

ECONOMY AND FINANCE

TAXING BILLIONAIRES FAIRLY

A German perspective on the Brazilian G20 proposal for a globally coordinated tax on ultra-high-net-worth individuals

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September 2024



During its G20 presidency, Brazil forwarded a proposal for a globally coordinated minimum tax on the ultra-wealthy. Depending on how it is designed, the estimated additional revenue from such a tax would amount to between 242 billion and 377 billion US dollars worldwide or even more.



The authors analyse possibilities of implementing various options in Germany and conclude that the introduction of such a tax would not pose any legal problems. According to their estimates, the tax would generate revenue in an amount between 11 and 28 billion euros and only affect around 250 to 5,000 households. Collection costs would be commensurately low.



The necessary valuation bases and measures to prevent tax evasion are already largely in place in Germany. Nevertheless, Germany would benefit from an improved exchange of data and an expansion of taxation rights previously constrained by double taxation treaties, but above all from European and international initiatives.

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SUMMARY

On behalf of the Brazilian G20 presidency, economist Gabriel Zucman put forward a proposal for a globally coordinated minimum tax on ultra-high-net-worth individuals in June 2024. According to his estimates, a two per cent tax on their wealth, taking into account their previous tax payments, would be equivalent to a tax rate of around 50 per cent on their income. In most countries, it would therefore ensure that the super-rich pay tax and contribution rates similar to the middle class and that wealth accumulation would be taxed similar to wealth earned through labour.

Taking into account the billionaires included on the Forbes list alone, this would generate an additional 242 billion US dollars in revenue worldwide. With a threshold of 100 million, the figure would even climb to 377 billion. If implemented in a resolute and consistent manner, actual revenue would probably be significantly higher.

Such a tax would also ensure greater tax justice in Germany. It would be unproblematic in legal terms. According to our estimates, it would yield a revenue of between 11 and 28 billion euros and, depending on its design only encompass around 250 to 5,000 households. Costs of collection would be commensurately low. The necessary assessment bases and measures aimed at preventing tax evasion are already largely in place in Germany. Nonetheless, Germany would benefit from an improved exchange of data and an expansion of taxing rights that are currently constrained by double taxation treaties, but above all it would benefit from European and international initiatives.

1

THE PROBLEM: HIGH DEGREE OF WEALTH INEQUALITY AND TAX PRIVILEGES BENEFITTING WEALTH ACCUMULATION

Under pressure from lobby organisations and tax havens, many countries have been undercutting each other in recent decades, instituting tax cuts for the super-rich and their business enterprises. As a result, super-rich company owners pay lower taxes than their employees in many countries (EU-Tax Observatory, 2023). From a tax perspective, it is cheaper to accumulate wealth than earn it. Because large fortunes also generate higher returns, wealth has increasingly concentrated in the hands of the few. Instead of investing in a sustainable future for all, the super-rich are driving the world into ever deepening crises (UNRISD, 2022).

In Germany, wealth is now more unequally distributed than in all but a handful of countries. From a rather equal post-war society, wealth distribution has become increasingly dominated by inheritance. The effective tax rate on wealth accumulated in holding companies of billionaires has declined by more than half over the last thirty years (Jirrmann and Trautvetter, 2024a). It is estimated that public coffers have forfeited almost 400 billion euros since 1997 as a result of the suspended wealth tax alone. This has been compensated for by tax increases shouldered by the many. At the same time, the 100 largest fortunes have surged by 460 billion euros since 2001 (Alka and Trautvetter, 2024). Wealth-related taxes as a percentage of tax revenue has fallen from ten per cent in 1950 to less than one per cent at present (Jirrmann and Trautvetter, 2024b).

Various proposals – ranging from the reintroduction of the suspended wealth tax in Germany to the European citizens' initiative »Tax the rich« and a proposal for an international minimum tax for the super-rich – are seeking to change this.

WEALTHY? RICH? SUPER RICH? ULTRA-RICH? EXCESSIVELY RICH?

According to the Federal Government's Poverty and Wealth Report, people are considered to be rich if they have more than twice the net equivalent income, i.e. more than 4,200 euros per month, or if they have a property income of more than 5,000 euros, or if they have an individual net worth of more than 500,000 euros. This roughly corresponds to the richest ten per cent of the population in terms of income and assets. »wealthy« is probably a more apt term.

