

Public Attitudes to a Net Wealth Tax

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Introduction

There are calls for new or increased taxes on wealth to support public services, reduce public debt and tackle inequality particularly in light of the Covid-19 pandemic.

Public attitudes to tax matter here as they can lead to political downfall - from Charles I's Ship Tax to Margaret Thatcher's 'poll tax' and, most recently, Gordon Brown's so-called 'death tax'.

This report presents findings from mixed methods research with the general public by Ipsos MORI in partnership with University of Birmingham and London School of Economics (LSE). The research included: a nationally representative survey of 2,243 UK residents aged 16-75 and four focus groups with a mix of participants by region, political affiliation, income level and tenure. The research was conducted in July-August 2020.

This research was made possible with a grant from Atlantic Fellows for Social and Economic Equity's COVID-19 Rapid Response Fund. We are solely

responsible for the content of this research, and the views expressed therein do not represent the official position of Atlantic Fellows for Social and Economic Equity, whose support we gratefully acknowledge.

The research found:

- High levels of support for a net wealth tax (NWT) compared with other taxes, mainly because it is seen as affecting only those with considerable wealth.
- Correspondingly, support for a NWT is higher among Labour than Conservative voters.
- Strongest arguments in favour of a NWT are to reduce inequality – seen as widening in Britain, and raise money for public services to support the vulnerable and to minimise damage to the economy at a difficult time.
- But there are concerns about tax avoidance and unfairness to savers.

Design features of a NWT:

- Most support for taxing financial investments and *net* property (i.e. minus mortgage) excluding the main home. Tax on the value of the main home is emotive, because it is seen as a residence rather than an asset.
- Preferred threshold of between £500,000 - £2 million, with respondents tending to choose a threshold above their personal wealth. Those on higher incomes are more likely to choose a £2 million threshold.
- 1% tax rate is preferred, as it is considered to be affordable.
- Preference for basing the tax on individuals rather than couples or families, to make it easier to apply, and harder to avoid.

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Support for a new Wealth Tax

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Higher taxes or cuts to public services?

- The public is far more prepared to pay more taxes *themselves* in order to fund public services than to have cuts to public services, with opinions split along political party lines.
- Although many people expect to find it difficult to personally absorb tax rises, they believe cutting public services at this time would put the vulnerable in society at risk and cause damage to the economy.

“

At least with raising taxation you can focus on those who are able to afford it. Cutting public services will affect everybody.”

“

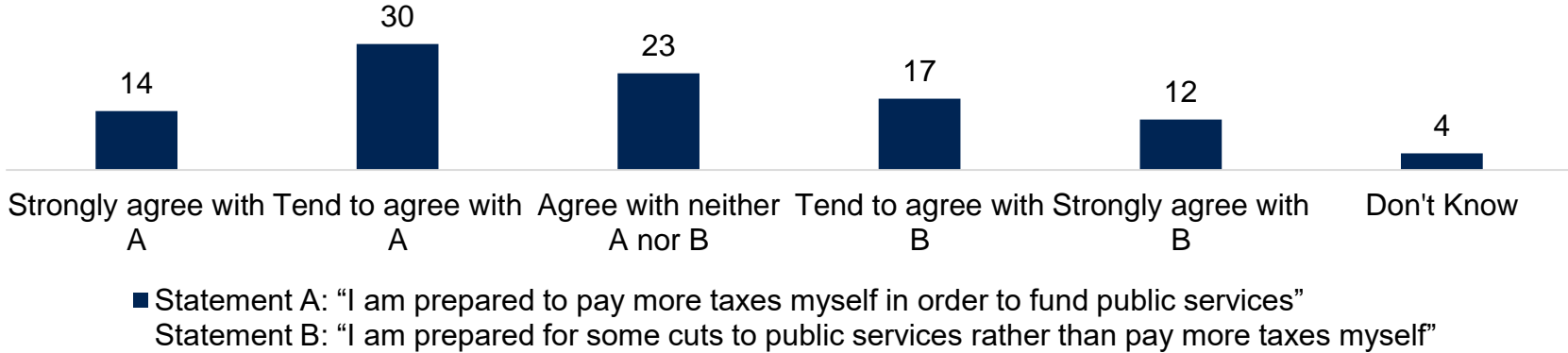
If we cut public services, it can put more people out of a job too. I don't like to pay taxes either but it's a case of balancing the two options up.”

Support for tax increases is more widespread among Labour than Conservative voters.

People who are financially more *able* to pay higher taxes are more supportive of tax increases. This includes:

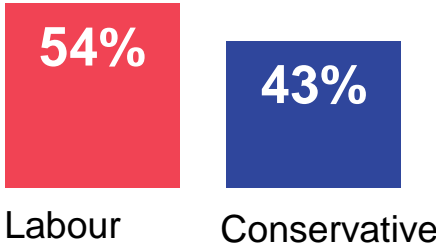
- property owners who are more supportive of tax increases than renters.
- people with an annual income of £55k+ who are more supportive of tax increases than those with income of up to £20k.

The current Covid-19 pandemic has required high levels of government spending. Which of these statements do you agree with the most?

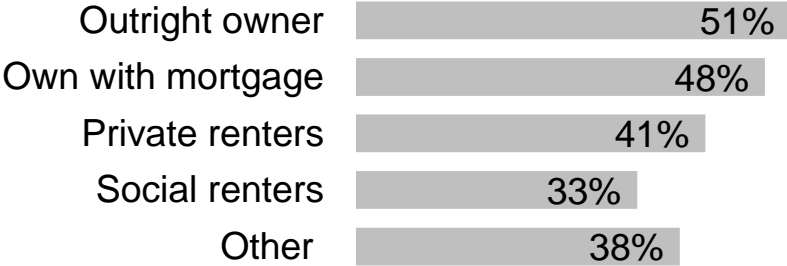


% who are prepared to pay more taxes

2019 voters



Housing tenure



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

A new wealth tax or increase existing taxes?

- The public are most supportive of the introduction of a new wealth tax. Two in five say it is their **most** preferred option with an increase in Council Tax the next most popular (21%).
- Three-quarters support a wealth tax either as a first, second or third preference. Council Tax and Capital Gains Tax increases are the next most popular, each supported by 68%.
- A small minority did not support any of the options (6%) or was unable to choose (5%).
- A wealth tax is the preferred option *when* it's seen as affecting those with considerable wealth, who can afford to pay. As a Conservative voter in London/South East explained, a wealth tax would be the fairest option given that:



At the end of the day, we're in the situation we're in ... we need extra revenue ... as horrible as it is, we need to find the money from somewhere."

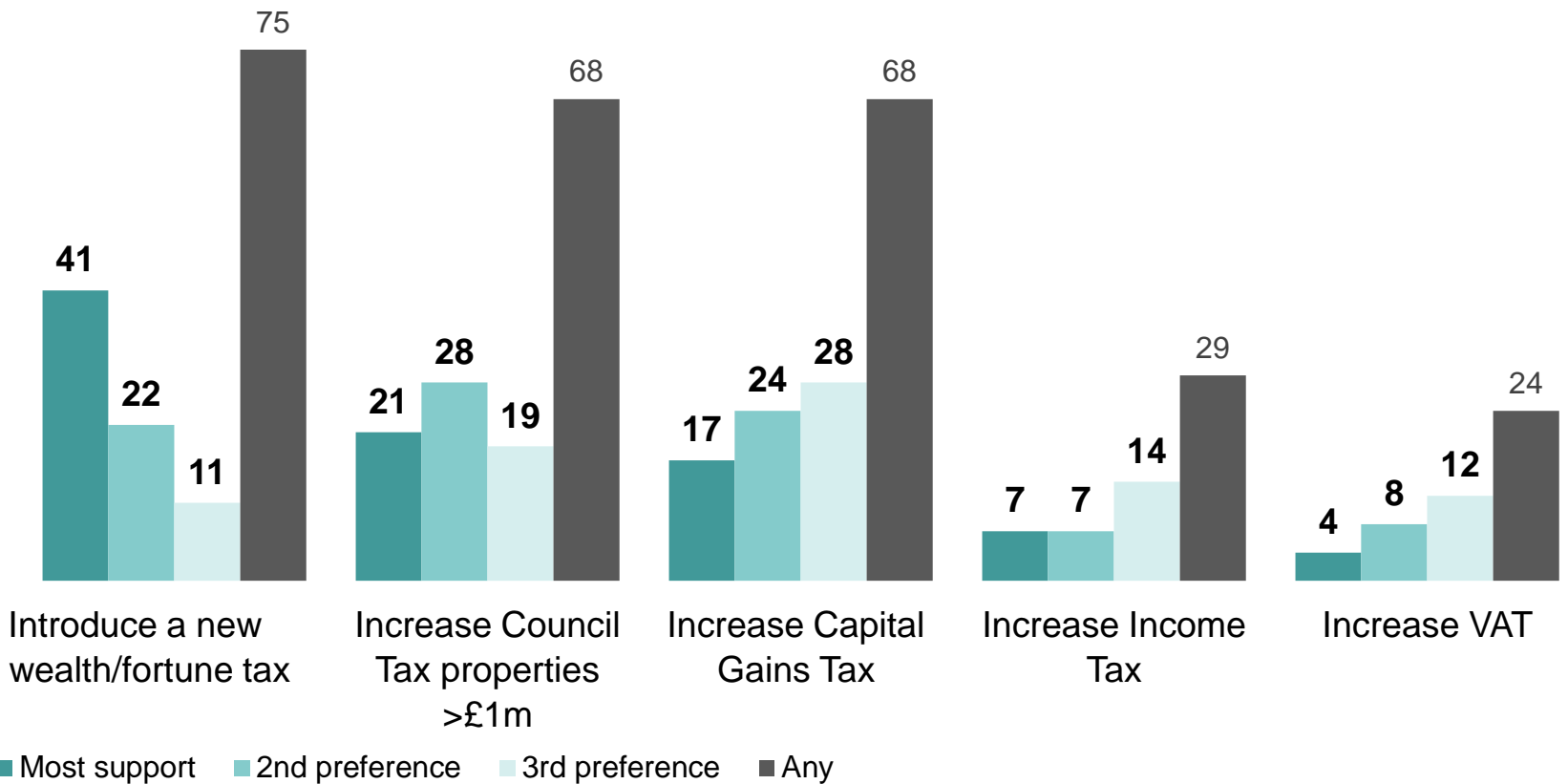
(Focus group in London/SE, High income, Conservative voters, Owner-occupiers, age 45+)

