Let them eat slightly less cake: An international tax on the wealthiest citizens of the world

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An international tax on the world's wealthiest individuals independent of their citizenship can contribute to global justice and the funding of international organisations, benefiting developed and developing countries alike

The recent financial crisis has not inspired confidence in our political leaders' ability to deliver global justice. On the contrary. In North and South America and in Europe a large majority of the population feels that even though states have successfully saved the banking system, bankers are now renewing risky practices in pursuit of profits and awarding themselves enormous bonuses. **This has occured against the longer term backdrop of a huge increase in the gap between the wealthiest** 0.1 percent of the population and the middle class over the last 30 years.

1. ***This situation favours populist reactions, with all their manifestations of xenophobia, anti-government backlash and racism***. It encourages revolutionary discourses that might not prove beneficial to progressives since their advocates seem unable or unwilling to think about sustainable solutions. The lack of will or the impossibility to act erode the foundations of democratic regimes. At best it gives the impression that elected representatives of the citizen have lost the power to act in favor of a fairer society; at worst it reinforces the prejudice of solidarity and complicity of the elite against the majority of the people. A key political problem for the centre-left is the perception that pursuing justice by taxing the wealthiest part of a national population might lead to negative economic consequences. Wealthy individuals can always change their country of residence. When a state imposes taxes across national borders on its nationals wherever they reside, more and more frequently these individuals choose to change nationality. 28 billionaires (in US$) live for example in Switzerland while only 11 have Swiss nationality, 4 lives in Monaco while only has the Monaco citizenship.

2. ***Citizens in the US and Europe simply expatriate to avoid or reduce tax***. The United States is the only developed country that taxes based on nationality rather than domicile. This has inspired the ultra-wealthy to renounce their citizenship in order to avoid paying US taxes. The Heroes Earnings Assistance and Relief Tax Act of 2008 was an attempt to reduce this phenomenon by subjecting certain voluntary expatriates (citizens who give up their citizenship and permanent residents who give up their green cards) to a "mark-to-market" exit tax. This means the expatriate is subject to income tax on the net unrealised gain in her property as if she had sold it on the day before she expatriated. Since 2008 the number of Americans who have expatriated has multiplied by at least four (from 238 in 2008 to 1027 on September 30, 2010) .

   European countries use a modified territorial system, under which income earned outside the territory is not subject to tax. "Thus, a resident of a country within the European Union can earn income from sources outside his home country and will not be taxed on that income, regardless of whether the entity earning the income is a resident of the country or not." The incentive in this situation is therefore to become resident in a country with a low tax burden while retaining citizenship in whichever country you wish.

[1] Many thanks to Sarah Jordan Watson who was my assistant at the Yale Law School this past year for her intelligent and efficient contribution to this project.

3. ***Efforts at international coordination exist but have so far had little effect.*** The members of the G-20 have united to stop tax evasion, recently forming the Global Forum on Transparency and Exchange of Information for Tax Purposes, declaring that "tax avoidance and tax evasion threaten government revenues throughout the world" and that "globalisation generates opportunities to increase global wealth but also results in increased risks". It has begun investigating and publicly evaluating the transparency and information-sharing practices of member states that have reputations as tax havens; the first batch of reports covers Bermuda, Monaco and the Cayman Islands, among others.

   The United Nations, in 2004, strengthened the mandate of the pre-existing Ad Hoc Group of Experts on International Co-operation in Tax Matters, renaming it the Committee of Experts on International Co-operation in Tax Matters . The committee's responsibilities include developing and updating a model tax treaty between developed and developing countries and providing a framework for dialogue to enhance and promote international tax co-operation among national tax authorities.

To tackle this problem, proposals should be made in ***full respect of the right of human beings to enjoy a citizenship, not to be deprived of it, to shift citizenship and even to enjoy multiple ones: this right has been conquered against statelessness, in the aftermaths of the Second World War and this conquest should be protected against any infringement.*** The following proposals have been designed in respect of these considerations.

4. ***An international tax should be imposed on the world's wealthiest individuals independent of their citizenship***. For example a 1% tax on the 1210 billionaires of the world in US dollars would represent in 2011 $45 billions. This tax would be a contribution to the funding of international organisations, with priority given to UN development agencies, the World Bank and the International Monetary Fund. It could come as a deduction from the contribution owed by an individual state to the different international organisations to which it belongs. This tax would be levied by the state of residence or – in case of refusal or failure to levy the tax – by any other UN member state. In case of an individual changing nationality, the tax would be assessed on the basis of the states to which the individual has belonged or currently belongs, on a ratio derived from the number of years he or she has enjoyed each successive nationality. If the amount of tax levied overpasses the amount of the contributions due by the nation states to whom the individual has belonged or belongs, the surplus will go to the reimbursement of the debts of these nations states to these international organizations or to their direct funding.

5. ***As this tax could be deducted from the dues owed by states to different international organisations, it could be acceptable to the wealthiest states in the world***. Such a tax would increase global justice while also benefitting the largest countries in the world and their citizens by reducing the expenses paid by their state. It would also reduce the incentive for an individuals to change their country of residence and/or nationality. It would benefit the poorest countries in the world by reinforcing international organisations in which they participate on an equal footing. The costs would be paid mainly by the world's wealthiest citizens and by tax haven countries which might become less attractive.

6. ***For the implementation of this tax, cooperation between nation states will be necessary: the level of tax will have to be decided, its allotment, all things which will encourage global and international debate about wealth, justice t and development. It will help to reestablish confidence in our*** democracies ***and*** the legitimacy of their institutions. It will reinforce the

community of nation states. But in addition, it will also encourage the feeling of a world and global community of human beings sharing values and principles and decided to tackle together common problems with new instruments for global justice.