Beginning with a net worth of around 1.3 million euros, you belong to the wealthiest one per cent in Germany (Schröder et al., 2020). A return of four per cent on this wealth is then sufficient to produce a monthly income of 4,000 euros. At a return of five per cent, 20 million euros in assets yields an income of one million – without the owners having to work for it. In its wealth report, the Swiss UBS Bank uses the term »ultra-high-net-worth individual« (freely paraphrased to: »ultra-rich«) to describe people with assets of more than 50 million US dollars. At this point at the latest, additional wealth primarily means more power.

2

THE PROPOSED SOLUTION: FAIRER TAXATION OF LARGE NET WORTH

Gabriel Zucman, economist and director of the EU Tax Observatory, was commissioned by the Brazilian G20 presidency to develop a proposal to ensure that the super-rich are taxed fairly (Zucman, 2024). Using data from the USA, France, the Netherlands, Italy, Norway and Sweden, Zucman shows that the super-rich effectively pay lower taxes than the middle class. The reason for this is that they only receive a very small proportion of their income from labour. The majority of their earnings come from corporate profits, dividends, interest, rental income and an increase in the value of their assets. In many countries, however, this property-related income is taxed at a lower rate than labour.

To change this, Zucman is proposing a global minimum tax for the super-rich. His proposal builds on the minimum tax for corporations of 15 per cent agreed by 137 countries in 2021. Zucman proposes using wealth rather than income to serve as the basis for calculating a minimum tax for the super-rich, as this would make it easier for government authorities to collect and more difficult for taxpayers to manipulate.

Based on Forbes data on billionaires worldwide collected since 1980, Zucman estimates their average annual wealth growth rate at 7.5 per cent after inflation. Using the example of France, he demonstrates how a wealth tax of two per cent on top of the taxes currently paid by the super-rich

would contribute to fairer taxation. According to this data, the super-rich in France for the most part only pay corporate taxes, which average 25 per cent. With a return on assets of 7.5 per cent, a two per cent wealth tax would increase the tax rate on investment income by around 27 per cent to total 52 per cent. Under his proposal, additional taxes on investment income could be offset against the wealth tax.

As an alternative to his combination of income and wealth tax, Zucman suggests a presumptive tax on profit (1) and an expanded income tax (2).

- (1) With the presumptive tax on profit, it is not actual income that is taxed, but rather a legally standardised presumptive profit. With a presumptive profit of six per cent, a two per cent wealth tax would be achieved with a tax rate of 33.3 per cent.
- (2) The extended income tax would tax a broad range of »economic« income, including unrealised capital gains. In the »billionaire minimum income tax« proposed by Joe Biden, for example, this would be 25 per cent. With a return of eight per cent, this corresponds to a tax of two per cent on wealth.

In variants (1) and (2) as well, income tax that has already been paid – with the exception of taxes on corporate prof-

Table 1
Minimum tax calculation example

Assets	1,000,000,000
Yield (7.5%)	75,000,000
Corporate tax (25%)	18,750,000
Wealth tax (2%)	20,000,000
Total	38,750,000
Tax rate	51.7%

Source: Estimate of the authors

its – could be deducted. In combination with the minimum 15 per cent tax on corporate profits and a return of 7.5 per cent, this would be commensurate with a minimum tax rate of around 40 per cent. To deal with short-term fluctuations in earnings, the proposal recommends smoothing mechanisms, such as instalment payments. The tax rate would vary accordingly for assets that have significantly higher or lower returns over a longer period.

WEALTH TAX VS. INHERITANCE TAX

Zucman also compares his proposal to an inheritance tax. Assuming a lifetime of 100 years, a 40 per cent tax on the assets passed on to the heirs would, according to him, tally with an annual tax of 0.4 per cent. In Germany, the tax rate for large transfers of wealth within a family is 30 per cent. Most assets are passed on to the next generation at intervals of around 30 years, however. This would be equivalent to an annual tax of one per cent. Just like in many other countries around the world, however, German inheritance and gift tax contains numerous loopholes, which in effect cause the largest transfers to be effectively taxed at less than one per cent instead of 30 per cent (Jirmann 2024). If these loopholes were eliminated and the tax were deferred if need be, allowing payment to be made over longer periods of time, this would roughly speaking have an effect similar to an annual wealth tax, but would not be comparable in terms of the justification for taxation. In any case, it would not suffice to ensure fair taxation.

