Tax planning and inequality

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Tax planning and inequality

• To what extent?
  – Scandinavia 1.6 % of wealth held in tax havens (3.3% world)
  – The wealthiest that evade taxes, top 0.01% evades 25-30% of their taxes
  – Are the measures overestimated? Lower taxes => capital growth

• Inequality - increased?
  – What is relevant? – amount of capital (stock) or income (return) to capital?

• What caused the increase?
  – Property and stock returns – linked to ownership and low interest rate
  – Wealth not realized, could very easily vanish
Revenue from wealth taxes as share of GDP

Källa: OECD Revenue Statistics
Gini-coefficients

Gini系数

分配收入

财产

来源：Lundberg and Waldenström (2017).
Capital share

Tax planning and inequality – what to do?

• The very wealthy that evades – this group also the most sensitive to taxes. Should, according to optimal taxation, face lower tax rates

• Increase exchange of information
  – To be effective all nations need to participate and enforce rules
  – At a cost of large administration costs (e.g., FATCA)

• Optimal punishment – “hanging taxpayers with probability zero”
Tax planning

- BEPS among MNEs: €50-70 billion in EU
- VAT-tax gap: 12% (€151 billion) of VAT revenues in EU27 are lost due to fraud, evasion and avoidance
- Cost benefit analysis
  - Capital mobility desirable
  - Tax planning undesirable

Weigh the costs against the benefits?
Figure 5: Gini coefficients of some assets and debts.

a) Gini coefficients

Källa: Lundberg och Waldenström 2017