

Global Minimum Wealth Tax and International Tax Governance

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Abstract: At the G20 meeting in Brazil on November 18 and 19, 2024, it called for the imposition of a global minimum wealth tax on the world's rich, which is used to solve various problems facing the world, especially the problems of globalization such as environmental damage, disease and poverty. Due to the high concentration and unequal distribution of global wealth, and the serious tax evasion of global billionaires, levying the global minimum wealth tax on billionaires is one of the effective ways to solve such problems. This process needs the full support of countries and international organizations around the world. As a large global economy, China is facing the establishment of the global minimum wealth tax system. China needs to actively participate in the formulation and improvement of international tax rules and standards to promote the reform of the global tax system.

Keywords: Global Minimum Wealth Tax; Unequal Distribution; International Tax Rules.

1. Introduction

In recent years, the world economy has been developing downward and the economic recession has been serious, leading to fiscal tension in various countries. In order to alleviate this situation, the fiscal expenditure of various countries has increased, and the problem of global wealth inequality has become increasingly serious. Because the current tax system cannot effectively tax ultra-high net worth individuals, the effective tax rate of these people is lower than that of other social groups relative to their income. For example, even in France, where the progressive tax system is relatively high, billionaires only pay 27% of their income as taxes, while the effective tax rate of most social groups is close to the macro tax rate, that is, 52%. The inadequacy of this tax system has made the wealth of the world's richest people grow at a rate far higher than the average, further exacerbating wealth concentration and inequality. In this regard, in 2024, the European Union, the United Nations, the G20 and other international organizations with global influence increasingly favor the introduction of a new wealth tax or are committed to discussing a new global international tax agreement on the net wealth tax, which has aroused widespread concern of the whole society. In particular, the effectiveness of the "two pillars" in the global tax reform has made members who support the global minimum wealth tax see hope, and even believe that the global minimum wealth tax can be used as "pillar three" to supplement and improve "pillar one" and "pillar two."

2. Proposal of Global Minimum Wealth Tax

The gap between the rich and the poor is a hot issue of global concern. In the field of distribution, it is essential to study the wealth tax. As the name implies, the wealth tax is a tax levied on the net worth of wealth. That is the so-called net wealth tax. Generally speaking, its tax base is the net value of all property owned by the taxpayer after deducting liabilities. Wealth tax is a kind of property tax, and property tax is a general designation of a series of taxes related to property stock and property transfer, mainly including real estate tax,

net wealth tax, inheritance and gift tax, real estate transaction tax and financial transaction tax. Wealth tax is an important part of property tax, which has the functions of income and regulation. At present, wealth as an independent and important dimension of social stratification has been widely accepted. In recent years, wealth inequality has reached a historically high level in both developed and developing countries. In this context, wealth research has attracted considerable attention as a core issue in the field of economic inequality in the past 30 years. Since French economist Thomas piketty put forward the famous proposal of levying a global wealth tax in 2013, the wealth tax has become more noticeable. Whether and how to tax billionaires' wealth has become the focus of global policy debate.

The wide gap between the rich and the poor is a common problem faced by all countries today. Compared with income inequality, the degree of wealth inequality is more serious. Wealth tax is not a new concept. Historically, more than ten countries (such as Austria, Denmark, Finland, Germany, Iceland, Ireland, Luxembourg, the Netherlands, Sweden, etc.) have imposed a wealth tax and cancelled or adjusted the collection scope due to various factors (for example, France shifted to levying a wealth tax only on real estate). In recent years, the top 5% of the income groups in OECD member countries have more than 30% of the wealth share, and a large amount of wealth continues to concentrate on a small number of high-income groups, making curbing wealth inequality a policy goal of governments around the world, and levying wealth tax on the rich has become one of the important tax means. However, limited by the drawbacks of wealth tax, the development of wealth tax among countries is in an awkward situation, and it is difficult to achieve its desired effect. However, in the current international form, if left unchecked, it will exacerbate the gap between the rich and the poor, and the rich will seriously evade taxes, affect the development of domestic tax system in various countries, and disrupt the international tax order. Nowadays, the severity is inevitable, which has attracted international attention, so the global minimum wealth tax has become a hot topic of international tax reform. In particular, the importance attached by OECD and G20 in 2024 to this issue has aroused the interest of all countries. On June 25th, 2024, Gabriel Zucman released the

blueprint for developing a coordinated minimum effective tax standard for ultra-high net worth individuals (hereinafter referred to as the blueprint), which was prepared under the Commission of Brazil, the G20 chair. The proposal put forward in the blueprint is to ensure that individuals with a wealth of more than US \$1 billion (currently about 3000 taxpayers) will be taxed at least 2% of their wealth each year, that is, the global minimum wealth tax. When calculating the actual minimum tax rate of such personal tax payment, we should consider the personal income tax, wealth tax and economically equivalent taxes paid by the rich, but do not consider the payroll tax, corporate property tax, corporate income tax, consumption tax or other corporate level taxes and indirect taxes paid by the rich's employers for employees.