WHO WOULD BE SUBJECT TO THE TAX AND HOW MUCH REVENUE WOULD IT YIELD?

Depending on how it is designed, Zucman estimates potential global revenue from his minimum tax at between 100 and 688 billion US dollars.

He bases his estimate on data from Forbes magazine. The journalists there count around 2,800 billionaires world-

wide and estimate their total wealth at 14.2 trillion US dollars. Based on the available country studies, Zucman estimates their income tax payments at 0.3 per cent of their wealth. For assets over 100 million US dollars, he extrapolates estimates from the World Inequality Lab (Chancel et al., 2021) and assumes attributable taxes of 1.2 per cent. According to his estimate, tax avoidance and evasion would reduce this income by a maximum of 20 per cent.

WHO IS TO LEVY THE TAX AND WHAT ROLE DOES INTERNATIONAL COORDINATION PLAY?

Similar to the minimum tax for business enterprises, the tax is to be levied at national level. Different implementation options ensure that tax collection can be adapted to respective legal and tax systems. International coordination would above all have three main functions:

- 1. It would reduce the incentive for tax and capital flight.** If other countries also impose higher taxes, a relocation of assets for tax motives is less worthwhile. According to Zucman, small and poorer countries in particular would benefit from this because mobility is usually greater there. A global minimum tax would therefore enable countries to go above and beyond the agreed minimum tax rate. In order to mitigate the effects of tax evasion, Zucman also proposes an exit tax combined with a temporary tax liability in the country of origin for people trying to escape taxation. In order to implement such a tax obligation, the existing international exchange of information on financial accounts for those affected could be supplemented with information from former places of residence.
- 2. It would improve the availability of data.** In order to levy the tax, assets would have to be assigned to the ultimate owners worldwide and their value determined. According to Zucman, this primarily involves corporate assets. Around half of these are listed on the stock exchange and therefore valued. Most of the privately held companies are comparable in size and profitability, so it is a similarly straightforward task to determine their value. Fiscal authorities probably already know who the owners of most large enterprises are. Zucman nevertheless suggests adding information

Table 2
Revenues from a global minimum tax on wealth

	1%	2%	3%
> 1 billion	100	242	384
100 million – 1 billion	0	135	305
Total	100	377	688

Source: Zucman, 2024

on the ultimate owners to the country-by-country reports already exchanged between fiscal authorities and thus also including owners with smaller shares – e.g. up to the threshold of one per cent. Above all, however, declarations of assets by taxpayers and their advisors and the exchange of this data between fiscal authorities would ensure greater transparency. An expansion of the existing exchange of information could also ensure greater transparency in the case of assets such as real estate, art or cryptocurrencies as well as ownership of letterbox companies in shadow financial centres where some of the assets are held.

3. **It would serve as leverage to pressure non-cooperative states.** In addition to the limited tax liability for non-resident individuals, Zucman recommends that countries participating in the minimum tax agreement also tax the super-rich from non-cooperative states. This could be based on their assets in the respective country in question. Real estate is already largely taxed in the country in which it is located and half of German wealth tax was in the past levied at the level of companies based in Germany and therefore also on foreign owners. According to Zucman's proposal, the tax could also be levied on foreign companies that are active or own assets in the country. Above all the many existing bilateral double taxation agreements will determine whether this is possible. The OECD and the UN could further develop their respective standards along these lines and possibly amend existing agreements with a multilateral agreement.

EUROPEAN IMPLEMENTATION?

The European citizens' initiative »Tax the rich« is calling for a European wealth tax.¹ Such a tax would have to be unanimously adopted by the Council of the European Member States. The foundations for this would be Article 115 of the Treaty on the Functioning of the EU, which would allow for such a step if it directly affects the functioning of the internal market. To be successful, the initiative must first collect one million signatures by 9 October 2024. All in all, this is not an easy path to take, but the European agreement on a minimum tax for companies and a tax on windfall profits for oil companies shows that it is possible if the will is there.