There is greater support for a NWT tax among owners with a mortgage (45%) than any other tenure group including outright owners (36% chose NWT as their first choice).

Correspondingly, support for a NWT is more widespread among 35-44 years old than younger or older people.

A NWT is more popular among Labour than Conservatives voters (49% vs. 34%).

If the government decides to raise taxes in order to fund public services, which of the following measures, if any, would you most strongly support?

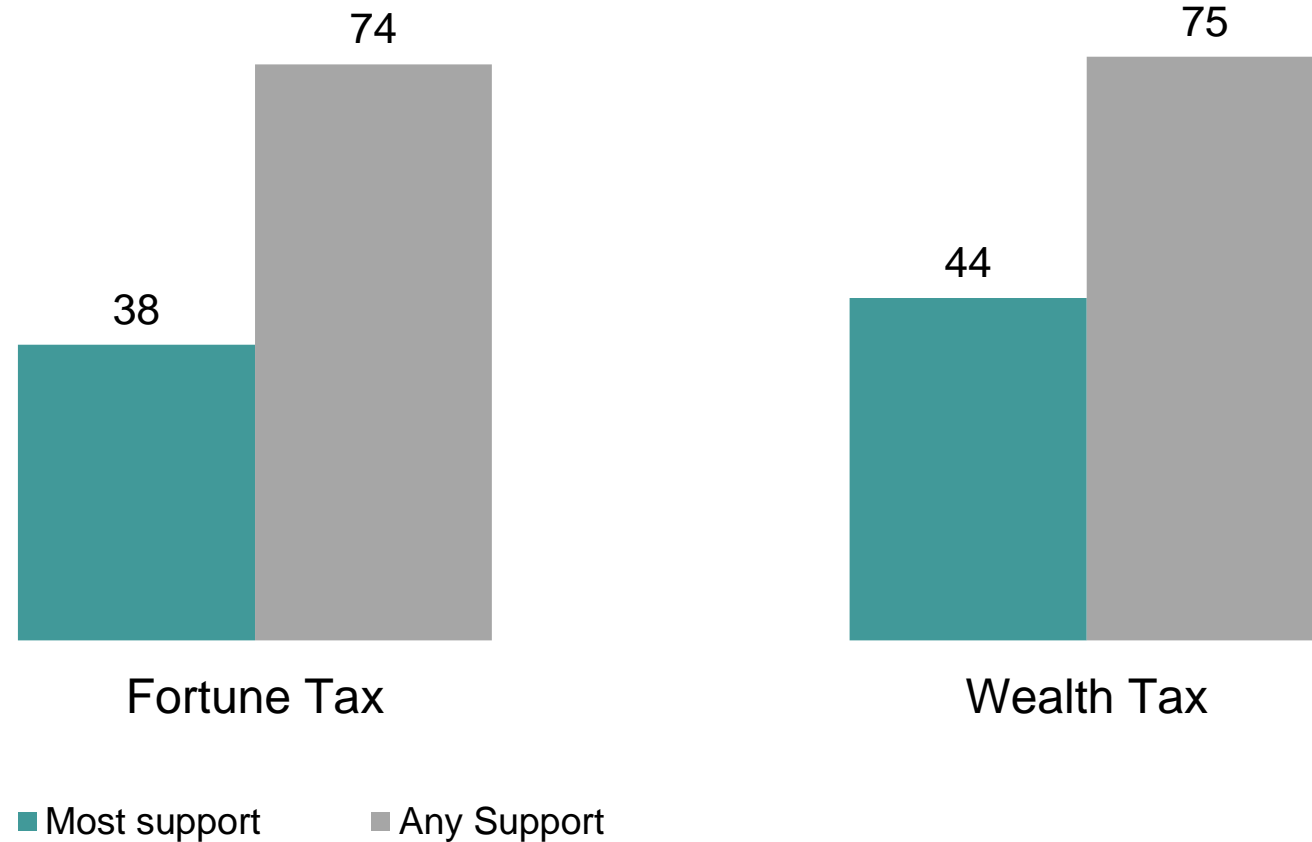


Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

The name policy makers choose matters. There is greater support for a 'wealth tax' compared to a 'fortune tax'. However, overall support for a wealth/fortune tax (compared to other taxes) is the same, irrespective of the name.

The term 'wealth tax' communicates most clearly the idea that this tax would apply to those with a total wealth above a certain threshold, and who could therefore most easily afford to pay it.

'Wealth' tax attracts more support than 'fortune' tax



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

Arguments in favour of a wealth tax

- When presented with 6 different arguments in favour of a new wealth tax, the public are most likely to support the argument that ‘the gap between rich and poor is too large’ (36% support). There is also concern about the rich getting richer in recent years (33% support). Arguments linked to the need to help fill the hole in public finances due to Covid-19 or to raise money for public services or did not gain as much support (22% and 18%).
- In the qualitative research, the context to people’s support for the wealth tax was often based on perceptions of widening inequality:



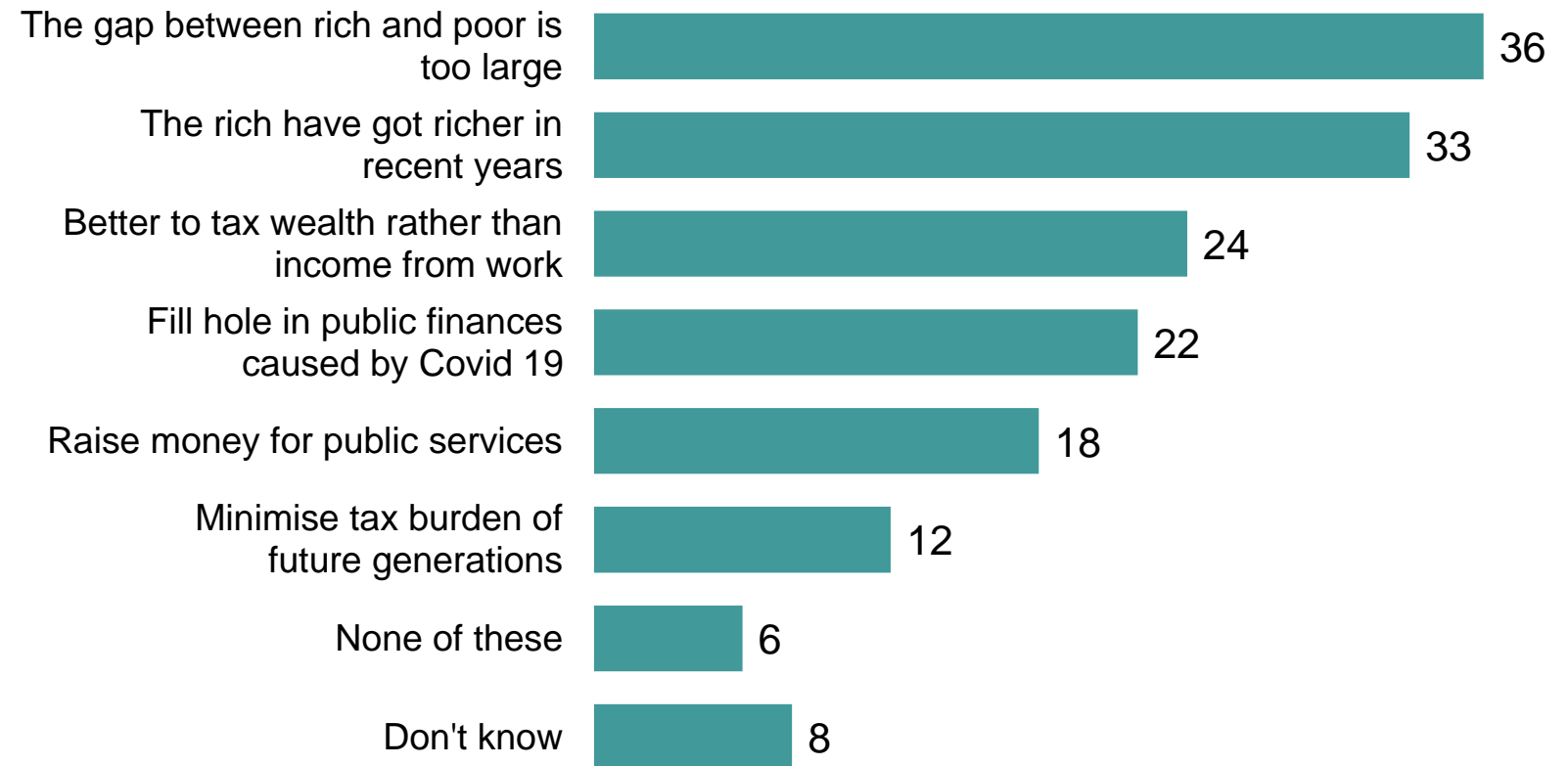
There are people in this country who have more money than they know what to do with. They’ve been incredibly fortunate, made good business decisions, inherited it, won it, but that money is disproportionately placed.”

(Focus group in the North and Midlands, Low/mid income, Floating voters, age 45+)

There are significant differences in views by party affiliation. Conservative voters are much less likely to support arguments about the gap between rich and poor than Labour voters (29% versus 46%).

Conservative voters are more persuaded by the need to fill holes in public finances than Labour voters (28% versus 19%).

There are many arguments both for and against a new tax on wealth in this country. Which one or two, if any, of the following arguments in favour of a net wealth tax do you most strongly support?



Arguments against a wealth tax

- The most popular argument against a wealth tax is related to concerns that the wealthy would find ways to avoid paying the tax (42%). There are also some concerns that such a tax would be unfair to savers (26%). Other arguments gained less support but 14% are concerned about possibly discouraging investment and job creation. And 12% are concerned about the possibility of 'double taxation'.
- In the qualitative research, key concerns were focused around the unfairness of penalising savers and taxing the value of the main home. Levying a tax on the main home was thought likely to leave some people unable to pay the wealth tax:



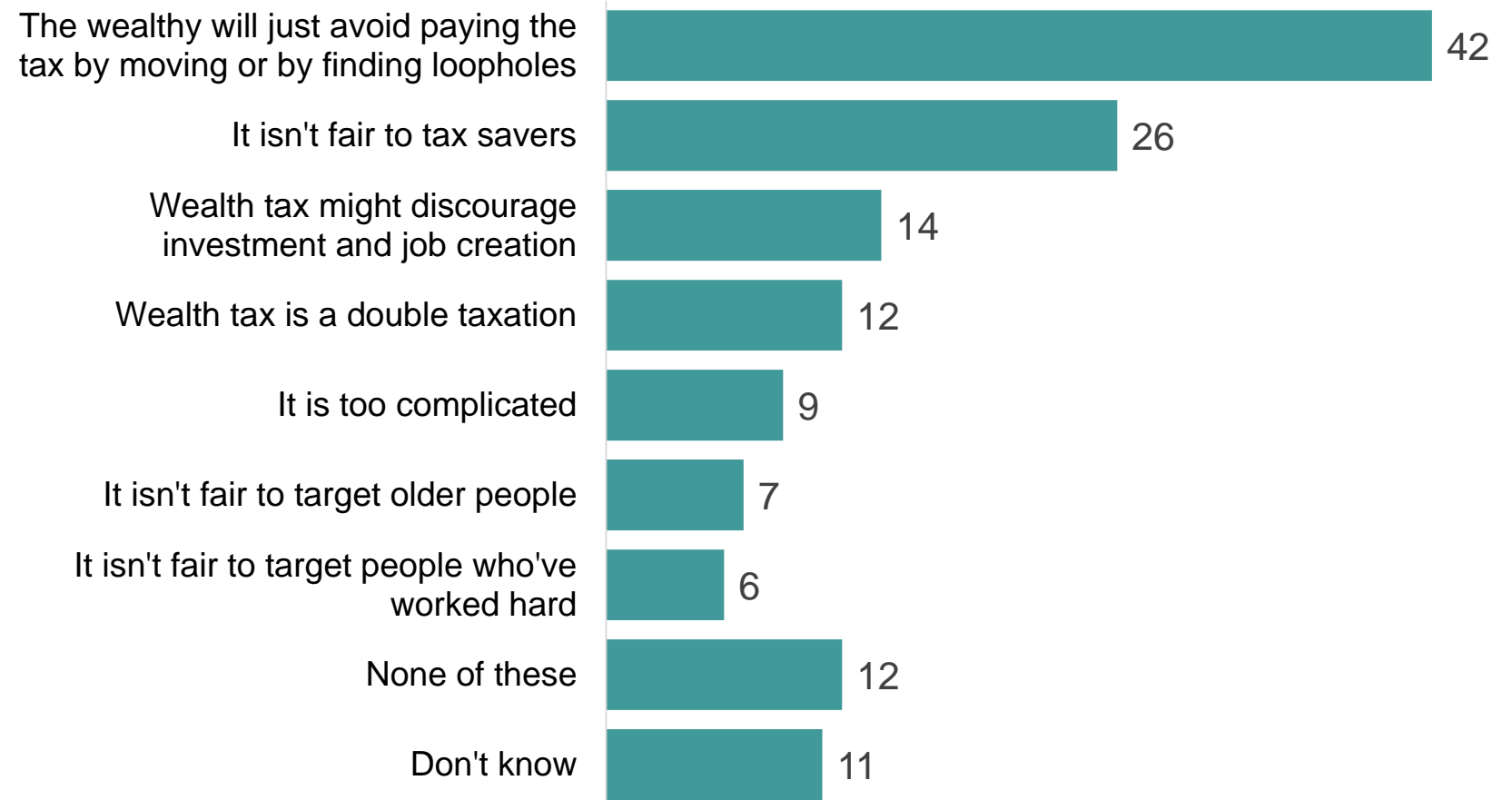
Their house might be their savings... they shouldn't be eligible for the wealth tax."

(Focus group in the North/Midlands, Low/mid income, Floating voters, age 45+)

Conservative voters are more likely to mention multiple concerns compared to Labour voters, including concerns about savers, discouraging investment in the economy, double taxation and penalising people who have worked hard for their money.

Nearly one in five (18%) Labour voters declined to pick any of these arguments compared with 7% of Conservatives.

Which one or two, if any, of the following arguments against a net wealth tax do you most strongly support?