3. Challenges Facing the Global Minimum Wealth Tax

The global minimum wealth tax is similar to the national wealth tax practice. The wealth tax is levied on the rich, so it has a strong wealth distribution function. Wealth tax is usually implemented when countries face major economic difficulties and need to increase fiscal revenue. For the implementation of the wealth tax, there is a polarization between supporters and opponents. Supporters believe that the wealth tax can solve the problems caused by the continuous budget deficit and weak economic growth, and alleviate the economic imbalance by transferring the tax burden from labor and consumption to wealth; Wealth tax and capital income tax can complement each other and promote tax fairness; Compared with the capital income tax, the wealth tax imposes a tax on the presumed income of assets rather than the actual income, so it can encourage the public to invest in high-yield assets. Opponents believe that: first, the efficiency cost problem. The tax base of wealth tax is often very narrow. If the collection and management costs are taken into account, the net income of wealth tax will further decline, so its contribution to alleviating the imbalance of fiscal revenue and expenditure is relatively weak; The second is the potential risk of capital outflow. The existence of tax havens reduces the effectiveness of wealth tax. The establishment of wealth tax will inevitably bring some negative effects. The high exemption of wealth tax limits its scope of Taxation to high net worth people, so its main purpose is to curb the excessive concentration of wealth, and the fairness effect is more prominent. However, due to the narrow tax base and low tax rate, its ability to raise income is limited. As the wealth tax is mainly aimed at the high net worth group, which and its capital are more sensitive to the wealth tax, the interference of the wealth tax on economic activities is relatively strong, which will lead to higher economic efficiency loss, and easy to cause the rich and capital outflow, damaging the competitiveness of the tax system. At the same time, due to the complexity of the tax base confirmation of wealth tax, there is a large space for tax avoidance and evasion, which will also lead to higher collection and management costs and loss of administrative efficiency. The problem of levying wealth tax is also the challenge of implementing the global minimum wealth tax.

3.1. It is Difficult to Unify the Minimum Standards of Global Minimum Wealth Tax

The global wealth inequality is high and rising. The tax base of wealth tax is the net value after deducting liabilities; The wealth tax includes all movable and immovable

properties. Generally, the wealth tax is set with a high exemption, which greatly reduces the scope of its regulation and limits its ability to raise income. For the global minimum wealth tax, the first is that the standard setting of the tax base is difficult to reach a unified standard. The standard setting for billionaires cannot be unified. Moreover, most of the international billionaires are nationals of developed countries. Developed countries hope to tax the global minimum wealth tax and use this kind of tax for their own countries. However, developing countries hope that this kind of tax can be used to safeguard international issues, and there is no consensus on this. If there is no international consensus, it cannot be implemented.

3.2. It is Difficult to Assess and Determine the Tax Object of the Global Minimum Wealth Tax

The difficulty of wealth assessment is another major difficulty in levying the global minimum wealth tax. The global minimum wealth tax requires annual asset assessment, which is costly and complicated. Taxpayers can use various strategies to artificially reduce the value of assets or change the portfolio of assets to weaken the effectiveness of the annual wealth tax. Even in the open market, the market value of privately held commercial assets, unlisted equity, pensions, intellectual property rights and other assets is difficult to obtain, and the global minimum wealth tax faces greater difficulties in implementation and high management costs. For the global minimum wealth tax, in order to prevent tax avoidance, the tax base must be comprehensive. A large number of assets are exempted from wealth tax due to valuation difficulties, which will not only lead to tax base erosion, but also enable the rich to achieve tax avoidance by converting assets into low tax rate or tax-free asset categories.

3.3. Opaque Wealth Information

In order to implement the international tax reform policy of the global minimum wealth tax, we must obtain effective wealth information. Tax evasion by the rich is not only a domestic problem, but also a global problem. A large number of people who want to hide their wealth often hire experts in the tax industry, private banking, accounting industry and investment industry at high salaries to tailor projects such as cross-border mergers and acquisitions, underground banks, shadow companies, bitcoin transactions and so on for them to avoid supervision, and then essentially complete the transfer of assets. Such tax avoidance and regulatory difficulties are common in the world. In terms of personal wealth, according to the data analysis of the world bank, the super rich hide 10% of the total global GDP. These hidden assets have brought difficulties to the levying of the global minimum wealth tax. In order to minimize the behavior of wealth concealment, it is necessary to obtain wealth information in this regard and identify the beneficial owners of assets.