¹ For further information on the citizens' initiative »Tax the rich«, see <https://eci.ec.europa.eu/038/public/#/screen/home>.

3

A SUITABLE SOLUTION FOR GERMANY?

Germany is not among the example countries in Zucman's proposal. This is also due to the fact that the data required to calculate effective taxation of the super-rich is lacking here. It is nevertheless possible to analyse whether the proposal could be legally and technically implemented in Germany and would ensure greater tax justice.

THE EFFECTIVE TAX RATE FOR THE SUPER-RICH

Model calculations for concrete examples show that also in Germany, beyond corporate taxes, the super-rich pay hardly any income tax when they accumulate their wealth in holding companies. Typically, approximately 25 to 30 per cent is payable on multi-million and billion-dollar incomes, which is only around half of the regular maximum tax rate of 45 per cent (plus a »solidarity surcharge«² of 47.5 per cent) (Jirrmann and Trautvetter, 2024a).

For average incomes, taxes and social security contributions (including the employer's contribution) add up to between around 43 to 48 per cent. In contrast, corporate profits are only taxed at around 30 per cent, income from real estate companies at only 15 per cent, plus a »solidarity surcharge«. If income is saved in the company or in a holding company, only a maximum of 1.5 per cent tax is added to this (Section 8b of the German Corporate Tax Act (KStG)). Capital gains on real estate, bitcoins or vintage cars are tax-free after a corresponding waiting period and interest income is taxed at a flat rate of just 25 per cent.

SPECIAL LEGAL AND TAX-RELATED ASPECTS

A wealth tax is legally possible and even warranted: The German Basic Law (i.e. the German constitution) expressly allows a wealth tax to be imposed (Article 106 of the Basic Law). In its decision on wealth tax rendered in 1995, the German Constitutional Court merely criticised the unequal valuation of assets, particularly due to the outdated valuation basis for real estate. However, the ruling it handed

down explicitly stated that not only income that has actually accrued, but also income that can normally be realised (so-called presumptive profits) can be taxed.³ A current expert opinion comes to the conclusion that a wealth tax is even necessary from a legal perspective due to the high level of inequality prevailing in Germany (Thiele, 2023).

The creditability of income tax and the proposed rates remove the last legal doubts: In a so-called *obiter dictum* of the Federal Constitutional Court judgement, the presiding judges also went beyond the actual subject matter of the proceedings to comment on what would be an appropriate level of wealth tax. The »50% principle« (*Halbteilungsgrundsatz*) established in this ruling holds that income may not be taxed at a rate higher than 50 per cent overall. This was again reversed in a further decision handed down by the High Court in 2006, however.⁴ Irrespective of this, Zucman's proposal would comply with the »50% principle« in the majority of cases. Incidentally, a wealth tax creditable against personal income tax, corporation tax and trade tax was proposed as far back as 2003 (Jarass and Obermaier, 2003). *There is a German peculiarity applying to the crediting of the tax though:* In the case of partnerships, part of the income tax would have to be excluded from the crediting in order to ensure equal treatment with corporations.

A legal and technical basis for the valuation already exists: An essential prerequisite for levying the tax is a uniform valuation of assets. Zucman proposes simplified valuation methods to this end. The German Valuation Act (*Beurteilungsgesetz*) already contains comprehensive rules governing valuation, especially for inheritances and gifts, including simplified methods that have largely proven their effectiveness in actual practice. The problem of outdated property values has also been largely resolved by the reform of property tax in 2021.

Most of the accompanying measures called for by Zucman already exist: Germany has been levying an exit tax since 1972 and has gradually tightened it since then.

² The "solidarity surcharge" ("Soli" for short) is a supplementary levy to income tax and corporate tax in Germany which was established to finance among other things the costs of German unification.

³ See Federal Constitutional Court (BVerfG) decision of 22 June 1995 – 2 BvL 37/91.

⁴ See Federal Constitutional Court (BVerfG), decision of 18 January 2006 – 2 BvR 2194/99.

