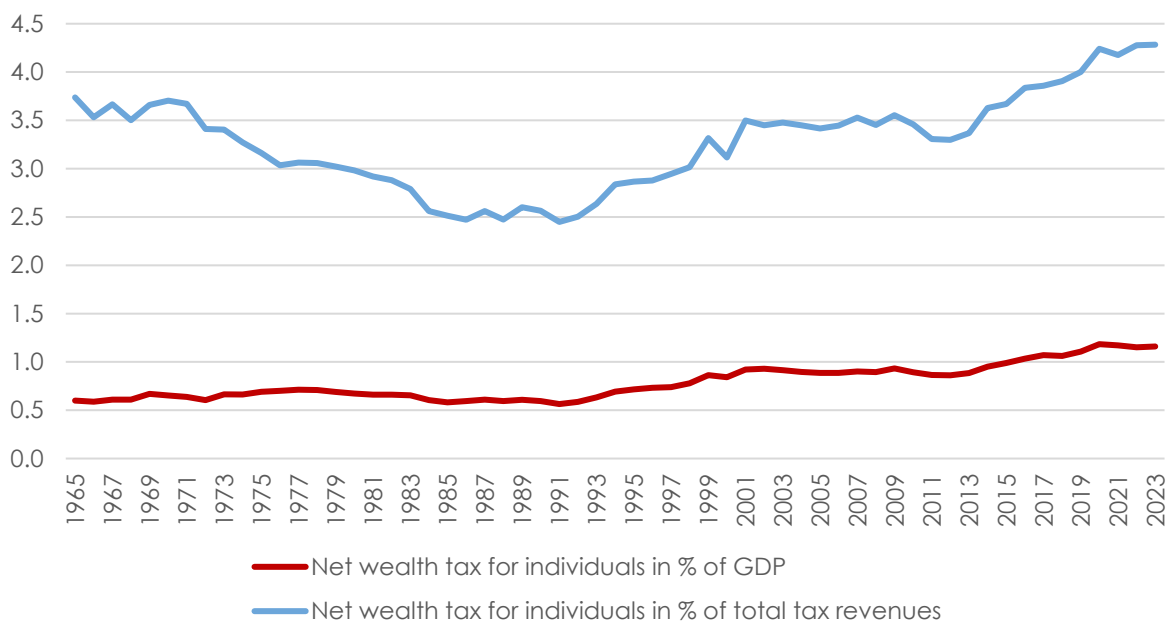
⁴⁵ The spouse must also fulfill the criteria.

Martínez (2025a), who find that the stock of super-rich foreigners in the cantons that repealed this regime⁴⁶ dropped by 43%. The implied wealth and income tax mobility elasticities range between 28.4–32.2 and 1.4–1.5, respectively.

5.5. Revenue aspects

Taken together, these features of the tax system (i.e. low exemption thresholds, a broad tax base) combined with the high stock of wealth in the country explain the importance of the net wealth tax and the relatively large revenues it generates compared with other European countries with a net wealth tax (see **Figure 8**). However, this importance is especially visible at the cantonal and municipal levels, where revenues from the net wealth tax accounted for 9.6% of all cantonal and municipal tax revenues in 2018 (Marti et al., 2023).

Figure 8 – Revenues from the net wealth tax in Switzerland, as % of GDP (red) and total tax revenues (blue).



Source: Own elaboration based on OECD (2024), code 4210 (recurrent net wealth individual)

Figure 8 also shows that revenues, after declining in importance by the end of the 1980s, have been steadily increasing thereafter, with a temporary drop in the aftermath of the global financial crisis. Given the general long-run tendency of falling tax rates (Marti et al., 2023), this points to a long-run increase in wealth and the number of wealthy taxpayers.

⁴⁶ Due to the controversy surrounding expenditure-based taxation, several cantons have repealed the regime, while others include floors. A floor is also set at the federal level.

Information on the administrative costs of the tax is scarce, as only a few cantons collect it, and the costs of the net wealth tax alone are difficult to isolate due to its good integration into the overall tax system. However, using information obtained from cantonal tax authorities, Burgherr (2021) provides rough estimates for two cantons. He calculates that the costs of administering the net wealth tax in the canton of Aargau are equivalent to 1-2.3% of the revenues it generates, and that the joint burden of the income and net wealth tax in the canton of Ticino corresponds to 1.1% of the joint revenues from the two taxes.

Moreover, based on qualitative information gathered, Burgherr suggests that the administrative burden of the Swiss net wealth tax is low relative to other net wealth taxes and to the isolated burden of the Swiss income tax. He attributes this to certain cost-reducing design features (for example, formulaic valuation for difficult-to-value assets), improved administrative efficiency thanks to automation and digitisation, the high degree of integration into the overall tax system, and taking advantage of administrative overlap with other taxes. Many of the tasks necessary to administer the wealth tax are also crucial for administering other wealth-related taxes (such as the valuation of property and securities); according to cantonal tax authorities, the majority of the administrative burden of the net wealth tax would be incurred anyway⁴⁷.

5.6. Behavioural responses and economic effects

The decentralised nature of the Swiss net wealth tax has enabled tax competition between cantons, providing opportunities to study intra-national capital flight. Brülhart et al. (2022) find that bunching responses to exemption thresholds are comparatively large in Switzerland, and that reported taxable wealth is highly responsive to changes in the tax rate; a one percentage point drop in the top wealth tax rate raises reported wealth by 43%. In particular, a notable tax cut in the canton of Lucerne in 2009 triggered a large response that encompassed changes in the taxable financial assets of immobile taxpayers (49%), net taxpayer migration (24%), a rise in housing prices (21%) and increased savings (6%). The response is more pronounced for financial than non-financial wealth.

These findings demonstrate that, although mobility responses do take place, they are outweighed by tax planning strategies. Moreover, saving responses constitute a small share of the overall response. No reliable empirical evidence exists on the magnitude of evasion responses.

⁴⁷ Moreover, the net wealth tax also plays a supportive role in the collection of other taxes.

5.7. Distributional impact

Wealth inequality in Switzerland is significantly higher than in other countries,⁴⁸ and has been on the rise. According to Häner-Müller et al. (2024), in 2021 the richest 1% of households accounted for 45.9% of total wealth, compared to around 35% in 2000. For the top 10% it was 78.3% and 70.4%, respectively.⁴⁹ There is significant variation in wealth concentration levels and their trends at the cantonal level. For instance, in 2021 the wealth held by the top 1% ranged from 28.5% (Uri) to 72.9% (Nidwalden) (Häner-Müller et al., 2024).

This relatively high wealth inequality (and its increase) can largely be attributed to the disproportionate growth in capital gains, in particular from real estate (Baselgia & Martínez, 2025b). The inflow of foreign wealth serves as an additional driver – Switzerland is characterised by an exceptionally high density of very rich taxpayers, around half of whom are foreign-born (Baselgia & Martínez, 2025a).

Marti et al. (2023) find that the Swiss wealth tax has an impact particularly on wealth concentration. Studying variations in cantonal wealth tax rates over the last 50 years, the authors show that a *decrease* in the top marginal wealth tax rate by 0.1 percentage points leads to an increase in the wealth share of the top 1% (top 0.1%) by 0.9 (1.2) percentage points after the reform. Accordingly, 18% (25%) of the increase in wealth concentration among the top 1% (top 0.1%) can be explained through wealth tax reductions since 1969.

5.8. Economic and political context

Perceptions of inequality have shifted, with the Swiss now seeing their country as more unequal – accordingly, support for state redistribution has significantly grown since 1987 (Häner-Müller et al., 2024). Although Swiss voters may have a preference for less inequality, they remain unsupportive of introducing new, highly redistributive measures. This is evidenced by the results of the 2015 referendum on the introduction of an inheritance tax on the very rich, which met with a resounding rejection from the large majority of voters. Emmenegger and Marx (2018) theorise that this was caused by such measures being framed as a threat to the business environment and, as a result, to prosperity and job creation.

⁴⁸ Comparison with the United States, United Kingdom, France and Germany, based on data from the Wealth Inequality Database.