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

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Design of a new wealth tax

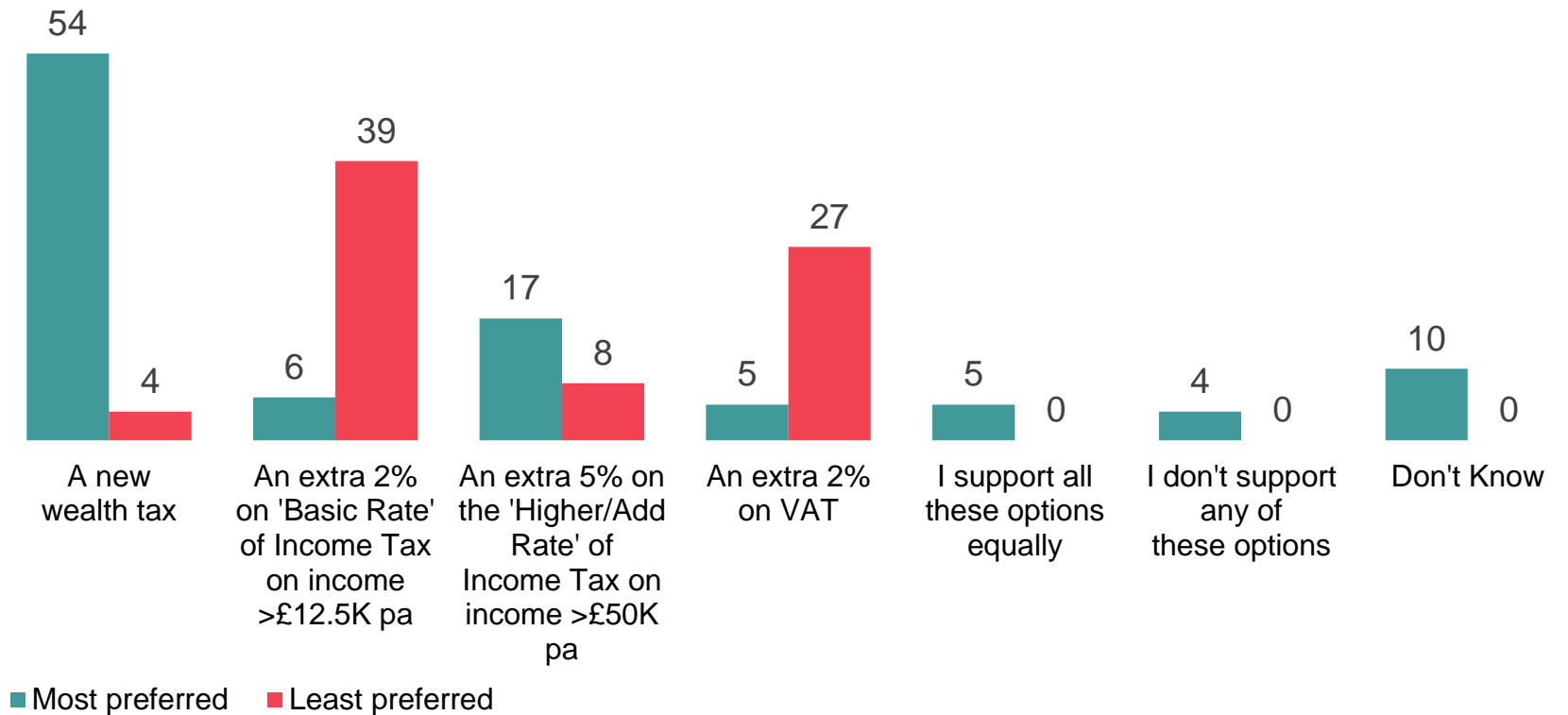
How to raise £10 billion in tax

- Over half (54%) of Britons most preferred a new wealth tax if the government needs to raise £10 billion. A new wealth tax is by far the most preferred option for raising money among the four presented to the public.
- The next most popular option, chosen by 17%, is to raise the higher/additional rate of income tax by 5%. There is very little support for increasing VAT (5% support) or increasing the basic rate of income tax by 2% (6% support).
- However, should the government decide to proceed with a new wealth tax to raise £10 billion, there is no consensus among the public on whether to tax **more** people at a lower rate or **fewer** people a higher rate. The most common view, held by 26%, is to tax those with over £1 million at a rate of £6 per £1,000. But 20% of the public support taxing those with wealth over £500k at a lower rate (£2.50 per £1,000) to raise the same amount.
- In the focus groups, it was clear that participants found the relative merits and drawbacks of the various options complex and difficult to navigate.

There is relatively little difference between Conservative and Labour voters in terms of their support for a new wealth tax in this scenario.

People who most prefer a wealth tax include those aged 45-54 years and owners with a mortgage. A wealth tax is least preferred by younger age groups.

Now suppose the government could also raise £10 billion from increasing other types of taxes instead of introducing a new wealth tax. Which of the following is your most and least preferred option, if any?

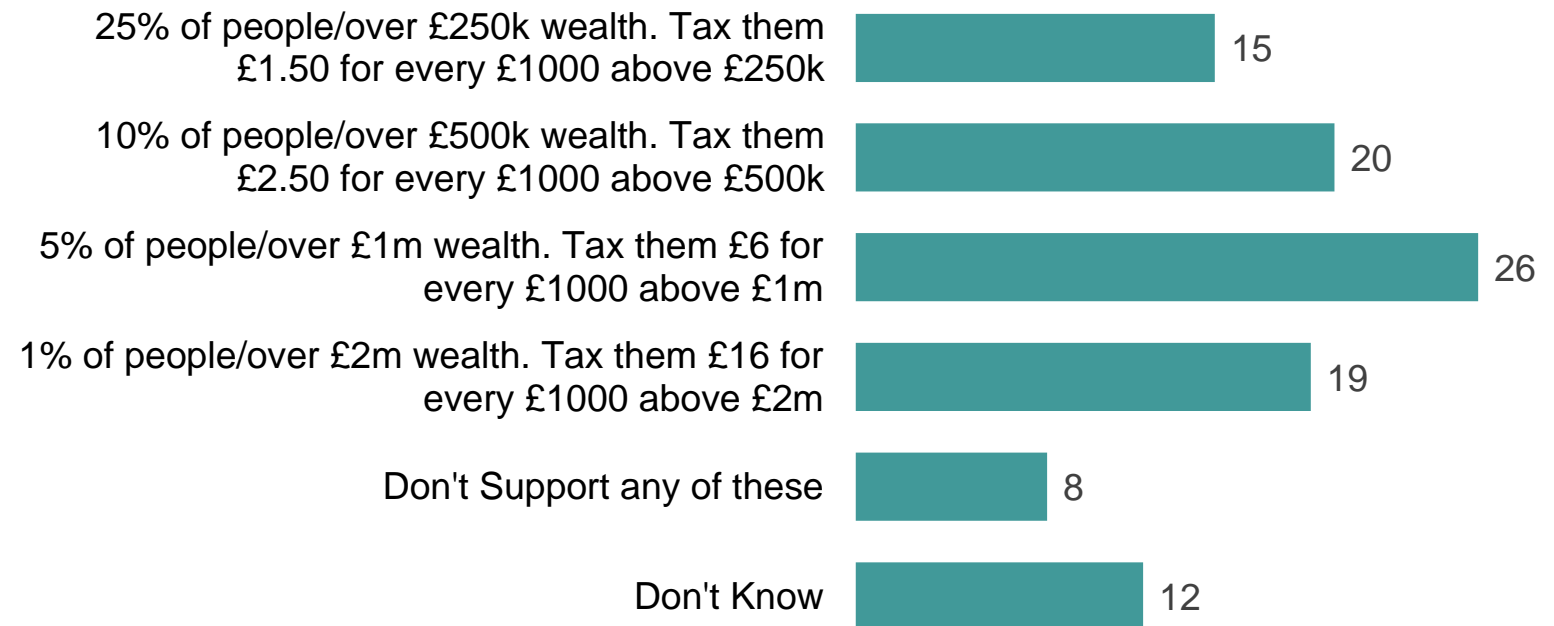


Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

The most common view, held by 26% of Britons, is to tax those with over £1 million at a rate of £6 per £1,000. But 20% of the public support taxing those with wealth over £500k at a lower rate (£2.50 per £1,000) to raise the same amount.

One in ten (8%) do not support any of these options and 12% could not choose between the options.

Suppose the government needs to raise about £10 billion in taxes. It can do this by charging a higher rate of tax on a smaller, wealthier group of people or charge a lower rate of tax on a larger group of relatively less wealthy people. Which of the following options do you most strongly support, if any?



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

What wealth should be included in a new wealth tax?

There are clear preferences for taxing net property wealth (apart from the main home) and financial investment wealth - supported by 59% and 43% of the public respectively.

There is much less support for taxing the equity in the main home (opposed by 58%) or cash savings (opposed by 64%) or pension wealth (opposed by 69%). These forms of wealth are most widespread meaning more people would be affected if they are included in a new wealth tax.

Indeed across all four focus groups, there is consensus that a wealth tax should be paid by the **very** wealthy, rather than those on more modest means (i.e. people like themselves).

Saving is also seen as a socially responsible behaviour, and one which would help prevent people relying on the state in times of crisis, and should therefore not be included in a new wealth tax.

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Savings shouldn't be included because people who were furloughed relied on their savings; they can help people survive financially.”

