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SEMINAR B SESSION REPORT

WEALTH TAXATION

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1. Introduction

This seminar examined whether, how, and under what legal constraints modern tax systems should tax wealth. Against a background of decades of moderation and decrease in comprehensive net wealth taxes, the session explored why interest has revived, what design choices drive feasibility and fairness, and which constitutional, treaty, and EU law constraints condition viable reform. The objectives were threefold: first, to clarify what "wealth tax" means across jurisdictions and instruments; second, to analyze core design levers—government level, nexus, asset attribution, valuation, exemptions, rates, capping and liquidity; and third, to map the principal legal challenges, including recent jurisprudence and coordination issues under double tax treaties and EU law.

The subject is noticeable in current debates due to perceived increases in top-end wealth concentration, concerns about the limits of personal income taxes to reach unrealized gains, and new proposals for coordinated minimum effective taxation of ultra-high-net-worth individuals. The session used comparative examples from France, Switzerland, Spain, Norway, Brazil, and Colombia, and engaged with contemporary policy blueprints to distill practical lessons for policymakers and practitioners.

2. Main Topics Discussed

2.1. Topic 1: What is a Wealth Tax? Framing the Debate

The panel distinguished between taxing wealth itself, taxing the wealthy through other instruments, and taxing businesses. It stressed three key distinctions when defining a wealth tax: taxes on stocks versus flows (wealth versus income), taxes on ownership versus transfers (annual net wealth versus inheritance/gift), and personal versus corporate incidence. This framing is relevant because taxes nominally aimed at individuals can, in practice, operate as de facto charges at the business level when dividends finance personal liabilities, which was discussed in the session.

The taxonomy ranged from comprehensive personal net wealth taxes to asset-specific levies. France's move from the *impôt de solidarité sur la fortune* (ISF) to *the impôt sur la fortune immobilière* (IFI) illustrates narrowing the scope of the tax to real estate held directly or indirectly, and the French IFI was used as an example of asset-specific personal wealth taxation, as opposed to traditional net wealth taxes. Panellists highlighted the international decline of broad net wealth taxes yet noted revived interest spurred by institutional reports

and proposals. Zucman's G20 minimum effective tax for billionaires was cast as a floor—set at roughly 2% of net wealth by reference to combined income and wealth taxes—to reinforce income tax integrity rather than as a stand-alone wealth tax. Cross-country data were used to document the gradual retreat of comprehensive net wealth taxes around the world.

The panel discussed whether to include shareholders' imputed shares of corporate taxes when computing effective tax rates for the ultra-rich, the realism of liquidity assumptions for very large fortunes, the complexity of "tax collector of last resort" rules, and the practical need for a critical mass of jurisdictions, absent a fully international initiative.

2.2. Topic 2: How is a Wealth Tax Built? Design Dilemmas and Practical Application

2.2.1. Government level and fiscal federalism

The panel mapped the principal building blocks that should be taken into account when designing a wealth tax: government level, forms of tax liability, asset attribution, valuation, exemptions, rates, and total burden, capping mechanisms, and liquidity discussion.

The panel discussions addressed that the central versus sub-national implementations as design choices of wealth taxes affect equity and tax competition. The panel highlighted Norway's experience with a zero-rate municipality, illustrating intra-national arbitrage, as well as Switzerland's cantonal wealth taxes that rely on intercantonal allocation of tax attributes while rate differentials fuel competition amongst cantons. Spain's response to regional divergence in wealth taxes —especially Madrid's full relief from tax— was enacting a State-level Extraordinary Tax on Large Fortunes, mirroring the regional wealth taxes and ruled constitutional.

2.2.2. Forms of tax liability

The panel addressed different forms of tax liabilities. As a general principle, residence anchors unlimited liability, creating mobility incentives across countries and regions and raising questions on the interaction of tax liability with special inbound regimes that provide relief in income tax. Non-residents' limited liability turns on nexus. It was discussed that while real estate is typically in scope, treatments diverge for shares in real estate companies. Panellists highlighted that debt deductibility must align with a limited nexus to avoid base erosion.

2.2.3. Potential discrimination and distortions

It was highlighted that because non-residents often escape worldwide wealth taxation, residents can face a heavier combined burden; and foreign-held corporations, unencumbered by the tax, may enjoy lower overall direct and indirect taxes, enhancing their bidding power for domestic assets. While not necessarily unlawful discrimination under treaties, panellists underscored the absence of an economic rationale for such asymmetries.

2.2.4. Asset allocation and trusts

The panel addressed that attribution of assets to taxpayers typically starts from legal ownership, but trusts complicate matters when not treated as separate taxable entities. Systems must decide whether to allocate assets to settlors or beneficiaries and whether to prioritize formal criteria or economic ownership, recognizing jurisdiction-specific outcomes that affect base definition and relief.

2.2.5. Valuation

The panel noted that broad support exists for market value as a basis for taxes where markets are deep and liquid. For illiquid assets—private companies, art—options include exclusions or special methods such as Switzerland's "practitioner's method." The panel cautioned about volatility, valuation disputes, disparities between listed and unlisted valuations, and adverse incentives around listings. Start-ups were used as an example of the liquidity challenge: high valuations without profits or sellable shares, particularly during lock-up periods.