⁴⁹ As noted by the authors, these estimates do not capture the full picture, given that they are based on data that only covers around half of all assets held by private households and does not include pension assets, which would have led to a more equitable wealth distribution (Föllmi & Martínez, 2017).

At the time of writing, Swiss voters are set to vote on a proposal to introduce a federal inheritance tax of 50%, applicable to large estates and gifts (valued at over CHF 50 million). Unlike current inheritance taxes, the tax would not exempt spouses or direct descendants. Revenues from the tax would be put towards tackling the climate crisis (Ruehl, 2025). The referendum is set to take place in November 2025.

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6. Spain

6.1. History and evolution of the net wealth tax scheme

With the restoration of democracy and the establishment of a modern tax system, Spain introduced an annual wealth tax in 1977. Initially conceived as an extraordinary and temporary measure, the tax was intended primarily as a tool for census and administrative control. After more than fifteen years, it was made permanent through Act no. 19/1991. Additionally, four further objectives were outlined in the accompanying Memorandum: (i) to tax the additional ability to pay derived from wealth, given the introduction of a personal income tax; (ii) to encourage a more efficient allocation of resources in order to achieve productivity gains; (iii) to serve as a redistributive tool; and (iv) to complement both the personal income tax and the inheritance and gift tax.

In 2008, the Spanish government decided to de facto abolish the wealth tax, arguing that it had failed to achieve its redistributive goals. Due to legal constraints, the tax remained formally in force, but a 100% tax credit was applied to the tax liability, effectively nullifying its impact. Nonetheless, the same government that had suppressed the tax decided to reintroduce it in mid-September 2011, as a response to the effects of the Great Recession. Only two changes were made to the regulation: the tax threshold was raised from EUR 108,182.18 to EUR 700,000, and the main residence exemption was increased from EUR 150,253.03 to EUR 300,000. The justification for its reintroduction was that those with greater resources should contribute more to the economic recovery, thereby reinforcing equity and the redistribution of income and wealth. This stance is paradoxical: the same negative assessment that had led to the de facto abolition of the tax was later used positively to justify its reintroduction just three years later, with barely any significant legislative changes.

The reintroduction was once again intended as a temporary measure, initially applicable only for 2011 and 2012. However, it was subsequently extended on a yearly basis until 2021, when it was made permanent. As a result, Spain is now the only EU country with a recurrent net wealth tax.

6.2. Design features in more detail

The wealth tax is a national tax, with its core regulation enacted by the national parliament. However, since the mid-1980s, revenue from the tax has been transferred to regional governments, which have also taken on responsibility for its

administration and enforcement⁵⁰. Since then, the management of the tax has become a shared responsibility between the national tax agency and regional tax administrations. In 1997, regional governments were granted limited legislative powers, which have been progressively expanded in subsequent years. Regions are now able to regulate key aspects of the tax liability, including the exemption threshold, tax rates, and tax credits.

In 2011, when the central government reintroduced the wealth tax, the regional government of Madrid opted to apply a 100% tax credit, effectively nullifying the tax within its jurisdiction. In 2022, Andalucia followed suit with its own 100% tax credit, while Galicia introduced a 50% tax credit. Several other regions, all governed by the same People's Party – a centre-right political party – announced plans to reduce the tax in the future. To prevent a race to the bottom, the central government approved the introduction of an additional net wealth tax in December 2022, formally known as the *Temporary Solidarity Tax on Large Fortunes* (TSTLF). Although initially conceived as a temporary measure for 2022 and 2023, the tax was made permanent in 2023.

The new tax is levied and administered exclusively by the central government. It follows the same regulatory framework as the wealth tax but only applies to net wealth exceeding EUR 3 million (compared to EUR 700 000 under the wealth tax). To avoid double taxation, any wealth tax liability is deductible from the liability under the new tax. As a result, the TSTLF is primarily paid by taxpayers residing in regions that fully or partially exempt the wealth tax⁵¹. The new tax was deemed constitutional by Ruling no. 149/2023 of the Constitutional Court. Consequently, from a legal point of view, there have been two distinct net wealth taxes in Spain since 2022: the wealth tax and the solidarity tax on large fortunes.

The practical effect of the TSTLF is that regional tax credits for the wealth tax have been effectively suspended since 2023, for as long as the new tax remains in force. As a result, taxpayers now pay the wealth tax to their respective regional governments instead of paying the TSTLF to the national government.

⁵⁰ Based on historical rights recognised in the Spanish Constitution, two northern regions – the Basque Country and Navarre – have a substantially different financing system, the so-called foral regime. Under this system, the regional administrations have full authority to regulate, collect, and manage the wealth tax. This case study focuses only on the common financing system.

⁵¹ To better understand why the central government introduced the solidarity tax on large fortunes, which is a distinct tax from a legal perspective, instead of reforming the wealth tax, which is a national tax, both legal and political issues must be considered. The financing system of the Spanish regions is regulated in an organic act, whose modification requires an overall majority in Parliament. Furthermore, the central government was reluctant to reform the regional financing system as many other significant issues would need to be addressed, making it impossible to secure parliamentary support.

6.2.1. Regulation

The wealth tax operates under a self-assessment system, whereby taxpayers are required to report and value all forms of wealth held as of 31 December. This includes real estate, bank accounts, bonds, listed and unlisted shares, investment funds, life insurance, vehicles, and more. All forms of wealth should be valued at their market value on 31 December, but the legislation establishes specific criteria for some assets to simplify the reporting process. This is particularly relevant for real estate, where the higher of the acquisition price or the cadastral value is generally used. For shares in privately held companies, valuation is typically based on the company's balance sheet, using accounting criteria. In contrast, listed shares are valued according to the average quoted price during the fourth quarter. Bank accounts are valued at the higher of the average balance during the fourth quarter or the balance as of 31 December. The unit of taxation is the individual (not firms or households), meaning that family wealth must be allocated among individual family members.

Act no. 19/1991 provides for several exemptions, such as historical heritage, art treasures, and pension plans. This list was later expanded to include family business assets in 1994, which covered closely held companies; listed companies in 1998; and primary residence, up to EUR 300 000, in 2000. The business-related exemptions were justified on the grounds of fostering entrepreneurial investment, and specific conditions must be met for them to apply. Family business assets held by natural persons are only exempt if the taxpayer runs the business and receives a remuneration that accounts for at least 50% of the taxpayer's total income. Company shares are only exempt when (i) the company engages in economic activity; (ii) the taxpayer owns at least 5% of the company individually, or 20% when considering the family as a whole; and (iii) a family member is involved in the company's management, receiving compensation for these duties that accounts for at least 50% of their total employment and business income. Taxable wealth refers to net wealth, which is defined as the monetary value of all non-exempt assets minus debts.

The gross tax liability is determined by applying a progressive tax schedule to the net taxable wealth, that is, the total value of taxable wealth before applying a threshold. Since the tax was reintroduced, this threshold has been set at EUR 700 000. As shown below, the progressive schedule consists of eight brackets, with rates ranging from 0.2% to 3.5%. However, these thresholds and rates are applied only if the regional government has not enacted its own provisions⁵².

Table 8 – Tax Schedule of the New Wealth Tax for 2025, in absence of regional regulation

⁵² The threshold is set at EUR 500 000 in some regions, and the regional rates range from 0.2% to 3.75%, with different brackets as well.

Net taxable wealth (EUR)	% tax rate
0–167 129.45	0.2
167 129.45–334 ,252.88	0.3
334 252.88–668 499.75	0.5
668 499.75–1 336 999.51	0.9
1 336 999.51–2 673 999.01	1.3
2 673 999.01–5 347 998.03	1.7
5 347 998.03–10 695 996.06	2.1
>10 695 996.06	3.5

Source: Own elaboration.

To calculate the final liability, two significant additional stages must be considered. First, there is a limit on tax liability when income is relatively low compared to wealth. Specifically, the combined amount of the wealth and income gross tax liabilities may not exceed 60% of the taxpayer's taxable income. If this limit is exceeded, the wealth tax liability is reduced accordingly; however, the reduction cannot exceed 80% of the original wealth tax liability. In other words, at least 20% of the gross wealth tax must still be paid. The second stage in calculating the final liability is the application of any additional tax credits that may be introduced by regional governments, which residents may deduct when determining their final tax liability. As explained, some regions have a 100% tax credit, effectively nullifying the tax within their jurisdiction.