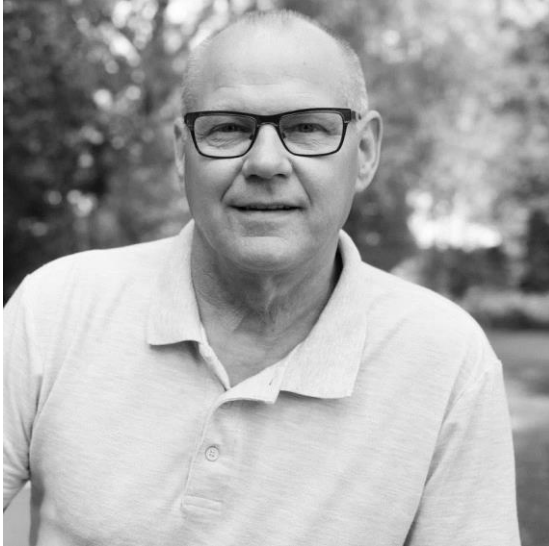
Focus group in London/SE, Mid/high income, Floating voters, age 25-44

“

It's not fair to penalise people for grafting hard and working hard, some of the areas would do that like savings and the pensions, things that people have invested in themselves they shouldn't be penalised for those.”

Focus group in North/Midlands, Low/mid income, Floating voters, age 45+

What wealth should be included in a new wealth tax?



John is 60 and has 3 adult children, one of whom is still living at home. John has lived and worked in London for his whole life, and after many years, he and his wife now own their own house outright.

Their house has increased exponentially in value over the last 30 years, and John acknowledges that he would not now be able to afford it on his income as it is now worth over £3 million. John and his wife will look forward to a comfortable retirement, but will keep a close eye on their finances, as they want to be able to support their children to get on the property ladder.



Focus group participants thought that John should not be subject to a new wealth tax. The main home is primarily seen as a residence, not an asset, that people had worked hard and saved for.

In contrast, second homes are seen as an asset which could definitely be subject to a wealth tax. People owning a second home are seen to be wealthy in cash, as well as asset rich. A second home is also seen as unnecessary and potentially having negative effects on the local property market

What wealth should be included in a new wealth tax?

There are some resistance among the public to taxing savings, pensions and main residence, even for the very wealthy.



Harry is 52 and has retired from his job as a hedge fund manager with assets of various kinds. He holds £50m in investments including stocks and bonds, £1m in cash savings, has a pension pot of £3m, a £5m detached house in Surrey, a £2m flat in Docklands and a £1m cottage in Suffolk.

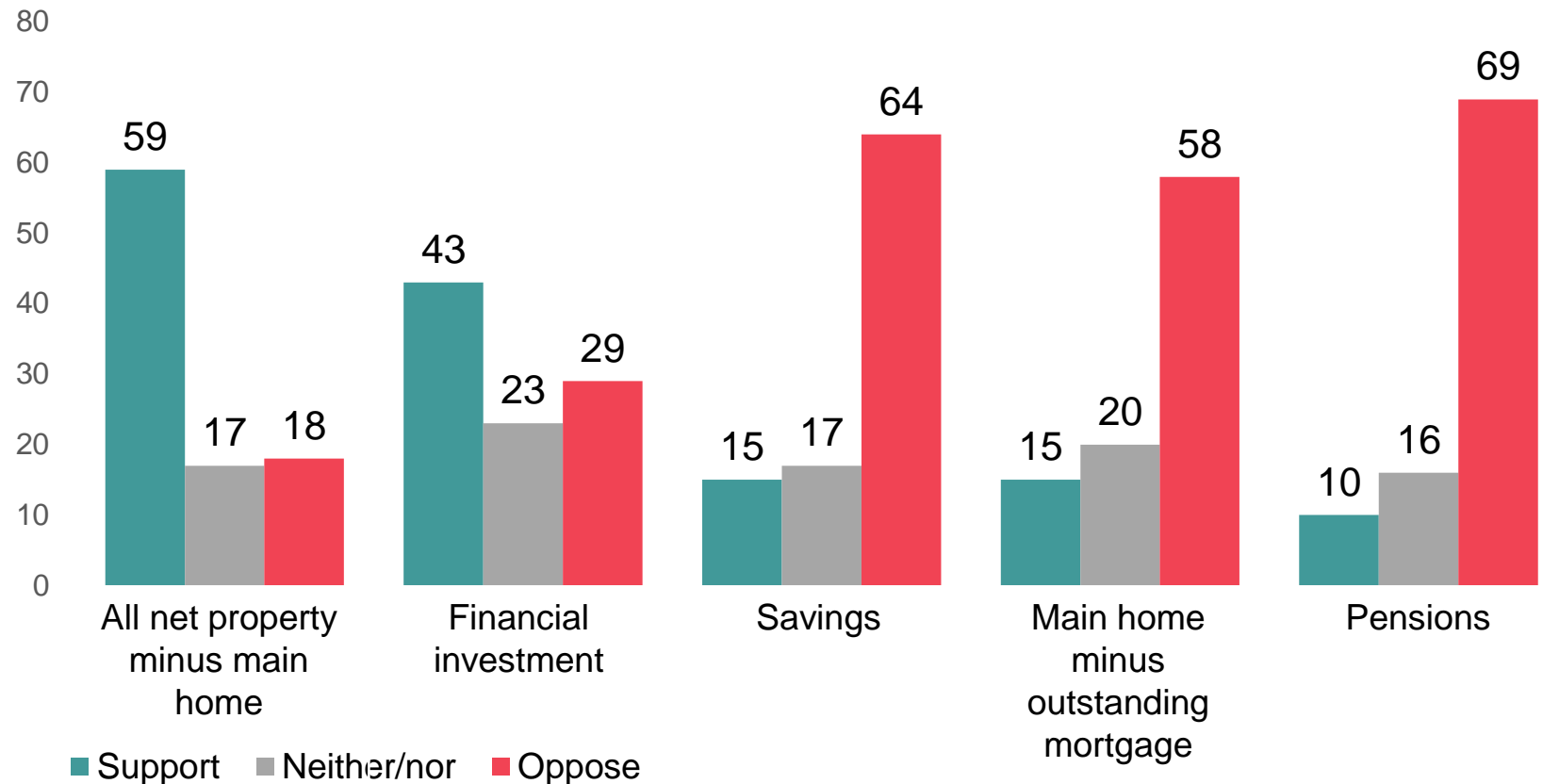


Although Harry is thought to be wealthy enough to easily afford a tax increase, focus group participants were uneasy about the idea of taxing pensions and savings. There is consensus that Harry's second homes should be included in the wealth tax, but there was some debate as to whether Harry's main home should also be taxed.

Opposition to taxing cash savings is higher among older people (74% of 55-74 year olds), Conservative voters (74%) and outright owners (73%). These groups are also most opposed to taxing equity in the main home.

Those on higher incomes are most opposed to including pension assets, as are women (possibly because more pensioners are women).

Imagine that the government is thinking of introducing a new yearly tax based on the value of people's wealth. How strongly do you support or oppose taxing each of these different types of wealth?