4. International Tax Governance of global minimum wealth tax

4.1. Learn from the Experience of International Tax Reform

The tax reform plan for the global minimum wealth tax needs the joint efforts of all countries to be recognized internationally. Generally speaking, although the global

minimum wealth tax scheme seems difficult to achieve, the great achievements in international tax cooperation in recent years have provided technical feasibility for the implementation of this common standard. Considering the political and economic factors, the global minimum wealth tax may be difficult to achieve real global participation. If some tax jurisdictions refuse to implement this standard, how to ensure the collection effect? At present, two measures can be taken: one is to strengthen the current departure tax system implemented by various countries, and continue to levy taxes when the rich change their residence. Countries implementing the common standard may consider levying taxes on ultra-high net worth individuals (regardless of their nationality) who have long lived in China for several years after changing their country of residence (the number of years of Taxation depends on the length of residence of the individuals in the country of origin). In addition, any tax paid in the new country will be deducted from the tax payable in the original country of residence to prevent double taxation. The second is to introduce the "last tax collector" mechanism. Using the low tax payment rule (utpr) in pillar II for reference, participating countries can tax billionaires who are not taxed enough in non participating countries on the assets they directly or indirectly own in participating countries. At the same time, they can also use the tax distribution scheme of utpr to levy corporate income tax on these multinational enterprises using the assets, employees (or income) of the multinational enterprises in which billionaires hold equity in each participating country, so as to achieve the same level of economic minimum wealth tax on individuals. The global minimum wealth tax proposed in the blueprint will be based on respect for national sovereignty, and an international tax coordination scheme positioned as a common standard will be reached worldwide, and then implemented through national laws. In order to ensure that the tax amount of ultra-high net worth individuals reaches the internationally agreed minimum standard, participating countries can adopt a variety of domestic tax policy measures, including presumptive personal income tax, personal income tax or wealth tax on broad income. The common driving force of OECD and G20 members has made this tax reform plan attract international attention. As a country promoting this plan, it needs to closely follow up research and systematically make calculations, which is the best way to deal with the potential "pillar three" of international tax reform.

4.2. Properly Solve the Problem of Wealth Valuation

Considering that some countries have imposed inheritance tax, they have methods to assess the wealth of the top earners. These methods can be used as the basis for the design of common standards for international solutions, and can provide common definitions, system designs, optional rules and collection and management arrangements for countries similar to the legislative template of pillar II. Of course, in practice, the main difficulty in estimating ultra-high value personal wealth is the valuation of unlisted private enterprises. For assets that are not frequently traded and therefore difficult to value (such as artwork and high-value jewelry, etc.), the insurance value can be used instead of the market value.

4.3. Strengthen International Tax Information Exchange and Cooperation

With the implementation of the OECD tax base erosion and

profit transfer (BEPS) project, large multinational enterprises have prepared country reports annually. The blueprint suggests that multinational enterprises should list their main beneficial owners on the basis of existing information submission, so as to master most of the wealth information of the world's billionaires; At the same time, through the anti-money laundering provisions of the banking system, we can grasp the shares of multinational enterprises held by the rich through financial intermediaries. In addition, the blueprint suggests that the standards for submitting self-report of wealth in a confidential manner should be formulated for ultra-high net worth individuals, and information exchange should be conducted internationally. The tax authorities of various countries can cross compare self-report information with domestic data information. Further strengthen international tax coordination. International tax cooperation is essential to encourage best practices, improve domestic tax collection and management capacity, support domestic tax reform and improve tax transparency, taking into account domestic conditions, needs and priorities, and respecting the sovereignty of countries to take and implement measures they deem feasible.

5. Conclusion

The implementation of the global minimum wealth tax will effectively solve the regressive characteristics of the current income tax system at the top of the wealth distribution. At the same time, the scheme will not replace the existing domestic tax policies of various countries, but reduce the motivation of billionaires to avoid taxes by improving the transparency of the top wealth, which is conducive to preventing bottom-by-bottom competition in personal income tax (such as providing a low tax rate for personal income tax or providing special tax incentives for attracting high net worth foreigners), and supporting the implementation of domestic progressive tax policies of various countries (such as capital gains tax and wealth tax).

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