Wealth tax returns must be submitted in two situations. The most common is when the final tax liability is positive. However, a return must also be filed when the taxpayer's gross wealth (including both taxable and non-taxable assets) exceeds EUR 2 million, even if the final tax liability amounts to zero.

6.3. Enforcement mechanisms

Assets are self-reported by taxpayers. There is third-party reporting, as the tax administration has automatic access to data from the cadastral office and financial institutions must report the names of the estate owners and holders of financial assets, along with the respective values. A particular institutional arrangement is that both the national tax administration and regional tax administrations may audit wealth tax returns.

Regarding enforcement mechanisms, it is important to bear in mind that evasion and avoidance can interact. This is the subject of an ongoing project, the main results of

which are already available. Specifically, Durán-Cabré et al. (2025) have access to the complete dataset of Catalan wealth taxpayers for 2011–2020. The data allows for the identification of which taxpayers were audited, and provides insights – albeit with limited detail – into the consequences of those audits.

Thanks to the availability of this data and a matching procedure, the dynamics of taxpayers' returns based on whether they were audited or not can be compared. If audits have a deterrent effect, one would expect to observe an increase in voluntary tax compliance among those who were audited. The results, however, are mixed. In the first three years following the audit, compliance increases; however, from the fourth year onwards, taxpayers no longer exhibit higher compliance. Instead, there is a noticeable increase in the use of avoidance strategies, particularly the exploitation of the wealth tax liability limit. This outcome is concerning for the effectiveness of the tax, and suggests that greater enforcement efforts – targeting a relatively sophisticated group of taxpayers – fail to produce a deterrence effect unless accompanied by legal redesign that prevents the use of exemptions or the limit solely for tax-avoidance purposes.

An exit tax applies to individuals who transfer their tax residence abroad.

6.4. Overall system of capital taxation

Table 9 provides an overview of the current Spanish system of capital and wealth taxation.

Table 9 – System of capital and wealth taxation in Spain, 2025

Tax	Brief description	revenue in % of GDP
Net wealth tax	<ul style="list-style-type: none"> • EUR 700 000 threshold¹⁾ 0.2% to 3.5% rates¹⁾ • business exemption • limit on tax liability 	0.2
Inheritance and gift tax ¹⁾	<ul style="list-style-type: none"> • 7.65% to 34% for spouses and children¹⁾ • business deductions • almost full tax credits for spouses and children in many regions • from 1 to 2.4 multiplier coefficient based on relationship and previous wealth 	0.2
Capital income	<ul style="list-style-type: none"> • included in personal income tax • from 19% to 27% tax rates 	n.a.

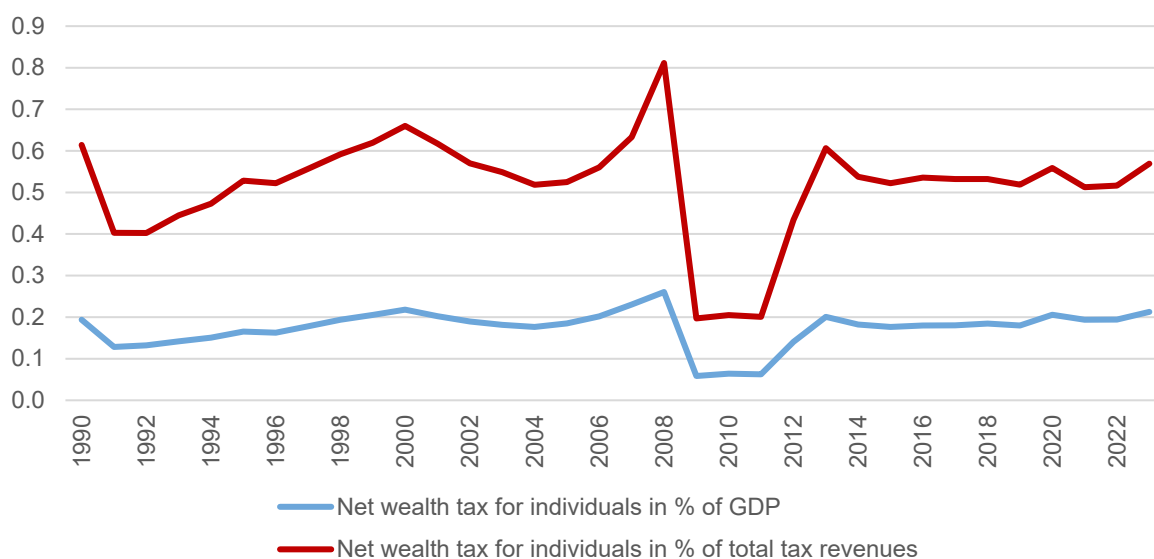
Tax	Brief description	revenue in % of GDP
Capital gains taxes	<ul style="list-style-type: none"> included in personal income tax from 19% to 27% tax rates 	n.a.

Source: OECD, *Revenue Statistics*. 1) Unless regional government sets different values

6.5. Revenue aspects

In relation to GDP and total tax revenue, revenue generated from the net wealth tax remained relatively low between 1990 and 2022 (Figure 9). The highest level of revenue was recorded in 2008 (referring to the 2007 fiscal year), just before the onset of the Great Recession and the de facto repeal of the wealth tax. Since the reintroduction of the tax, revenue has accounted for 0.2% of GDP and for 0.5– 0.6% of total tax revenue. These figures do not yet reflect the effects discussed earlier regarding the introduction of the new tax on large estates.

Figure 9 – Net wealth tax collected as a share of GDP and total tax revenue, Spain, 1990 to 2022



Source: OECD, *Revenue Statistics*

These figures do not yet reflect the effects discussed earlier regarding the introduction of the new tax on large estates. Changes in revenues following the introduction of the TSTLF, presented in Table 10 below, show that it has fulfilled its role of curbing the downward trend in taxation driven by tax competition. Revenues from the wealth tax in 2023 (reported in 2024) increased by 24.9%, while revenues from the tax on large fortunes declined drastically, by 98.9%.

Table 10 – Recent Evolution of Wealth Tax Revenue: The Incentivising Role of the Solidarity Tax on Large Fortunes

	Wealth tax	Tax on large fortunes
2022	EUR 1 550 million	EUR 620 million
2023	EUR 1 936 million	EUR 38 million
Variation 2023-2022	24.9%	-98.9%

Source: Intervención General de la Administración del Estado, Informe trimestral de las Administraciones Públicas, 3rd quarter 2024.

6.6. Behavioural responses

6.6.1. Tax Compliance

One of the main challenges of the net wealth tax lies in the difficulty of enforcing compliance. Non-compliance can lead to tax evasion or, favoured by the existence of loopholes, tax avoidance. Regardless of their specific nature, both practices undermine not only the redistributive capacity of the tax but also its revenue-generating potential, as discussed below. The Spanish wealth tax is no exception.

6.6.2. Evasion

Regarding tax evasion, Duran-Cabré et al. (2019) provide an insightful study. They estimate the 2014 ‘tax gap’ for the net wealth tax, as well as for the Inheritance and Gift Tax and the Transaction Tax for Catalonia. In 2022, they updated their estimates for 2018. The largest source of the tax gap stems from *under-reporting* (97.28% of the total gap), that is, when the taxable event is reported but not in a complete way. *Non-filing* (0.97%) and *non-payment* (1.75%) play only residual roles⁵³. Of the total tax gap, 56.40% – that is, more than half attributable to under-reporting – is due to undeclared offshore financial assets, whereas 36.08% arises from the improper application of the family business exemption, where the required legal conditions are not fully met. In monetary terms (2014 euros), this corresponds to a revenue loss of EUR 340 million, implying that 44.34% of the potential revenue from the wealth tax was ultimately uncollected.

⁵³ Non-filing is when the taxable event is not reported but should be declared in accordance with regulations and non-payment when the tax return is filed, but the taxpayer does not pay the tax liability within the voluntary payment period.

