WEALTH TAXES IN FOREIGN COUNTRIES

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<td>France</td>
<td>Introduced in 1945 as an exceptional tax to finance war reparations and became permanent as IGF (l’impot sur les grandes fortunes). In 1989 was renamed ISF or solidarity tax; ISF was abolished 2017. 2018 – Replaced by IFI: mechanism almost identical but now solely levied annually on real estate. Allegedly 70% French want return of full ISF.</td>
<td>Payable by households whose total net real estate (formerly all assets) exceed €1.3m on 1 Jan each year. Spouses’ and co-habitants and minor children’s wealth is combined and no increase in exempt threshold given.</td>
<td>Worldwide real estate (formerly all) taxed on French residents if French resident for more than 5 years. Otherwise limited to French real estate (pre-2018 all French assets) for non-residents. No exit wealth tax levied on departure. Treaty exemption between France and Gulf countries providing exemption from IFI for Gulf residents on French real estate provided minimum investment in French securities.</td>
<td>Pension and charitable trusts exempt. Whatever type of trust is used, the French resident settlor is taxed on all trust assets (now limited to worldwide real estate held in trust). If non-resident settlor, he pays on French real estate owned by trust as if assets owned personally. Trustees pay at highest 1.5% rate without €1.3m exemption if settlor does not pay and trust has French connection. On death of settlor French resident beneficiaries taxed by rebuttable presumption on their share of assets unless can show that trust assets do not confer any financial capacity. If beneficiaries do not pay then trustees pay at highest marginal rate of 1.5%/no €1.3m exemption. Trustees must file a return each year if any French resident beneficiaries or French settlor or French real estate. Private foundations treated as trusts. Usufructs – person with bare interest in land does not pay WT but usufructuary does.</td>
<td>Annual valuations needed. 30% discount given on main residence. From 2018 IFI – no deduction for connected party debts and various anti-avoidance provisions on debt deduction generally. Must be incurred for the property purchase or improvement. Some max limits imposed. Until 2018 – Under ISF to encourage investment in SMEs a reduction was given of 50% of capital increase up to a limit of circa €50,000 if held SME for 5 years. Capping mechanism largely dealt with liquidity issues for ISF. Only available to French residents. Cannot elect to defer payment. Capping mechanism – wealth tax and income tax due from the same household cannot exceed 75% of the previous year’s household income. Only available for French residents – still there for IFI. IFI deductible from inheritance tax if due but not yet paid by time of death. 75% of gifts to charities are deductible against WT up to annual limit of €50,000. Other taxes include IHT (Taxes Fonciere) on property and CGT. WT not deductible.</td>
<td>WT filed as part of income tax returns. Trustees holding French real estate have to file annual returns revealing identity of settlor and beneficiaries and pay higher 1.5% if settlor or beneficiaries do not pay. Company holding French real estate has to pay 3% of gross market value unless files specific return revealing the identity of shareholders or trust. From 2018 avoidance occurs round splitting real estate assets with adult children, use of debt and capping mechanism even under IFI. Also ensuring real estate used by family business. Until 2018 – under ISF manipulation occurred round business exemptions, accumulation of income in companies that were exempt. Abuse of rights doctrine gives some ability to make tax adjustments but rarely operates. Collection costs €103m in 2016 on ISF – about 0.78% of total tax revenue. 351,152 wealth tax returns in 2016.</td>
<td>ISF raised £1.1bn in 2017; IFI raised £2.1bn in 2019. ISF/IFI levied on households with net wealth above €1.3m. When €1.3m threshold reached, WT becomes as from €800,000 Progressive rates from 0.5% up to 1.5% over €10m. Not banded rates and no cap by reference to wealth only by income. Same rates operate for IFI except only levied on land or shares whose value is attributable to land e.g. owning a house worth €20m now results in €244,467 House of €2m results in 7438 I1.</td>
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<td>Germany (Gy)</td>
<td>Abolished in December 1996. Long history of WTs in Gy since early Middle Ages. 1919 one-off net wealth tax to pay for Versailles Treaty costs. 1922 First National Regular Annual Wealth Tax introduced. 1952 – one-off WT of 50% payable by instalments until 1979. No wealth tax charged in Eastern Germany after Reunification. From Jan 1997 – abolished as in 1995 it was held unconstitutional as valuation massively preferred immovable property over shares.</td>
<td>All assets with few exemptions. Pensions exempt. Significant discount on real estate.</td>
<td>Tax allowance, single, DM 120,000, married couples DM 240,000 and each child given an allowance of DM 120,000. Additional allowances for over 60 or disabled. Companies also taxed (not dealt with here).</td>
<td>WT on German residents or on non-residents with German assets of any sort. Tail – liability for 10 years after leaving (with reduction after 5) esp. where individual moved to a foreign jurisdiction with lower taxes on income but with substantial economic interests in Gy.</td>
<td>If settlor and any member of family (widely defined) were entitled to more than half of income or more than half of economic ownership wealth and income attributed transparently to the settlor or beneficiaries.</td>
<td>Real estate generally had low historic valuations. 1990s – represented 6-30% of fair market value. Businesses assessed every 3 years. Included claims against a pension fund but excluded claims against a work-related pension fund or after the taxpayer turned 60. Jewellery over €5000; art and collections over €10,000 provided the artist was dead. Debt deductible including debt borrowings to pay the WT itself. Could defer payment under hardship clause which had high threshold.</td>
<td>No cap by reference to total income. Foreign WTs creditable against German WT if WT double taxation treaty.</td>
<td>Annual tax reassessed every 3 years. Collection costs disputed – Federal Govt estimated 4-4.5% of WT revenue but some estimates are much higher and probably above average cost of other taxes. Prone to underreporting. Could move assets into foreign establishments and try and get treaty relief.</td>