The double taxation agreement between Germany and Switzerland already provides for an extended limited tax liability for German residents moving to Switzerland. The question of whether the exit tax possibly violates the European freedom of establishment is still being addressed before the courts, however. A European or global agreement would therefore also be helpful for Germany.

Germany moreover not only takes part in the international exchange of information, but also receives even more extensive information from neighbouring European countries. However, information on real estate assets in Germany and abroad is lacking. There are gaps in information on beneficial owners of domestic and foreign companies and on minority shareholders of large stock corporations. Unlike in the USA, tax liability is not linked to nationality in Germany. This is neither necessary nor is it recommended in Zucman's proposal, however.

DISCRIMINATION AGAINST BILLIONAIRES?

A tax on billionaires would hit a few hundred people in Germany. Does this possibly violate the principle of equality (laid down in Article 3 (1) of the Basic Law)? It follows from the general principle of equality that essentially equal things are to be treated equally (horizontal tax justice) and essentially unequal things are to be treated unequally (vertical tax justice). In the area of tax law, the legislator generally has wide-ranging discretion, but it must base its decision on the principle of financial capacity and justify unequal treatment appropriately (prohibition of arbitrariness). It is questionable whether there is sufficient justification as to why the group of billionaires in particular should be subject to an additional tax, while people with fewer assets – such as multimillionaires – who also benefit from special regulations for capital income, are not. A significantly lower threshold would therefore be advisable. To this end, it should be examined more closely at what level of wealth high economic incomes are typically generated that are not currently subject to tax.

important key figures for Germany, but his assumptions differ from Zucman's. Based on the combination of both sources and other data, we estimate that a two per cent wealth tax could raise around 15 to 30 billion euros per year, depending on assumptions about wealth and the design of the tax.

The actual revenue depends above all on the level of assets and the threshold applied (billionaires or centimillionaires). If the exemption threshold proposed by Zucman is replaced by a tax-free allowance – i.e. the first hundred million or billion are tax-free – revenue would be 3 to 6 billion euros lower. (See Appendix 1 for details)

The extent to which the wealth rankings on which Zucman's estimates are based correctly reflect the place of tax liability is unclear. Our analyses show, however, that it is very likely that only a relatively small proportion of the wealth recorded in the German wealth rankings would not be taxable in Germany (Alka and Trautvetter, 2024); conversely, some assets of foreign taxpayers in Germany might be taxable here. Zucman estimates a range of up to 20 per cent for tax evasion. In view of the fact that hidden, previously untaxed assets are also likely to be insufficiently reflected in the wealth rankings, this would appear to be a conservative calculation.

A 1989 study regularly cited by opponents of a wealth tax estimates the administrative and compliance costs of the old wealth tax at around 32 per cent. The *Land* government of North Rhine-Westphalia puts the administrative costs in 1993 at just 5.5 per cent of tax revenue. The collection costs of the tax depend largely on the number of taxpayers and the level of the tax rate, however. In the case of the wealth tax levied up until 1996, a low tax-free allowance of only 120,000 deutschmarks meant that there were around one million taxpayers. A more recent estimate by the German Institute for Economic Research assuming a tax-free allowance of 1 to 2 million euros (150,000 to 4,350,000 taxpayers, depending on the design) and a tax rate of 1 to 1.5 per cent (revenue of 15 to 24 billion euros) expects collection costs of 4 to 8 per cent. The costs of a wealth tax would therefore be at a level similar to those for income and corporate taxes (Bach and Thiemann, 2016). With the minimum tax proposed by Zucman, the number of taxpayers would fall to around 5,000 or even merely 250, depending on the threshold, with a similarly high tax revenue.

TAX REVENUE AND COSTS OF COLLECTION

No reliable scientific estimates of the revenue derived from the tax proposed by Zucman are available yet. Zucman does not break down his estimate of revenue from the tax by country and only makes a very rough estimate of global revenue. An estimate by Stefan Bach⁵ does contain some

⁵ Cf. <https://x.com/SBachTax/status/1811288048384012601> (accessed on 22 August 2024).

4

POLICY RECOMMENDATIONS AND THE G20 PROCESS GOING FORWARD

The widening gulf between a small, super-rich section of the population and all other population groups threatens not only social cohesion, but also the very foundations of democracy. The proposed tax would ensure greater tax justice and at least curb the growth of wealth concentration and billionaires' fortunes.