These figures are not negligible, although addressing the gap remains challenging, given that its main source – the existence of offshore financial assets – lies beyond the enforcement capabilities of regional tax administrations. As mentioned above, the estimates were updated in 2022 for the 2018 fiscal year (work is currently underway on estimation of the 2022 gap). Compared to the 2014 tax gap, the 2018 gap was approximately 4.5 percentage points lower. Importantly, the 2014 analysis also included an estimate of the *net* tax gap – that is, the (gross) gap minus the portion reduced through the enforcement efforts of the tax administrations. These efforts led to a 13.7% reduction in the 2014 tax gap. The key insight is that, in the absence of offshore-related evasion, the tax gap would have been 5.8% in 2018 and 10.2% in 2014. Interestingly, the principal source of the gap lies beyond the reach of the very administration responsible for enforcing compliance.

6.6.3. Avoidance

As noted from the outset, tax avoidance can only arise when loopholes exist within the legal framework. In this regard, as explained in the tax regulation, the Spanish wealth tax provides for the exemption of shares or assets associated with family businesses. Taxpayers may claim this exemption; if the legal requirements are not fully satisfied, the behaviour constitutes tax evasion, as previously discussed. However, if the requirements are met and the individual's wealth portfolio has been reorganised specifically to benefit from this exemption, this falls under tax avoidance. While such behaviour undermines the potential effectiveness of the tax, it remains fully legal.

Alvaredo and Saez (2009) estimated – under some strong assumptions – that the fraction of businesses benefiting from the exemption rises from one-third to two-thirds for the top 1% wealth taxpayers, and from 37% to 80% for the top 0.01% taxpayers. As important as this study is, it is not based on empirical estimations and does not consider all potential mechanisms of tax avoidance at the same time. This has recently been done by Mas-Montserrat et al. (2025).

Their findings confirm the pervasive presence of tax avoidance. The net wealth tax – whose effects are identified through its unexpected reintroduction at the end of 2011 – encourages taxpayers to reorganise their wealth portfolios to take advantage of business-related exemptions, as anticipated by Alvaredo and Saez. Additionally, taxpayers adjust their savings assets to qualify for the limit on wealth tax liability. This latter mechanism represents a key novelty of this recent research: 92.6% of the total revenue loss attributable to avoidance stems from the strategic exploitation of the limit as a means to minimise tax liability. While this average pattern is evident, there is also notable heterogeneity: unlike the use of the limit, the business-related exemptions were employed more intensively by taxpayers whose holdings in business shares were already above the average prior to the tax's reintroduction in 2011.

While combating tax evasion remains challenging – due in part to the existence of tax havens, as mentioned above – the negative effects of tax avoidance may be mitigated through a redesign of tax benefits. In any case, it is worth noting that the 2011 reintroduction of the net wealth tax resulted in a net tax revenue gain of EUR 77 728 per taxpayer. This is referred to as a *net* gain because, in estimating it, the fact is taken into account that the use of the limit on wealth tax liability has a negative impact on personal income tax (PIT) revenues. Specifically, taxpayers defer income realisation – transforming it into long-term capital gains – in order to ensure that the limit becomes binding, thereby reducing PIT revenues.

Relocation is another source of tax avoidance. However, when relocation is fraudulent, meaning that not all conditions of changing tax residence are met in the new jurisdiction, it constitutes tax evasion. While both types of relocation result in a loss of tax revenue for relatively high-tax jurisdictions and undermine the redistributive capacity of the tax, the appropriate public sector intervention differs (Esteller-Moré & Galmarini, 2025). On the one hand, in the case of legal relocations, the central government in Spain has introduced the aforementioned *Solidarity Tax on Large Fortunes*, as explained in the section on design features, to minimise tax-motivated relocations. On the other hand, for both the national and regional tax administrations, verifying the authenticity of individual relocations is a priority in their annual inspection plans⁵⁴.

Unfortunately, there is no empirical evidence regarding the relative importance of each source (legal vs. illegal) of relocation driven by net wealth tax differences across regions (Autonomous Communities, ACs). However, there is empirical evidence on the overall significance of relocations. Agrawal et al. (2025) leverage the 2011 reintroduction of the wealth tax by the central government, noting that the Madrid AC was the only region not to follow this policy, with a 100% tax credit resulting in a null tax liability for its tax residents. They estimate an increase of roughly 7.5% in the wealthy population in the Madrid AC six years after the reintroduction, alongside a 1.7% decrease in the wealthy population of other regions. Expressed in elasticity terms, the wealth tax elasticity with respect to the net-of-tax rate is 7.96. In other words, a 1% increase (or approximately a one percentage point increase, which was the average tax rate difference between the Madrid AC and other regions at the time of the study) in the net-of-tax rate leads to a 7.96% increase in the stock of wealth tax filers residing in that region. As noted earlier, however, there is no evidence on the extent to which these relocations, driven by tax differences, were legal or illegal.

Leaving aside the composition of relocations, the study importantly concludes on the significance of relocations for tax purposes and underscores the need for tax

⁵⁴ For example, the control of fraudulent tax residence is an explicit objective of the Spanish Tax Administration (AEAT), as outlined in its 2025 Annual Tax Enforcement Plan, as well as in plans from previous fiscal years. In particular, see Section A.2. (Análisis patrimonial) on page 12. <https://www.boe.es/buscar/pdf/2025/BOE-A-2025-5323-consolidado.pdf>

harmonisation to prevent the erosion of the revenue-raising and redistributive capacity of the net wealth tax.

6.7. Distributional impact

The distributional capacity of the net wealth tax primarily depends on its legal design and the amount of revenue it generates. As explained earlier, the Spanish statutory tax rates are rather progressive, with top rates reaching up to 3.5% – significantly higher than those applied in other countries. However, the development of revenue collection clearly indicates that the wealth tax in Spain accounts only for a very small share of GDP and total tax revenues. Consequently, its effective redistributive power in the short run is very limited.

In the Spanish tax, as seen in the regulation section, all forms of wealth should, in principle, be valued at their market value. Nevertheless, the legislation establishes specific criteria to simplify the reporting process. Real estate and shares in privately held companies are valued according to criteria that quite often underestimate their market value. According to the Survey of Household Finances of the Bank of Spain, these two asset categories alone represent 75% of total household wealth in Spain. In fact, Durán-Cabré and Esteller-Moré (2021) estimate that the potential revenue could be 2.25 times greater than the actual revenue if all assets were valued at market prices and no tax evasion occurred.

In addition to issues of valuation and evasion, tax avoidance must also be considered when assessing the redistributive power of the wealth tax. As noted above, Mas-Montserrat et al. (2025) find that tax avoidance is pervasive in the Spanish tax, further undermining its redistributive potential. Durán-Cabré and Esteller-Moré (2021), using data from the 2014 Survey of Household Finances of the Bank of Spain, calculate that, *ceteris paribus*, revenue would be 2.55 times higher in the absence of exemptions and the legal upper limit. Moreover, both the exemptions and the legal limit are regressive, disproportionately benefiting wealthier households and further weakening the tax's redistributive impact. Without these provisions, the average rate for the top 10% of households would be 2.5 times higher. Notably, around 12% of households in the top 1% of the wealth distribution pay no wealth tax at all due to available exemptions. Consequently, the combined effects of asset underestimation, evasion and avoidance significantly diminish the redistributive effect of the wealth tax.

It is important to recognise that, in the case of the wealth tax, the amount owed is a flow (annual payment), while the tax base is a stock (total net wealth). As a result, effective tax rates expressed as a percentage of net wealth may appear low when compared to those of the personal income tax (Esteller-Moré, 2022). Yet, as Durán-Cabré and Esteller-Moré (2021) emphasise, such comparisons can be misleading due to the fundamentally different nature of wealth and income. Because wealth accumulation occurs over the long term, it is more appropriate to evaluate the

redistributive capacity of the wealth tax from a long-term perspective. For this reason, in addition to calculating a one-year average effective tax rate, the authors estimate an implicit long-run effective average tax rate to capture the cumulative impact of the wealth tax over time. Their findings show that after five years, the wealth share of the top 1% of households would decrease modestly, from 19.53% to 19.23%, but over 25 years, this share would fall more significantly, to 18.14%, suggesting a gradual but meaningful redistributive effect over time. The Gini index, in turn, would fall from 0.6294 to 0.6279 after five years, and to 0.6226 after 25 years.