2.2.6. Exemptions

It was addressed during the discussions that the thresholds for levying the tax demarcate taxing "wealth" versus the "wealthy." The panel noted additional exemptions from tax pursue policy aims—active businesses, geographic zones, cultural assets, amnesty-declared assets, new-resident regimes—but complicate neutrality and necessitate integrity rules.

2.2.7. Rates and total burden

Jurisdictions weigh low rates with broad bases and progressive versus flat rate structures, with decentralization intensifying competition. A key insight was that wealth tax plus dividend tax can operate as a business-level charge, because corporations must pay the same dividends to all shareholders to finance personal liabilities, challenging the notion that the levy is purely personal.

2.2.8. Capping mechanisms

The panel discussions addressed that many systems combine wealth and income taxes relative to income to avoid confiscatory outcomes, sometimes adding floors to prevent “no income, no tax” results. The panel discussed numerical examples that emphasized how caps interact with long-term gains and how Spain’s minimum payment (20% of uncapped wealth tax) functions as a floor. Observed behavioral responses to capping mechanisms include rebasing assets into controlled companies, loan structures secured on company assets to produce cash without income, and deferral products.

2.2.9. Liquidity and minority shareholders

It was noted that because wealth taxes are not cash-flow-aligned, companies with high valuations but low income face sustained liquidity strain for their shareholders. Deferred payment options in those cases soften but do not remove burdens. Majority shareholders can “starve” minority holders of dividends, forcing sales to meet tax obligations, particularly problematic where majority shareholders are non-residents. A design alternative would be to shift the tax subject to the corporation, eliminating shareholder liquidity issues and potentially reducing total burden by removing a dividend tax layer, albeit changing tax incidence and competitiveness dynamics.

2.3. Topic 3: Legal Challenges at Constitutional, Treaty, and EU Law Levels

The panel surveyed constitutional constraints on property rights and equality, treaty coordination and double non-taxation risks, and EU law implications for free movement and non-discrimination.

2.3.1. Constitutional issues

The panel addressed various constitutional issues in different jurisdictions. Accordingly, it was noted that German jurisprudence historically required that wealth taxation not impinge upon the substance of assets and that the combined wealth and income burden not significantly exceed a normative yield, with equality demanding consistent valuation across asset classes taxed at the same rate. Swiss case law similarly protects against breaching the substance of wealth or impeding capital formation. ECHR challenges have not succeeded in striking down wealth taxes, as illustrated by French case law. Equality concerns persist where capping is absent or where liquidity disparities undermine horizontal equity. On federal allocation, Spain's re-centralization of a wealth-type levy was upheld; in Colombia, courts clarified that municipalities' exclusive real estate taxing power does not preclude a national wealth tax on net worth that includes real estate.

2.3.2. Treaty issues

The Panel addressed the approaches in the OECD and UN Models on wealth taxes; the OECD Model allocates primary taxing rights to residence with exceptions, while the UN Model is less prescriptive. Panellists noted protocol clauses conditioning relief on both states levying wealth taxes, which can neutralize relief when a party repeals its levy. Several court decisions were raised during the seminar: the Andean Court confirmed that exemption relief does not require proof of foreign payment, prioritizing allocation over collection and tolerating double non-taxation if the state with taxing rights abstains. Characterization mismatches and subject-to-tax clauses are practical flashpoints: French jurisprudence assimilated shares in French real estate partnerships to real estate for treaty purposes, enabling French wealth tax on Luxembourg taxpayers; conversely, a Swiss Supreme Court decision required proof of French taxation to grant Swiss exemption, complicating cases where French assets are exempt, as professional assets.

2.3.3. EU law issues

The panel addressed that free movement constraints challenge resident-only reliefs. Spain's restriction on capping residents has been referred to the Supreme Court for assessment under the free movement of capital. A Schumacher-type solution was discussed—extending certain resident reliefs to non-residents lacking comparable home-state relief—though implementation is difficult where residence states levy no wealth tax.

3. Conclusions and Key Takeaways

The panel concluded that the debate on wealth taxation is not about a single instrument but about coherent architecture across multiple design choices. Where countries pursue wealth taxation—whether comprehensive or asset-specific—durability hinges on clear nexus and attribution rules, practicable valuation for illiquid assets, rates that consider interactions with dividend taxation, and capping mechanisms that avert confiscatory or horizontally inequitable outcomes. Liquidity is a first-order constraint; without credible solutions, the burden can distort ownership, financing, and listing decisions and can pressure minority shareholders. The existence of wealth taxes as a trigger for taxpayer exodus was widely discussed.

It was further noted that comparative experience suggests that sub-national wealth taxes invite tax competition and arbitrage absent coordination. Entity-level rules, trust attribution, and cross-border characterization can materially alter the base, creating litigation risk. EU free-movement constraints may require extending certain reliefs to non-residents to maintain compatibility.

The panel addressed that policymakers considering net wealth taxes or minimum effective taxation of ultra-high-net-worth individuals should prioritize administrability and legal certainty: define the base and nexus with precision; adopt pragmatic valuation methods for non-listed assets; incorporate caps with targeted floors and anti-avoidance rules tailored to common restructuring responses. For practitioners, the seminar underscored the importance of monitoring constitutional jurisprudence, EU constraints on discrimination, and evolving treaty practices. Ultimately, the success of any wealth-focused regime will turn less on headline rates than on the coherence of detailed rules and the credibility of their interaction with constitutional norms and the cross-border tax order.