<td>In 1996 – raised DM 7.8bn = €4 bn. 1% of entire tax revenue or 0.2% of GDP No cap by wealth or income. Annual flat rate of 1% except for forestry or agriculture when rate was 0.5%. Exempt allowance of €60,000. Married couples had €120,000 and for each minor child an allowance of €60,000 (then DM120,000) was added. An additional allowance of €25,000 was granted when the taxpayer was over 60 or disabled. €50,000 allowance granted for entities engaged in agriculture or forestry.</td>
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<td>Italy</td>
<td>Forced levy in 1992. One-off tax of 0.6% was levied in 1992 on value of Italian bank deposits irrespective of tax residence. Backdated by 2 days to capture possible withdrawals. 1992 – also introduced wealth tax on Italian land which still exists today known as IMU on Italian property and IVIE on foreign real estate.</td>
<td>Tax on real estate located abroad and in Italy but with main residence exempt unless luxury property. Stamp duty like tax on financial investments not discussed further here – see paper. Tax liability per property split between couples but no difference in rate or exempt threshold as levied per property.</td>
<td>All persons pay on Italian real estate and Italian residents pay IVIE on foreign assets from 2020. Non-resident trusts pay IMU on Italian real estate and Italian financial investments.</td>
<td>Cadastral value for Italian and equivalent for foreign property – much lower than market value. Levied on gross not net values. No liquidity concerns. A €500,000 Italian property will suffer €3800 pa tax. A €20m property will suffer €152,500 pa tax.</td>
<td>No deductibility against inheritance and gift taxes but latter is low anyway and imposed at maximum 8% – usually 4%.</td>
<td>Loophole amended to include Italian trusts that hold foreign financial assets or foreign real estate. Previously exemption was possible. General anti-abuse provision.</td>
<td>Rates between 0.76% - 0.1% for IMU depending on type of building. 0.2% for IVIE (foreign estate). De minimis exemption threshold of €26,300 on foreign property. No minimal exemption for Italian property – does not operate by reference to bands with an overall tax cap but at a low flat rate on the entire value.</td>
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<td>Country</td>
<td>Wealth Taxation History and Key Features</td>
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<td><strong>India</strong>&lt;br/&gt;Replaced with an additional 2% surcharge on the super-rich with high taxable income.</td>
<td>Before 1993 - broadly all assets except for agricultural land and pensions. After 1993 only on houses (commercial or residential other than main residence, certain rental properties), cars, yachts, cash over 50,000 rupees.</td>
<td>Wealth tax companies have valuation discounts on 0.85% and certain 2014 from 1.1% to reduced rates since Conservatives have 1892. WT taxable with high surcharge on the additional 2%. Replaced with a WT from in force since 1957–2015. Exemption for property. Exemption for pensions, crops, goodwill rights to creative works. Company shares on shareholder. Wealth of spouses and minor children combined with tax exemption doubled for couples. Cohabitees not included. All residents paid on any Indian assets including vehicles holding Indian land. Exemption on assets located outside India for first 3 years after arriving in India. No exit tax as such but typically a tail of 4 years operated from exit for the WT to apply. Public and charitable trusts exempt. All trusts taxed where Indian assets or Indian resident beneficiaries and status of settlor irrelevant. Annual valuations. Special rules for land, jewellery partnerships. Main residence exempt. All agricultural assets excluded. Discretion on paying by instalments or waiving interest on instalments to deal with liquidity. Debt is deductible. Inheritance tax previously rates up to 85%. No deduction for WT allowed against other taxes. No cap against income operated. Attempts to get within exempt categories. Large scale evasion. Self-assessment annually by separate regime. Lengthy disputes over valuation. Raised 10.8 million rupees in 2014/15. From 1993 ceased to be progressive and levied at flat rate of 1% on net wealth above specified threshold which was 3 million rupees (about £31,331) in 2010. No cap or banding operated either by reference to wealth or income.</td>
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<td><strong>Norway</strong>&lt;br/&gt;WT in force since 1892. Conservatives have reduced rates since 2014 from 1.1% to 0.85% and certain valuation discounts on companies have increased. Wealth tax yield has increased.</td>
<td>Most assets taxed but with discounts for property. Exemption for pensions, crops, goodwill rights to creative works. Company shares on shareholder. Wealth of spouses and minor children combined with tax exemption doubled for couples. Cohabitees not included. All Norwegian residents paid on first year of residence on worldwide assets. Non-residents pay WT only on Norwegian real estate. However, to become non-resident and avoid WT in first three years after leaving you must give up your dwelling in Norway and spend less than 62 days each in Norway. Life interest trusts – broadly the life tenant is taxed on the value of the asset. Revocable trusts – trusts disregarded and taxed on settlor if power to revoke. Discretionary trusts – Ptarmigan trust case Olsen v Norway – discretionary beneficiaries with no control influence or benefit not subject to WT. WT lower for family foundations. 0.15% Beneficiaries only taxed on actual distributions. Listed shares valued at discount of 65% of listed price. Unlisted shares valued at 65% of market value with proposed increase in discount to 55% of market value for 2021. 75% discount for primary residences, holiday homes and 30% discount for secondary residences. 75% discount to be capped from 2021 for main residence of up to €150,000 in value and then a 50% discount will operate. 35% discount for commercial property rising to 45% in 2021. Taxpayers with a loss in 2020 due to COVID may request deferred payment of WT for one year. Inheritance tax and WT assessed annually. Advance payment each quarter. In 2019 some loopholes closed. GAAR provision operates but not commonly used in WT. Self-assessment regime and WT assessed annually. Advance payment each quarter. No cap or banding operated either by reference to wealth or income.</td>
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**Note:** The table provides a summary of wealth tax systems in India and Norway, highlighting key features and changes over time.
Spain