For Germany, the implementation of a **two per cent wealth tax** with the possibility of offsetting personal income tax already paid is a sensible and legally unproblematic solution. This could restore the progressive nature of taxation on especially high incomes. This tax could generate considerable revenue without causing disproportionately high collection costs. The tax-free allowance or threshold needs to be empirically analysed and well justified. Alternatively, reforms to the taxation of retained earnings and real estate could be considered.

A European wealth tax faces significant legal and political obstacles. But the past teaches us: Where there's a will, there's a way. The efforts of the European citizens' initiative are a further indication of shifting global sentiment.

The **G20 finance ministers** last discussed the Brazilian initiative on fair taxation of ultra-high-net-worth individuals and Zucman's proposal on 25 July 2024. Although their joint declaration on international tax cooperation mentions the initiative, it does not provide for any specific mandate for the OECD.⁶ Instead, it contends that cooperation should focus primarily on combating tax evasion and be performed in a more resolute manner to prevent aggressive tax avoidance, while strengthening compliance with national rules and supporting national reform efforts. Germany has also positioned itself along these lines in negotiations on an international tax convention at UN level. The focus here should be on improving the exchange of data and the further refinement of double taxation treaties. First and foremost, we recommend that governments and

scholarly research should no longer leave it to journalists and wealth advisors to research and document billion-dollar assets and analyse their taxation, and should instead collect and publish their own reliable data. With his analyses, Zucman, the EU Tax Observatory and the World Inequality Lab have ventured an important initial step in this direction.

⁶ Cf. The Rio de Janeiro G20 Ministerial Declaration on International Tax Cooperation (<https://www.oecd.org/en/about/news/press-releases/2024/07/statement-by-the-oecd-secretary-general-g20-tax-declaration.html#:~:text=and%20Profit%20Shifting,-,The%20Rio%20de%20Janeiro%20G20%20Ministerial%20Declaration%20on%20International%20Tax,on%20Transparency%20and%20Exchange%20of>, accessed 22 August 2024)

APPENDIX 1

DETAILS REGARDING THE REVENUE ESTIMATE

According to our estimates, a two per cent wealth tax could raise between 11 and 28 billion euros per year in Germany, depending on assumptions regarding net worth and the design. The main factors determining the amount of revenue are:

- **The value of wealth:** According to Forbes, there are 133 billionaires in Germany with assets totalling 647 billion US dollars. Our analysis based on Manager Magazin's list of the rich shows that there are at least 255 billionaire households. According to our analysis, however, their wealth is underestimated by 50 to 100 per cent in Manager Magazin (Jirrmann and Trautvetter, 2023). The value of billionaire fortunes is therefore likely to be between 600 and 1,200 billion euros. The estimated value of German business assets as the main foundation for estimating large fortunes ranges between 1.5 trillion euros (official statistics based on household surveys) and 4 trillion euros (Giovannazzi and Victor, 2024). Which value is ultimately more realistic also depends on how the tax is designed. Although the German Valuation Act (*Bewertungsgesetz*) is based on market value, it provides for generous discounts for disposal and settlement restrictions, for example (Section 13a (9) German Inheritance Tax (ErbStG)).
- **Threshold or tax-free allowance:** Zucman recommends threshold, i.e. people with assets above this limit pay tax on their entire wealth. Assuming a tax-free allowance – as with the German wealth tax in the past – 250 billion euros would be tax-free for 250 billionaires.
- **Creditable income taxes:** Based on the tax data available from the example countries, Zucman estimates that billionaires currently pay around 0.3 per cent tax on their wealth and centi-millionaires around 1.2 per cent. There is no comparable data on income tax payments by the super-rich in Germany.
- **Level of the threshold:** Zucman estimates the number of centimillionaires for Europe at 8,290 (Wealth Tax Simulator, 2024), but does not publish his own estimates of the number of centimillionaires and their wealth for Germany. According to his estimate, the wealth of centimillionaires worldwide is just above that of billionaires. Estimates by the Boston Consulting