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

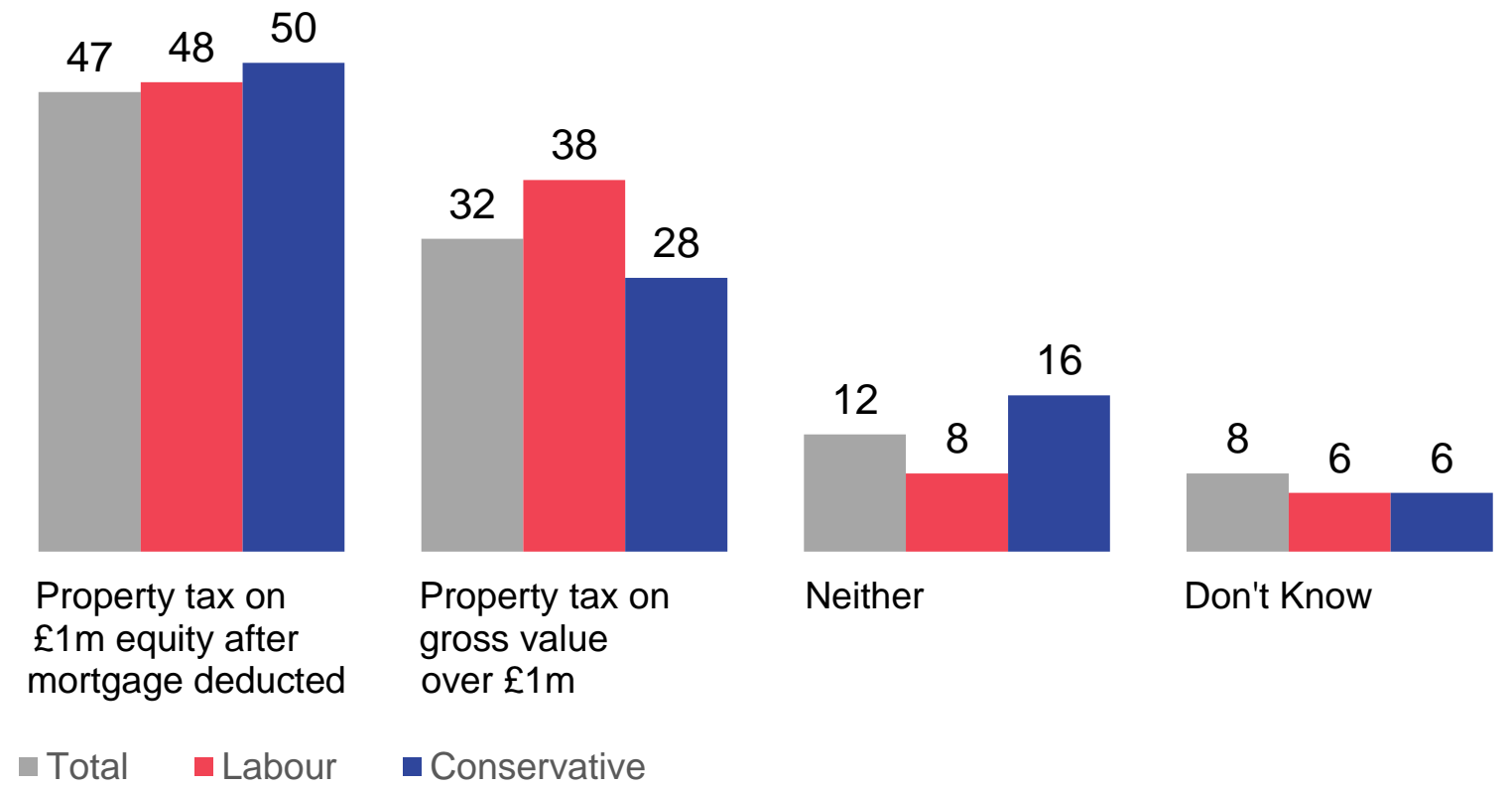
Net or gross property wealth as tax base?

- Nearly half of the public (47%) prefer a net property tax (that is, one that is based on the equity in the property after the mortgage is deducted from the value) than a gross property tax (that is, one that is based on the full market value of the property). Nevertheless, almost a third prefer the gross property tax. Just over one in ten preferred neither option.
- In the focus groups, there was support for net property wealth as the base for the tax, as otherwise people could be required to pay the tax but unable to afford to pay it. However, participants also recognised that using property value minus mortgage value would lead to a tax on people who had paid their mortgage off, and could incentivise people to take a mortgage in order to avoid it.

There are relatively few differences in views between different groups – even, perhaps surprisingly, between those who are outright owners and those who own properties with a mortgage.

Labour voters are more likely than Conservative voters to support a gross wealth tax (38% vs 28%), whilst Conservative voters are twice as likely to support neither option (16% vs 8%).

Below are two types of property wealth that the government could tax. Which do you most strongly support, if either?



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

Whether to tax people individually or as part of a household?

- There are mixed views about the unit of taxation. The preferred option is to tax the individual (35%) but 20% prefer the couple and 22% prefer the household. One in seven (14%) did not want to express a preference and 9% did not know which given the complexity of the issues.
- In the focus group, the individual basis was seen as the simplest to levy but some participants felt that levying the tax at the couple level may be more appropriate as assets are likely to be held at the (married) couple, rather than individual, level. Also, taxing individuals could encourage people to avoid the tax by transferring assets between members of a couple.
- It was also felt that identifying what proportion of wealth belonged to each person in a household could add an additional layer of complexity to the tax. Levying the tax at a household level was also seen as potentially penalising adult children living at home to save for a deposit for a mortgage.

“

It's very difficult to find loopholes when it's based on the individual.”

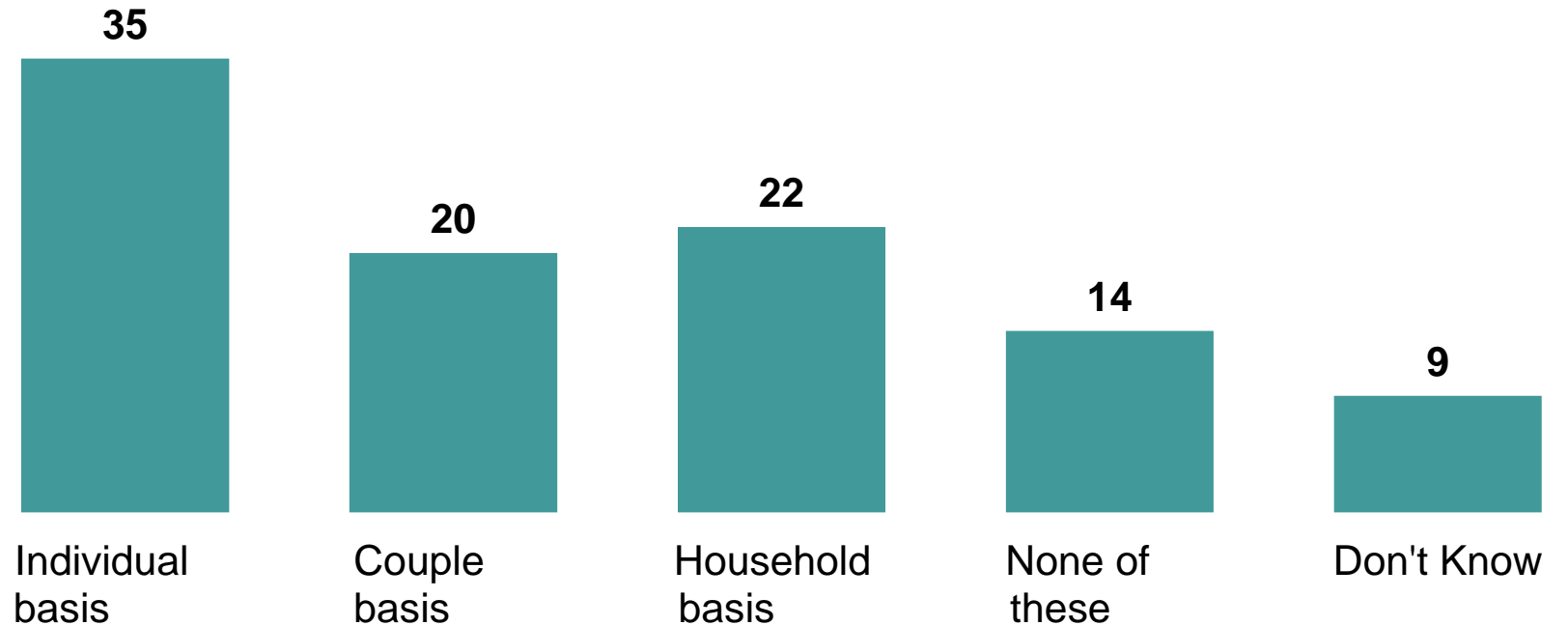
“

It's really bad (for husbands) to transfer assets to their wife! Is there a way to overcome that? It really needs to be taken into consideration.”

People on higher incomes (£55k+) are more likely to prefer an individual basis for taxation (40%). Men are more likely to support a couple basis than women (22% vs 18%).

More single people prefer an individual unit of assessment than married people/couples (38% vs 32%).

If the government introduces a new yearly tax on people's wealth, they would need to decide whether to tax people individually or together with others in their household. Which one of the following options do you most strongly support, if any?



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

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What tax threshold to apply to the new wealth tax?