| Exemption for pensions, some art works up to a maximum €90,000, antiques, household items, intellectual property or creator insurance policies, some active family companies. | Levied individually and not on family. Each minor child and each parent has a €700,000 exemption. | Non-resident individuals pay on all Spanish assets not just real estate but not necessarily on foreign companies Spanish real estate or Spanish estates. No capping mechanism described elsewhere available for non-residents. Residents pay on worldwide assets from date of arrival in Spain unless treaty resident elsewhere. However, Beckhams law regime means immigrants are taxed as non-residents for 6 years if they are working in a company not controlled by them. Exit tax imposed on gains on departure for long term Spanish residents. No exit tax for WT purposes. | Settlor or beneficiary taxed. While settlor is alive and non-resident and assets pass to beneficiaries only on death, only Spanish trust assets are taxed. Spanish resident beneficiaries can be taxed earlier than settlor’s death if it is inferred they get benefits only. | Annual valuation on 31 December. Real estate valued at higher of acquisition value, Cadastral value (usually low) or revenue assessment in a tax proceeding. Bank deposits – higher of 31 December amount or average balance of last quarter. Loans – nominal value with no account taken of accrued interest. Non-listed shares – net book value where audited. Otherwise higher value can be taken based on average profits or net book value or share capital. Life insurance – value taken for WT purposes is surrender value. Jewellery and cars, non-exempt art – market value. Capping: WT and income tax cannot exceed 60% of taxable base for Spanish residents but only 80% of WT may be reduced whatever the level of income. Debt – principal but not interest is deductible. No deduction for debt for non-residents unless borrowings taken out to purchase Spanish assets not exempt from WT. | 2019 – €1.1 billion in revenue. Exempt minimum threshold is €700,000 per individual with an additional €300,000 exemption on the main residence – so a couple may have up to €2 million exemption. Some regions such as Catalonia have only €500,000 exemption per individual. However, some regions, e.g. Madrid, have up to 100% deduction and so no wealth tax and there is large regional latitude. Rates set nationally at between 0.20% to 2.50% above €10.69 million but some regions have higher rates e.g. Balearic Islands. No cap by reference to overall wealth but some cap by reference to income – see liquidity column. |