The number of wealth tax (WT) filers is particularly low due to the relatively high threshold. As the table below shows, they account only for 1% of personal income tax (PI) taxpayers, and approximately 0.5% of the total resident population in Spain.

Table 11 – Evolution of the number of Net Wealth Taxpayers

	2018	2019	2020	2021	2022
Number of WT taxpayers	206 037	212 284	218 991	231 367	230 365
% WT taxpayers / PI taxpayers	1.0%	1.0%	1.0%	1.0%	1.0%
% WT taxpayers / Residents	0.4%	0.4%	0.5%	0.5%	0.5%

Source: AEAT and INE

6.8. Constitutional aspects

The legal framework of the wealth tax must align with the general legal principles governing the Spanish tax system. Although this requirement applies to all taxes in Spain, it is particularly significant in the case of the wealth tax, due to some specific characteristics. Wealth represents a distinct and additional ability to pay, separate from income. In fact, one of the objectives of the tax is to complement the personal income tax, as noted above. Therefore, taxpayers subject to the wealth tax must pay it in addition to their income tax. However, Article 31.1 of the Spanish Constitution establishes that the tax system must not have a ‘confiscatory scope’. Therefore, the prohibition of confiscation sets a legal limit on taxation. Nonetheless, the Spanish Constitutional Court has not clearly defined when the wealth tax might be considered confiscatory.

To prevent potentially confiscatory effects, the regulation of the wealth tax in Spain has always included a joint limit based on income and wealth. As discussed in the previous section, the current rule, in force since 2003, stipulates that the combined wealth and income gross tax liabilities cannot exceed 60% of the taxpayer’s taxable income. If this threshold is exceeded, the wealth tax liability is reduced accordingly, although the reduction cannot exceed 80% of the original wealth tax liability. The regulation of the limit involves a number of detailed provisions, which fall outside the

scope of this study. Nevertheless, as shown above, this limit has become an important avenue for tax avoidance, thereby weakening the potential redistributive impact of the tax.

Another legal issue concerns the valuation of assets. Since the wealth tax is levied annually on the value of assets, all forms of wealth must be valued each year. This process is relatively straightforward, for instance, for bank accounts and listed shares, but more complex for other assets, such as real estate and privately held company shares, as there is often no recent market transaction to determine a fair market value. If cadastral values are outdated and deviate significantly from market prices, this can lead to inequality and distortion: assets of similar value may be taxed very differently (Durán-Cabré and Esteller-Moré, 2010), and such discrepancies may even influence investment decisions.

6.9. References

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7. Norway

7.1. Background

Norway is, in 2025, one of only a few countries in Europe that levies a tax on individuals on their global net wealth. The tax has been in place in Norway since 1892, when it was introduced along with a progressive income tax. The aim then was to generate additional revenues, but also to share the tax burden more equally between the agricultural sector and the emerging industry and trading sectors (Gerdrup, 1998, ch. 3)⁵⁵.

7.2. Tax design in more detail

The Norwegian wealth tax has been in place for more than a century, but with numerous changes in the tax rates, thresholds, and the calculation of taxable net income. This section focuses on the system as it operates in 2025, but with references to 2024 and earlier. Banoun (2020) provides a detailed description of the legal framework of the Norwegian wealth tax; the rules are also available from the official websites of the Norwegian government (Regjeringen, 2025; Skatteetaten, 2025a, 2025b).

7.2.1. Tax rates and thresholds

The Norwegian net wealth tax comprises two parts: one pertaining to the central government, and the other to the municipality in which the taxpayer resides. The budget law passed at the end of the year sets out the main parameters of the wealth tax in effect the following year; these include the tax rates for the central government, the *maximum* tax rate for the municipalities, and the thresholds applicable to the central government and the municipalities.

Table 12 shows tax rates and the thresholds on taxable net wealth for 2025 and, for reference, 2024. In 2025 the tax rate of the central government is 0.475% on taxable net income above the tax-free minimum of NOK 1.76 million and below the upper threshold of NOK 20.7 million. The central government tax rate is 0.575% on taxable net wealth above NOK 20.7 million⁵⁶. For couples filing a joint tax declaration, the

⁵⁵ Thoresen et al. (2021) provide a review of wealth taxation in Norway, including useful detailed descriptive analyse of key issues.

⁵⁶ The exchange rate was NOK 1 = EUR 11.69 on 2 January 2025.

thresholds are twice those for an individual. The tax rates were changed markedly from 2024 to 2025, while the thresholds were only changed marginally.

Table 12 – Tax rates and thresholds of taxable net wealth, Norway, 2024-2025

	2024	2025
Central government		
Rate	0.3%	0.475%
From (lower) threshold	NOK 1.7 m	NOK 1.76 m
Rate	0.4%	0.575%
From (upper) threshold	NOK 20 m	NOK 20.7 m
Local governments		
Rate (maximum)	0.7%	0.525%
From threshold	NOK 1.7 m	NOK 1.76 m

Source: Regjeringen (2025)

The budget law stipulates the *maximum* tax rate that municipalities or local governments can set for individuals residing in their jurisdiction. The maximum rate was 0.525% in 2025, a notable reduction from the 2024 rate. In practice, local governments, almost without exception, set the tax rate at the maximum stipulated in the law. The tax-free threshold for the municipalities is the same as the lower threshold for the central government.

The central and local government tax rates are often aggregated to provide the total tax rate on taxable net wealth to be paid by taxpayers in Norway. For 2025 the aggregate tax rate is 1% on the part of the net wealth above NOK 1.76 million but below NOK 20.7 million, and 1.1% for net wealth above NOK 20.7 million. Whereas the aggregate tax rates were stable from 2024 to 2025, the distribution between the two levels of government changed markedly.

In the longer term, the tax rates have overall been relatively stable, while the thresholds have been increased over time to account for inflation and economic growth (Thoresen et al., 2021). The labour-led government that came to power in 2021 increased the rates somewhat. The lowest aggregate tax rate was 0.95% in 2022, but it has been 1% since 2023; the highest aggregate rate has been 1.1% since 2022⁵⁷. The thresholds remained unchanged from 2023 to 2024, but were increased marginally from 2024 to 2025.

Municipalities are allowed to set a lower wealth tax rate than the maximum shown in **Table 12**. Only one municipality in Norway, Bø in Northern Norway, has since 1979 made use of this option. The municipality has struggled with emigration and financial problems over time. Bø lowered the tax rate for residents of the municipality from

⁵⁷ The lower threshold indicating the tax-exempt part of net wealth differed until 2023 depending on the 'tax class' (or family situation) of the individual, but this differentiation was eliminated starting from 2023.

0.7% in 2020 to 0.2% in 2021. The aim was to attract wealthy individuals seeking to pay less tax on their wealth. This worked as intended, and the municipality received higher wealth tax revenue, although to the detriment of other municipalities.

The cut in the local wealth tax by Bø municipality was behind the above-mentioned changes in the maximum tax rate for the municipalities effective from 2025. The central government tax rates were increased by 0.175 percentage points, while the maximum local government tax rate was reduced, thereby giving local municipalities less scope for reducing their rate.

7.2.2. Taxable net wealth

Norway applies the worldwide wealth tax principle, so taxable net wealth is calculated based on all wealth components owned by the individual across all jurisdictions (Banoun, 2020). The taxpayer can, however, apply various discounts to the valuation of some wealth components. **Table 13** presents the percentage of the value of selected components that enter the calculation of the taxable net wealth⁵⁸.

Table 13 – Valuation of selected wealth components with valuation discount, % included in taxable net wealth

	2024	2025
Primary dwelling in mainland Norway, value below 10 mill. NOK	25%	25%
Primary dwelling in mainland Norway, value above 10 mill. NOK	70%	70%
Secondary dwelling mainland Norway	100%	100%
Shares, production real estate	80%	80%
Fixed assets in income-generating activity	70%	70%

Source: Regjeringen (2025).