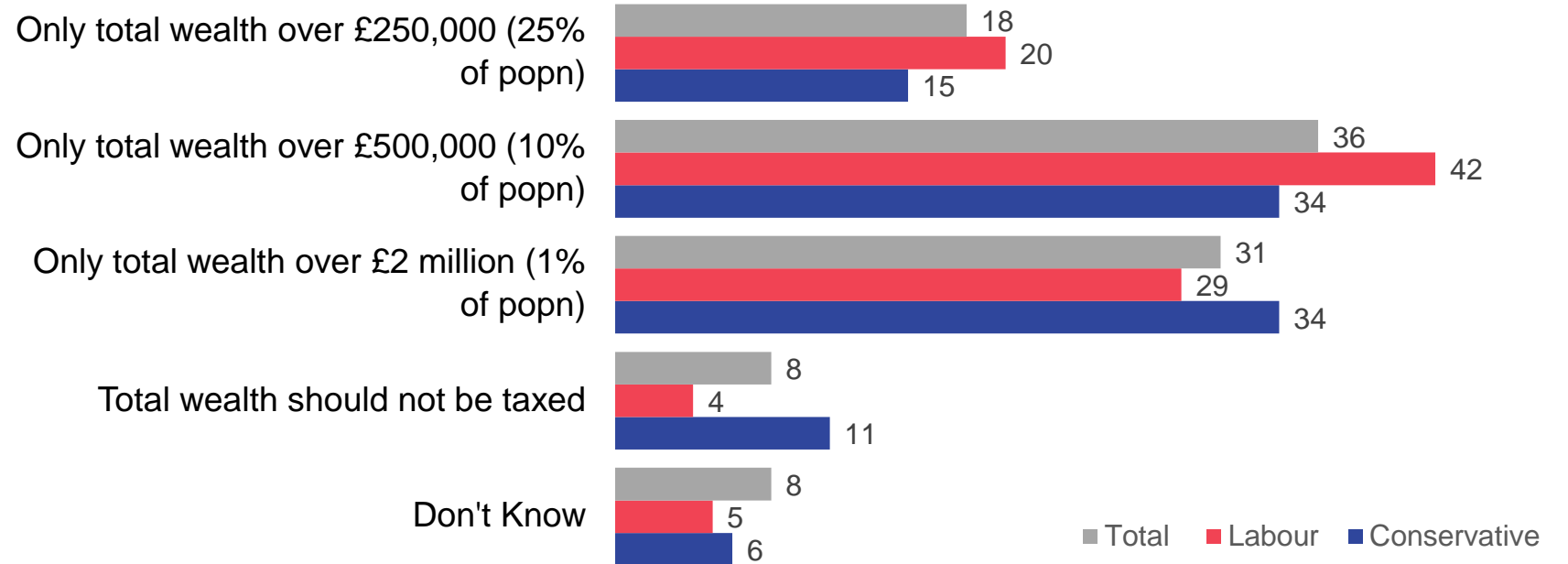
- The most popular threshold for a new wealth tax is above £500,000 which would affect the top 10% of the population (supported by 36% of the public). The next most popular threshold is over £2million, affecting 1% of the population (supported by 31%). But one in five (18%) support a much wider tax base to include wealth over £250,000 and thus affecting a quarter of the population. A minority don't believe that wealth should be taxed (8%) or could not pick an option (8%).
- In the qualitative research, participants consistently suggested a threshold above their personal wealth: ***“I have read about the net wealth tax. I would personally struggle with a tax increase but if it hits the wealthier who can afford it, that might be okay.”***
Floating voter, London /South East, Mid-high income, age 25-44
- The public is also sensitive to regional variations in property prices and the need to ensure people are not penalised based on where they live. This view was shared by people living outside London/South East too: ***“You can't just flat rate it across the country, in the North you'd have an entire estate [for £1m]”***
North/Midlands, High income, Labour voters, Owner-occupiers, age 45+

Support for a wider tax base (over £250k) is higher among social renters (23%).

Support for a narrow tax base (over £2m) is higher among people who own their homes outright (35%)

Labour voters are more likely to support a narrow tax base, whilst Conservative voters are more likely to say that total wealth should **not** be taxed at all.

If the government decides that this new yearly tax will include the total wealth an individual has in savings, investments and property minus the value of any outstanding mortgage, at what level of wealth do you think people should start paying this new tax on total wealth, if at all?



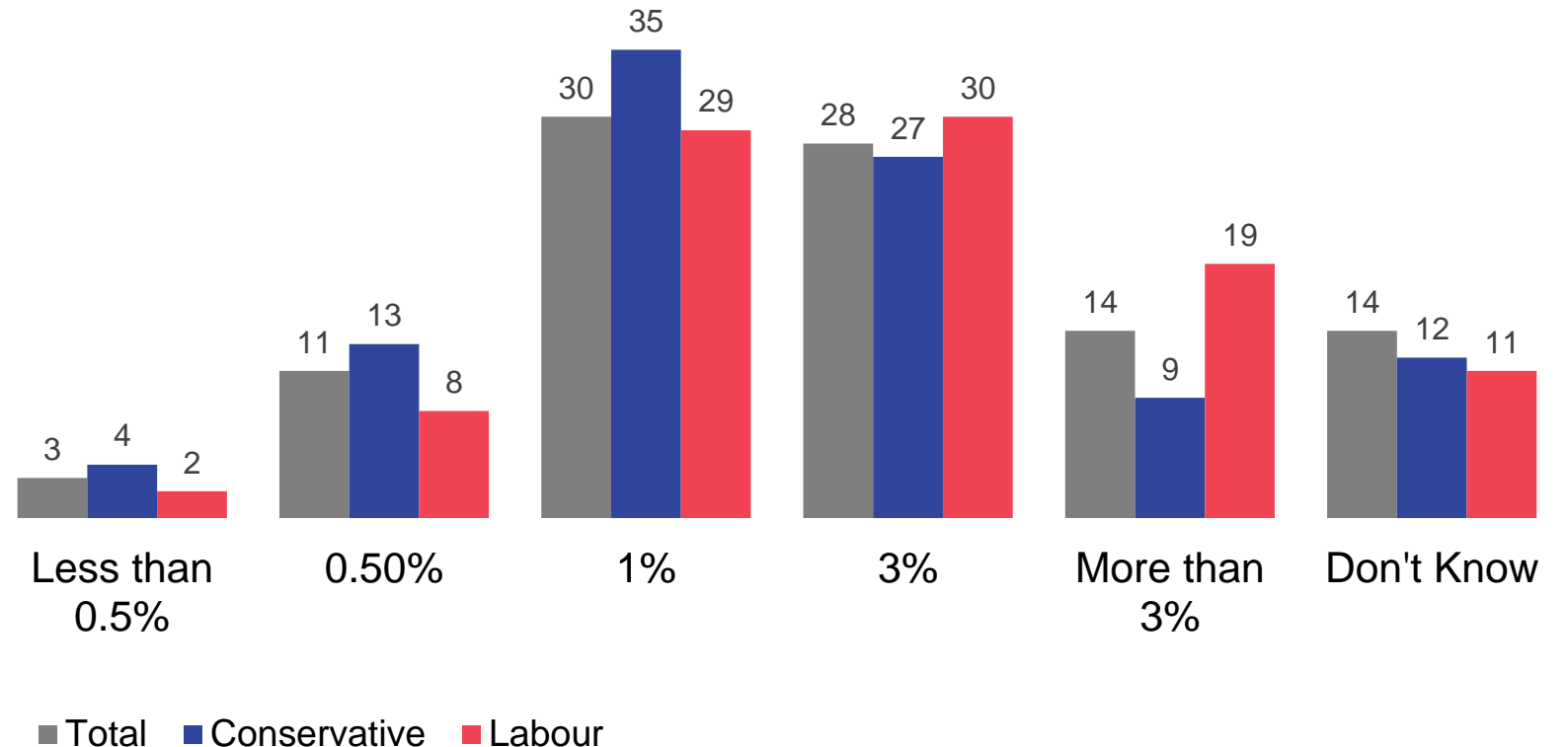
What tax rate to apply to the new wealth tax?

- The most popular rate is 1% chosen by 30% of the public but a rate of 3% is not far behind, chosen by 28%. More than one in ten (14%) want the rate to be higher than 3% and a further 14% want the rate to be less than 1%.
- A significant minority of the population (14%) do not know which rate to support, once again highlighting the complexity and lack of understanding of these issues.
- Illustrative scenarios were used in the focus groups to demonstrate how much would be paid at each rate, using different thresholds. A lower rate, below 1%, was thought likely to make the tax more palatable to those who would be required to pay it. Some participants suggested an incremental increase in tax rate in step with overall wealth, so that those with the highest levels of wealth would be taxed at a higher rate.

Labour voters are much more likely than average to support higher rates. As many as 30% support a tax rate of 3% and a further 19% of Labour voters want a tax rate above 3%.

Conservative voters are less likely to favour higher rates but still one in ten (9%) want a tax rate higher than 3%.

And what percentage of tax would you support for [your preferred tax threshold]?