Switzerland

Cantonally-based from 1848. Federal only had control of indirect taxes. Cantons levied income tax and wealth tax. In 1915 Swiss Confederation given power to levy one time war taxes – WT up to 0.15% Federal WT abolished in 1959 for individuals Cantons continued to levy wealth taxes.

All 26 Cantons levy a wealth tax but at different rates and exemptions.

Some calls for Swiss WT to be abolished and replaced by CGT which currently does not operate in Switzerland.

All assets, real estate, private residences. All securities, works of art, jewellery, but not personal household items and claims on pension fund payments. Excludes foreign businesses or permanent establishments and real estate situated abroad although taken into account for determining rate.

Married couples - wealth added together to determine tax rate.

Geneva does not distinguish between single or married taxpayers but Zurich does and gives an exempt threshold.

Minor children’s assets are included in the parents’ wealth.

Swiss residents subject to wealth tax on worldwide assets. No exit charge but prorated if leave or arrive half way through the year.

No WT if forfait operates but otherwise all Swiss residents subject to WT.

Non-residents pay on Swiss real estate and Swiss businesses or PEs but not on Swiss bank accounts. Treaty relief in 63 treaties

Revocable trusts treated as transparent to the settlor.

Irrevocable discretionary trusts settled by Swiss resident settlor are taxed on settlor while Swiss resident.

If trust set up when settlor not Swiss resident and settlor later becomes Swiss resident, trust assets are not attributed to settlor if excluded or to the beneficiaries if no benefits received.

Irrevocable fixed interest trust assets e.g. life interest can be allocated to the Swiss resident beneficiary.

Discretionary trust/deceased settlor and Swiss resident beneficiary – beneficiary taxed only if receives benefits.

Usufruct – person with usufructuary/life interest is taxed.

Non-business assets:

- market value.
- Real estate – varies per canton. Some formulaic principles.
- Value of private companies determined each year by cantonal tax authorities based on inter-cantonal administrative guidelines and value determined by formulaic method. Calculated weighted average of its earnings value and net asset value. See Swiss paper.

- Wealth tax not credited against income tax or deductible.
- No capital gains tax in Switzerland.
- Inheritance and gift tax levied at Cantonal level but usually minimal.
- No deductions given against WT.

Note the tax shield that operates in Geneva which limits combined tax burden of income tax and capital tax to 60% of net taxable income.

Annual return.

Taxpayer files a combined income and wealth tax declaration.

Some disputed over valuation e.g. of private companies, art, household items.

Variates between 0.3% and 1%- highest rate is in Geneva.

Tax-free threshold around US $50,370 to US $251,856 and generates 3.8% of total tax revenue.

Significant differences between cantons.
References