Table 13 shows, for completeness, data for both 2024 and 2025, although no changes were made from 2024 to 2025 for the wealth components listed. However, over time there have been numerous changes to the wealth components for which a valuation discount is applicable, the valuation rates, and the applicable thresholds; see Halvorsen et al. (2021) for the changes in valuation discounts of various assets since 2000.

The valuation discounts reported in **Table 13** are important, but so too are the valuation methods used (Halvorsen et al., 2021). The assets are in principle valued annually at market value, but various valuation methods are used in practice, since the assets are often traded infrequently. Hedonic pricing is used for primary dwellings, while construction costs are used for other dwellings. For unlisted firms,

⁵⁸ A value of 25% indicates that only 25% of the value of the component should be added to the taxable net wealth of the individual.

book value is used, which means that only fixed assets are included in the valuation, while intangible assets are not included.

The upshot is that, whereas the rate of the wealth tax is of importance for taxpayers, the valuation of assets is included when determining taxable net wealth. The valuation discounts and methods for valuing dwellings, shares and productive assets imply that a taxpayer's investment choices can have a large impact on the tax paid.

The total wealth tax payable is not capped, which means that the tax payments can be substantial for very wealthy individuals.

7.3. Enforcement mechanisms

Tax authorities rely largely on third-party reporting of information on various financial assets and liabilities. The values of unlisted firms are their book values, which are typically reported to the tax authorities anyway.

Norway has in place an exit tax on individuals emigrating. The exit tax applies to shares in Norwegian or foreign companies, as well as to wealth in securities, investment funds and wealth management funds. The exit tax is calculated from 'the gain that would have been taxable if the shares, etc. had been realised on the day before the cessation of full tax liability' (Skatteetaten, 2025c). The taxable wealth may be illiquid or tied up in business investments, and the rules therefore allow the individual emigrating to pay the tax over an extended period of time; starting in 2025, the period over which the tax can be paid has been reduced to 12 years.

7.4. Overall system of capital taxation

Norway taxes capital income. In 2025 the tax rate on dividends or capital gains from shares is 37.84%, while the tax rate on other forms of capital income is 22%. The wealth tax and capital income taxes are treated separately.

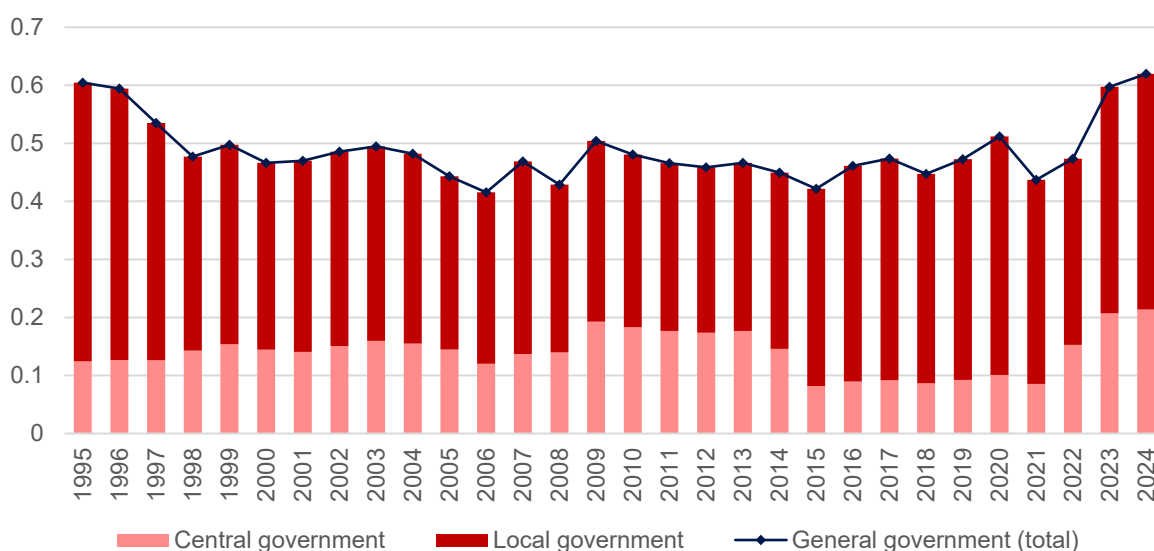
Norway has a property tax, but it is administered by the municipalities, and the specifics differ markedly between them. Most municipalities have some form of property taxation, but around 5% do not. The taxes are typically higher in the major cities than in rural municipalities. In Oslo, the tax rate for 2025 is 0.235% of the calculated tax base for homes and holiday homes, while it is 0.37% for all other properties, such as vacant land and commercial property (Oslo Municipality, 2025).

Norway has not had an inheritance tax since 2014.

7.5. Revenue aspects

The total revenue of the Norwegian wealth tax was NOK 32.2 billion in 2024, which amounts to approximately 0.62% of GDP. It is useful to consider the longer-term dynamics. Figure 10 shows the revenue from the Norwegian wealth tax in % of GDP from 1995 to 2024. The changes over time reflect changes in rates, thresholds and valuation rules, but numerous other factors also play a role, including business cycle developments, asset prices, and shifts in the composition of asset holdings. The total revenue has over time fluctuated between approximately 0.4% and 0.6% of GDP.

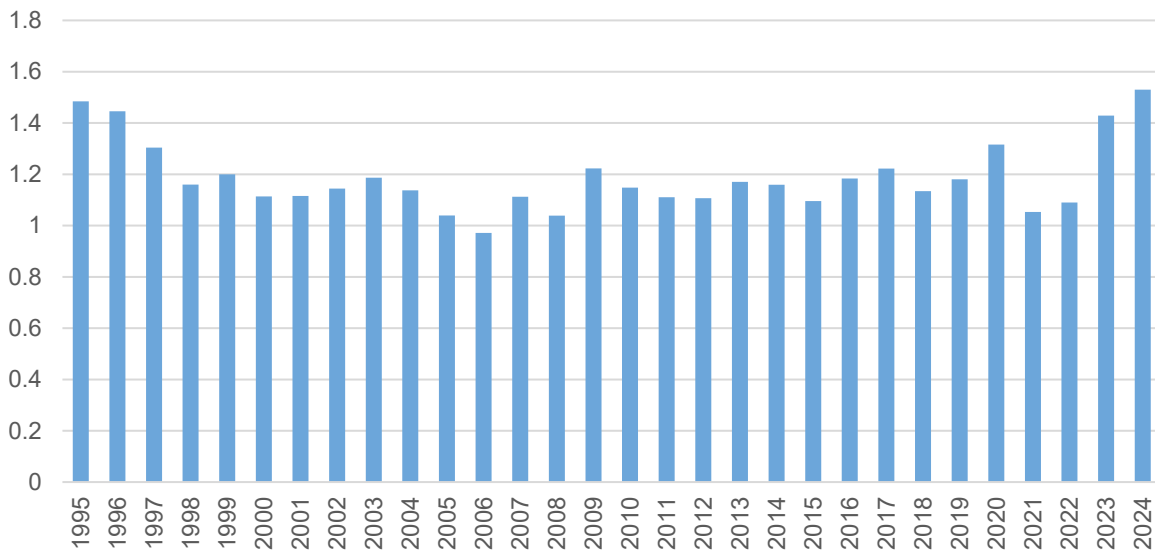
Figure 10 – Wealth tax revenue to central and local governments, % of GDP, Norway, 1995–2024



Source: Statistics Norway, variable codes: 10722, 09189.

Figure 11 shows the revenue from the wealth tax in % of total tax revenue. The changes from year to year are also comparatively modest here. The contribution to the total tax revenue might be seen as relatively small, but not unimportant.