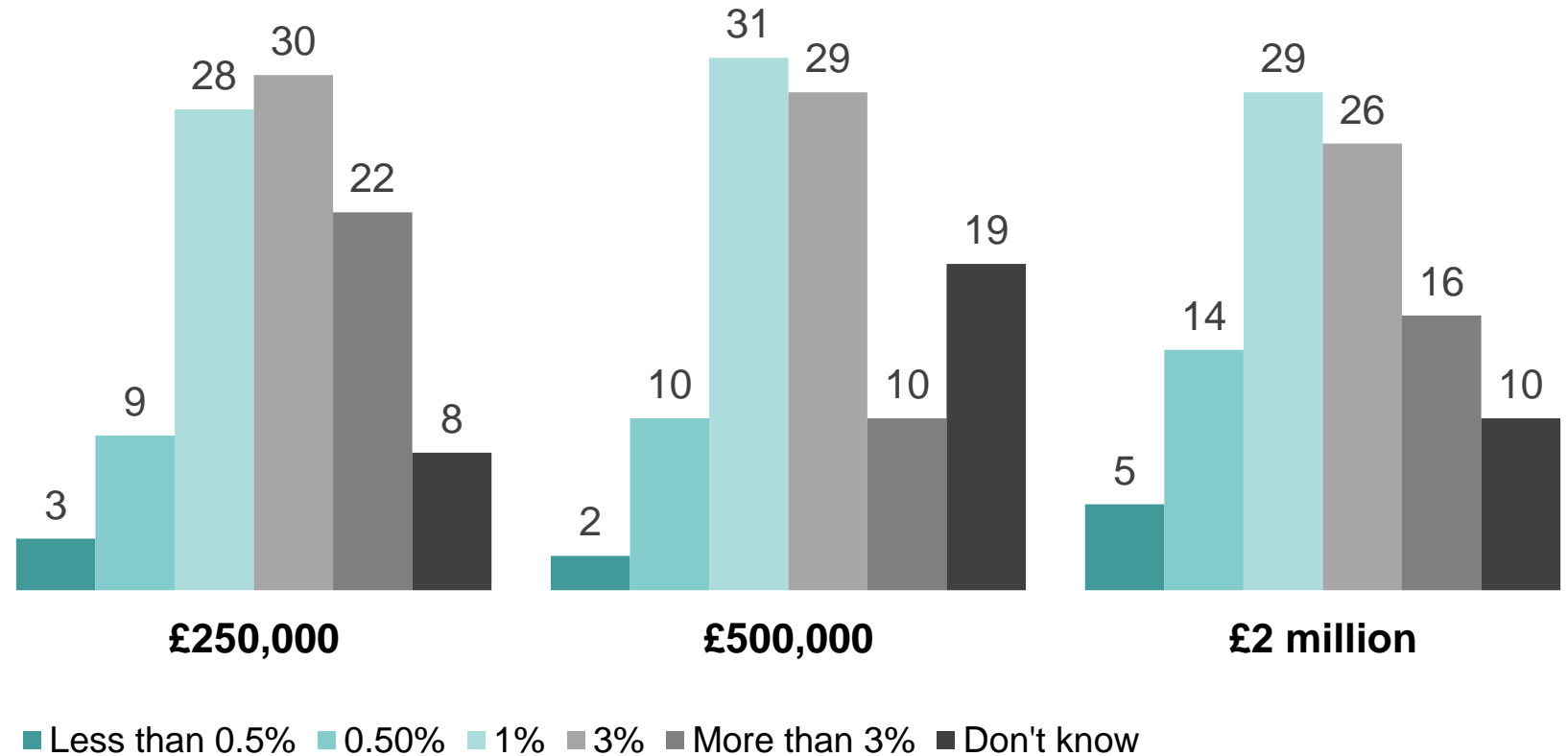
Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

People who want a wide tax base (over £250k threshold) tend to also support a higher rate of tax.

Conversely, those who support a narrow tax base (£2 million threshold) are more likely to support a lower tax rate.

This reflects a tendency, seen in the focus groups, for those most in favour of increased taxation to support lower thresholds and higher rates. Others were more likely to question the affordability and fairness of higher rates.

And what percentage of tax would you support for [your preferred tax threshold]?



Base: 2,243 UK residents aged 16-75, interviewed 10-13 July 2020

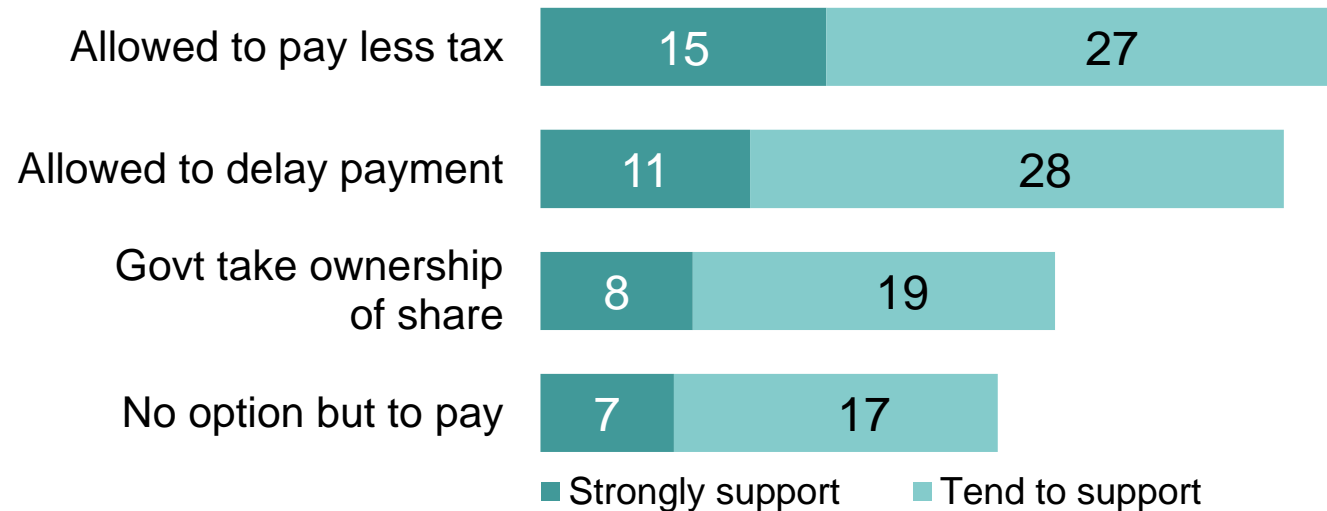
Options to pay a wealth tax for the 'cash poor'

- One of the concerns about a wealth tax is that some people may have relatively high levels of wealth but low income and so find it difficult to pay a net wealth tax. There is little consensus among the public on what should be done in this situation but the most common response is to allow those on low incomes to pay less tax (42% support) followed by allowing people more time to pay (39%). Around a quarter (27%) support government taking a share of the wealth and a further 24% insists that people should pay even if this mean re-mortgaging or selling a property to do so.
- Participants in the qualitative research felt that if someone on a low income couldn't afford to pay the wealth tax, it was likely to be because they had been taxed on their main home, and this was thought to be unfair. For this reason, it was thought appropriate to exempt people from paying the wealth tax if they could not afford it.

Residents in Greater London and those with higher income (£55K) are more supportive of the option to pay less tax.

Whilst outright owners are opposed to the government taking shared ownership of their home or to being made to pay regardless. These two options have higher support among Labour than Conservative voters.

If the government introduces a new yearly tax based on the value of people's wealth, some people might have difficulty paying it. For example, imagine that a person owns a house worth £2 million (with no mortgage) and they have an income of £30,000. If this person owed £20,000 in wealth tax, they might not be able to afford to pay the tax out of their income. In these circumstances, how strongly do you support or oppose each option?



Conclusions

- A new wealth tax is preferred to increases to existing taxes including Council Tax, Capital Gains Tax, VAT and Income Tax.
- Strongest argument in favour of a new wealth tax is to address widening inequality in Britain.
- Clear preferences for what should be included in a new wealth tax but less consensus on more detailed aspects of its design such as thresholds, rates and unit of taxations.

Technical details

Ipsos MORI interviewed a representative sample of 2,243 British adults aged 16-75. Interviews were conducted online from 10th to 13th July 2020; a week after 'Independence Day' when pubs, restaurants and hairdressers re-opened following lockdown due to the Covid-19 pandemic. Data are weighted to match the profile of the population. All polls are subject to a wide range of potential sources of error.

The second stage of the research involved four video focus group discussions which took place in August 2020. The composition of the four groups was:

- Group 1: London/SE, Mid/high income, Floating voters, All housing tenures, age 25-44
- Group 2: London/SE, High income, Conservative voters, Owner-occupiers, age 45+
- Group 3: North and Midlands, Low/mid income, Floating voters, All housing tenures, age 45+
- Group 4: North/Midlands, High income, Labour voters, Owner-occupiers, age 45+

Within each group, at least half were cohabiting or married and at least half had children in the household. There was also an ethnic and gender mix in the groups overall.

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