Table 3
Revenue estimate of a two per cent wealth tax

	Minimum	Maximum	Comment
2% of the wealth of billionaires	12	18	Minimum based on Forbes/Manager magazine; maximum with 50% undervaluation
Tax-free allowance instead of threshold	–3	–6	150 to 300 billionaires
Creditable taxes	–2	–3	Zucman estimates the share at 0.3% of assets
2% of the wealth of centimillionaires	20	40	Stefan Bach estimates the assets at 1,527 billion euros
Tax-free allowance instead of threshold	–3	–6	3,000 to 6,000 centimillionaires, including reduced allowance for billionaires
Creditable taxes	–13	–26	Zucman estimates the share at 1.2% of assets
Total (exemption limit)	17	28	(Zucman proposal)
Total (tax-free amount)	11	16	(German wealth tax)

Source: Authors' calculation

Group indicate that there are around 3,300 people in Germany with net financial assets of more than 100 million US dollars (BCG, 2024). In contrast, Stefan Bach⁷ estimates the number of centimillionaires in Germany at 4,664 and their assets at 1,527 billion euros, but infers this figure from the incomplete household surveys and the underestimated billionaire assets in Manager Magazin. The value of the assets is therefore likely to lie between 1,000 and 2,000 billion euros, but possibly even higher.

- **Place of tax liability:** The journalistic wealth rankings combine information on place of birth, nationality and place of residence, but not on the place of tax liability. In order to assess where assets are taxable, detailed information on the structure of the assets would be needed and assumptions would have to be made about the design of taxation. The right to tax foreign real estate, for example, is assigned to the foreign state in many double taxation agreements; conversely, German wealth tax in the past also covered companies based in Germany that were owned by foreign taxpayers. Our analyses reveal that a large proportion of the billionaire assets are likely to be taxable in Germany (Alka and Trautvetter, 2024).
- **Tax avoidance and evasion:** Zucman assumes a loss of revenue of up to 20 per cent due to evasion. However, it is questionable whether anonymous and unrecognised foreign assets are not already missing in existing estimates of assets.

⁷ Cf. <https://x.com/SBachTax/status/1811288048384012601> (accessed on 22 August 2024).

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IMPRINT

Published by:
Friedrich-Ebert-Stiftung e. V.
Godesberger Allee 149 | 53175 Bonn | Germany
Email: info@fes.de

Issuing Department:
Division for International Cooperation /
Global and European Policy
<https://www.fes.de/referat-globale-und-europaeische-politik>

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Design: pertext, Berlin | www.pertext.de
Illustrations: edeos – digital communication GmbH

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ISBN 978-3-98628-603-3

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TAXING BILLIONAIRES FAIRLY

A German perspective on the Brazilian G20 proposal for a globally coordinated tax on ultra-high-net-worth individuals



Economist Gabriel Zucman was commissioned by the Brazilian G20 presidency to submit a proposal for a globally coordinated minimum tax on ultra-high-net-worth individuals in June 2024. According to his calculations, a two per cent tax on the wealth of the super-rich, taking into account their previous tax payments, would correspond to a tax rate of around 50 per cent on their income. In most countries, it would therefore ensure that the super-rich pay tax and contribution rates similar to the middle class, and it would tax wealth accumulation in a manner similar to wealth accumulation through labour.



Of the billionaires included on the Forbes list alone, such a tax would generate an additional 242 billion US dollars in revenue worldwide. With an exemption limit of 100 million, this figure would even rise to 377 billion. If resolutely implemented, actual revenue is likely to be significantly higher.



The authors analyse implementation options in Germany and come to the conclusion that such a tax would also ensure greater tax justice here. Nor would it be legally problematic in their view. They estimate that it would generate revenue of between 11 and 28 billion euros, depending on how the tax is designed, and would only affect around 250 to 5,000 households. Given this, collection costs would be correspondingly low. The authors note that the necessary assessment bases and measures aimed at preventing tax evasion are already largely in place in Germany. Nevertheless, they believe that Germany would benefit from an improved exchange of data and an expansion of taxation rights that are currently constrained by double taxation treaties, but it would above all benefit from European and international initiatives.

Further information on the topic can be found here:

<https://www.fes.de/themenportal-die-welt-gerecht-gestalten/weltwirtschaft-und-unternehmensverantwortung/steuergerechtigkeit>