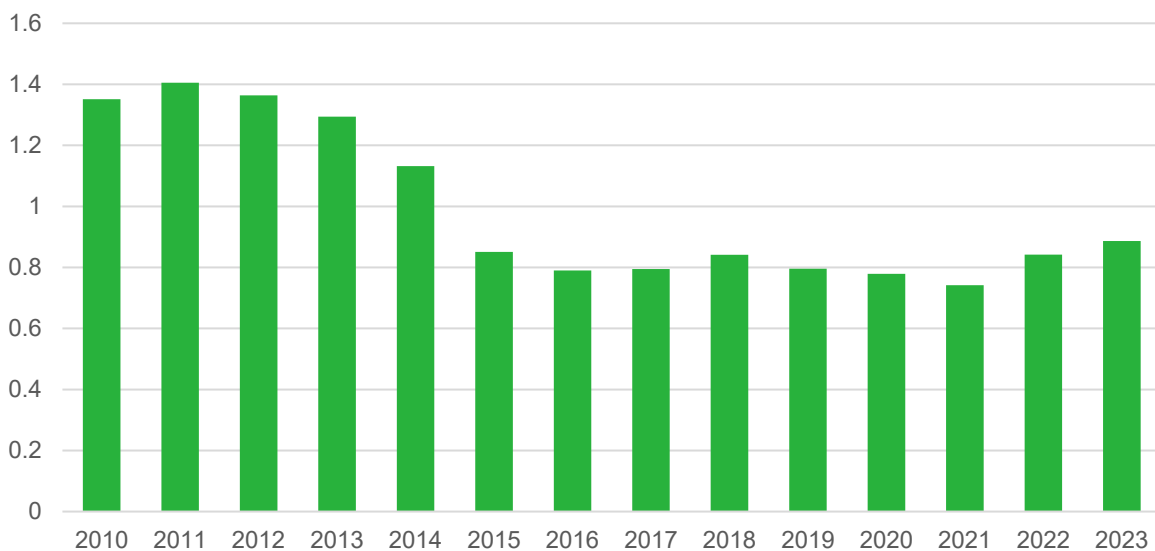
Figure 11 – Wealth tax revenue, % of total tax revenue, Norway, 1995–2024



Source: Statistics Norway, variable code: 10722.

Figure 12 shows the revenue from the Norwegian wealth tax in % of taxable net wealth. The data is from 2010, since earlier data may not be comparable due to changes in definitions and regulations from 2010 (Thoresen, 2021). No data is available for 2024 as of June 2025. The revenue in % of taxable net wealth declined over the five years from 2011 due to various changes in the calculation of the net taxable wealth and reduction of the tax rates implemented by centre-right governments.

Figure 12 – Wealth tax revenue, % of taxable net wealth, Norway, 2010–2023



Source: Statistics Norway, variable codes: 10722, 08815.

The administrative costs of a wealth tax fall on both the authorities and the taxpayers. Burgherr (2021) states that the Norwegian authorities do not have estimates of these costs, but then assesses them to be relatively small. Information on various financial

assets and liabilities is provided to the Norwegian authorities through third-party reporting; property values are derived from hedonic regressions that are updated annually; finally, the values of unlisted firms are their book values, which are typically reported to the tax authorities anyway. Burgherr (2021, p. 692) concludes for Norway that ‘with a combination of exemptions and some formulaic valuations, ongoing costs may be kept relatively low’.

The ‘relatively low’ costs for Norway may not be fully consistent with the costs of administering a well-designed wealth tax system reported by Burgherr (2021). The costs could be around 0.1% of taxable wealth for the taxpayers and 0.05% of taxable wealth for the authorities. These estimates may, if they were also to apply for Norway, be compared with the Norwegian wealth tax rate in 2025 being 1% of net taxable wealth between NOK 1.76 and 20.7 million, and 1.1% of net taxable wealth above NOK 20.7 million.

7.6. Behavioural responses and economic effects

Several studies have investigated the broader economic effects of the Norwegian wealth tax. Norway has unusually detailed register data on the wealth of individuals, which allows thorough studies of wealth accumulation and wealth inequality.

7.6.1. Behavioural responses

The taxpayer can affect the amount of wealth tax paid by changing behaviour. The wealth tax is computed as the tax rate times net taxable wealth. The taxpayer may consider the behavioural response to these components separately.

7.6.1.1. Migration

One straightforward method through which taxpayers can reduce their tax payments is to move to another jurisdiction, where the wealth tax is lower.

From 1979 to 2021, all municipalities in Norway charged the same (maximum) rate of the municipal wealth tax, so domestic migration to avoid the tax was not feasible. However, as discussed previously, Bø municipality lowered the tax rate substantially from 2021, which allowed taxpayers to reduce their tax payments by moving to that municipality. Iacono and Smedsvik (2024) use the reduction in the local government tax rate in Bø as a ‘natural experiment’, and use it to derive behavioural responses. They find substantial migration of wealthy taxpayers to the municipality and a corresponding increase in the tax revenue going to the municipality. However, given the size of Bø municipality, the effects on the overall revenues from the net wealth tax are very small.

While domestic migration may be of limited importance at the aggregate level, the government nevertheless instituted changes in the distribution of the wealth tax between local governments and the central government, effective from 2025. Although Bø is the only recent example of a municipality reducing its tax rate to attract taxpayers, the possibility of municipalities lowering their tax rates and possibly engaging in tax competition remains.

An arguably more serious challenge to the Norwegian wealth tax system is international emigration. Emigration reduces the tax revenue generated by the wealth tax and potentially undermines the possibility of raising more revenue by raising the tax rates. Emigration may also lead to unwarranted side effects, since the individuals that leave might not pay income tax and various other taxes.

The press regularly reports on wealthy individuals leaving Norway and moving to other countries⁵⁹. Their coverage of such cases suggests that these problems may be significant (The Guardian, 2025). Thoresen et al. (2021) argue nevertheless that the problem of international emigration might be small.

7.6.1.2. Tax avoidance and capital flight

The taxpayer may be able to modify the size of the wealth tax payment by adjusting net taxable wealth. Some of the methods used are legal and amount to tax optimisation or tax avoidance, while others are in the grey zone or outright illegal.

Taxable wealth can be reduced by switching wealth into components subject to explicit valuation discounts or components that allow some discretion in the appraisal of wealth. These measures amount to tax avoidance and are typically legal. Fagereng et al. (2023) find evidence of reallocation between different wealth components in Norway, but the effect is larger in the long term than in the short term.

The valuation of entrepreneurial activities and closely held firms is subject to some uncertainty and may thus allow the taxpayer to underreport the value of these wealth components. For such assets held in Norway, the possibility for underreporting is, however, constrained by the use of third-party reporting (Thoresen et al., 2021). Some of the concerns may also be alleviated by the fact that the tax authorities make taxpayers' reported wealth and tax obligations publicly available. The taxpayer may therefore avoid very visible underreporting of wealth, an inference with some empirical support (Bø et al., 2015).

Taxpayers in Norway have the obligation to self-report all wealth across all jurisdictions to the Norwegian tax authorities. Limited third-party reporting of wealth outside Norway may make it difficult to obtain reliable information from many

⁵⁹ Incidentally, the wealthy individuals often relocate to Switzerland, which is another country that levies a tax on net wealth and whose case study has also been included in this report.

countries. The *Panama Papers* suggest that Norwegians also have substantial wealth stashed away in tax havens (Alstadsaeter et al., 2018). Such underreporting has substantial revenue effects as well as large distributional consequences. Alstadsaeter et al. (2019) report that the wealth of the 0.01% wealthiest Norwegian households would increase by about 25% if offshore wealth were included.

7.6.1.3. Saving behaviour

A wealth tax may affect households' saving behaviour depending on the relative importance of the substitution and income effects induced by the tax. Ring (2024) investigates this topic using the fact that the rates of wealth taxation *de facto* differ across geographic areas in Norway due to differences in the assessment of housing wealth provided by the Norwegian tax authorities. The conclusion is that there is a *positive* effect on household saving, such that an additional wealth tax payment of NOK 1 leads to NOK 3.76 additional household saving. Ring (2024) attributes this very large effect to households saving for future wealth tax payments.

If the tax rate on taxable wealth cannot be changed by the behaviour of the household, then the taxpayer can still change the taxable wealth by switching their wealth between various components. Such reallocation amounts to tax avoidance and implies that the wealth tax may not have a large effect on saving but instead on the composition of wealth. Studies on a neighbouring countries find evidence of such behavioural responses (Seim, 2017; Jakobsen et al., 2020).

Alstadsaeter et al. (2022) provide details on methodologies that make it possible to estimate different saving responses to the Norwegian wealth tax depending on the type of assets held by the taxpayer. The methodology allows the overall saving response to vary over time depending on the wealth composition. The study finds that the gross debt stock of households increases when the tax rate increases, which they take as an indication that the taxpayers use debt for tax avoidance.

7.6.1.4. Investment and entrepreneurship

Arguably the greatest concern regarding wealth taxation is its possible effects on investment, job creation and entrepreneurship, which over time could harm production and employment, and eventually welfare. There are a few studies that analyse these themes using Norwegian data, but the findings are unfortunately not conclusive.

Bjørneby et al. (2022) consider the effects on investment and employment of changes in the wealth tax paid by owners of small and medium-sized firms. The effects are identified using various changes in the tax rates and asset valuation rules over the years 2007–2017. They do not find adverse effects of the relatively small changes in the effective rate of the wealth tax over the period. They find instead that higher tax rates lead to *higher* investment in productive capital and correspondingly

higher employment. The argument for the seemingly surprising results is likely that the effective tax rates are lower on productive capital than on financial assets. The sample comprises small and medium-sized closely held firms, and the results may not be applicable to other types of firm.

Berzins et al. (2021) consider the effects of higher wealth taxes on households that are owners of firms but at the same time face liquidity challenges. In this sample of liquidity-constrained owners, the owners react to higher wealth taxes by taking out higher dividends and reducing the cash holdings and investments of the firms. Berzins et al. (2021) conclude that the wealth tax has a detrimental effect on the overall performance of the firms in their specific sample.

Thoresen et al. (2021) provide descriptive analyses of possible liquidity constraints faced by entrepreneurs and in particular entrepreneurs with young and growing firms. They conclude that the liquidity effects of the Norwegian wealth tax are limited.

The overall conclusion is that the distortionary effects of the Norwegian wealth tax on investment and firm performance may be limited. These results are partly the result of the valuation discounts for productive capital and that intangible capital is excluded in the valuation of unlisted firms. It should also be noted that studies using microdata would typically not be able to capture general equilibrium effects of changes in the taxation of wealth.

7.7. Distributional effects

The share of individuals in Norway paying the wealth tax has been around 12–13% since the mid-2010s, while it was around 30% in the early 2000s (Thoresen et al., 2021). The lower share of payers of the wealth tax is in large part the result of changes in the tax-free allowance, but also of changes in the valuation discounts and the associated thresholds⁶⁰.

The Norwegian wealth tax is likely to affect the wealth distribution directly, but there might also be indirect effects as individuals and households change their behaviour in response to the tax. The detailed register data available in Norway means that the effects can be pinned down with some accuracy.

Thoresen et al. (2021) summarise the experiences of the wealth tax in Norway and conclude that the tax redistributes wealth when measured against the wealth of the households but also when measured against annual income. Halvorsen and Thoresen (2021) observe that the wealth tax is from time to time paid by households with relatively low annual income. However, when the authors impute lifetime income using various time-invariant characteristics of the households, the finding is that the

⁶⁰ Norway has a very high rate of home ownership, but the taxable net wealth is moderated by large debt and the substantial valuation discount on primary dwelling wealth.

households with the highest imputed lifetime income also pay the most wealth tax. The fact that the annual wealth tax can be high relative to annual income may constitute a liquidity problem for the taxpayer, but it does not prevent the wealth tax from being redistributive when seen over a longer time horizon.

Berg and Hebous (2021) consider another intertemporal effect of the Norwegian wealth tax. They ask how a wealth tax affects the children of the taxpayers, specifically how the children's labour market outcomes are affected by the wealth of their parents. They use 40 years of detailed register data and find that higher parental wealth is on average associated with higher labour income for the children. Berg and Hebous (2021) conclude that wealth inequality is carried into labour income inequality of the next generation, and a wealth tax may therefore reduce labour income inequality in the longer term.

A wealth tax may also affect the distribution through the derived effects on charity donations. Ring and Thoresen (2025) combine data on wealth and income with third-party-reported data on charitable donations. They find that a tax of 1% of taxable wealth, which is close to the average over time in Norway, is associated with charitable giving being reduced by 26%. The negative effect is fairly consistent across households with different income and wealth. The distributional consequences of reduced charitable giving will depend on the specifics of the giving.

7.8. Economic and political context

The rates, thresholds and valuation rules of the Norwegian wealth tax have changed frequently over time, in part reflecting the political orientation of governments in power, but also changes in broader economic and financial developments in Norway. Despite the many changes to the Norwegian net wealth tax, the revenue as a share of GDP and total tax revenue has remained within 0.4–0.6% of GDP.

A key question is why Norway has kept its net wealth tax while similar taxes have been abolished in most other European countries, including the neighbouring countries Denmark and Sweden. Denmark lowered its wealth tax markedly from 1989 and abolished it altogether in 1997 (Jakobsen et al., 2020); Sweden abolished its wealth tax with effect from 2007 (Henrekson & Du Rietz, 2014).

The decisions on introducing, retaining or abolishing a wealth tax involve complex economic trade-offs as well as political economy considerations (Perret, 2014). A mapping of these issues in the context of Norway is beyond the scope of this study, but it may nevertheless be useful to bring up a few distinctive features of the wealth tax in Norway.

- The tax revenue generated by the Norwegian wealth tax is, after all, not insignificant. Norway has some of the highest taxes on alcohol and tobacco in Europe, but in 2024 the revenue from the wealth tax was nevertheless close to

the total revenues from taxation of alcohol, tobacco, medicine and lotteries (Statistics Norway, variable code: 10722).

- The academic literature suggests overall that the wealth tax in Norway is broadly progressive, while the economic effects on enterprise performance and investments are likely relatively benign. It may even be the case that explicit and implicit valuation discounts on property and productive capital may lead to substitution towards higher productive investments. The broader macroeconomic effects of the wealth tax are, however, difficult to pin down in microeconomic analyses as such analyses typically do not capture possible general equilibrium effects of changes in the taxation of wealth.
- Other political economy factors may have contributed to the longevity of the Norwegian net wealth tax. As discussed, most of the revenue from the wealth tax goes to the municipalities where the wealthy individuals are registered, and the wealth tax indeed constitutes a very important source of tax revenue for these *municipalities*. They derive immediate benefits from the net wealth tax, and this important political player may thus disapprove of abolition or large reductions in the tax.
- Thoresen et al. (2021) argue that the extensive use of third-party reporting plays a role in the acceptance of the wealth tax, as third-party reporting improves compliance, reduces administrative costs and instils a perception of fairness. This argument does not, however, address the issue of why Norway has retained its wealth tax while it has been abolished in Denmark and Sweden, two countries that also apply widespread third-party reporting to the tax authorities.
- A key feature of the Norwegian tax system is that income, wealth and taxes paid by individuals are made publicly available once a year. The press frequently publishes such data and reports on individuals who pay more in wealth tax than their current income. Very visible underreporting of wealth may thus be avoided, and this may ease public acceptance of the tax (Bø et al., 2015; Thoresen et al., 2021).

The wealth tax in Norway is, unsurprisingly, debated widely in policy-making circles, in the press, and among the public at large. The views largely follow political lines. A Conservative-led government lowered the wealth tax rates in the 2010s, while a Labour-led government increased the rates again from 2022. The public debate gained new momentum in 2025 in connection with the general election in September 2025. These debates have at times spilled over to international media (The Guardian, 2025; Financial Times, 2025).

More than 100 years of wealth taxation in Norway is evidence that such a tax can be sustained in economic and political terms over extended periods of time. The tax is nevertheless contentious and remains a part of political debates in Norway. The academic literature typically finds that any adverse effects are small or negligible,

whereas the press often reports on various adverse effects, including emigration of wealthy individuals. Given that the advantages and disadvantages of the wealth tax are uncertain, the overall assessment will likely be influenced by political views on the importance of competitiveness, burden sharing, and societal fairness.

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