A Wealth Tax on Corporations' Stock

Gabriel Zucman (UC Berkeley)
Emmanuel Saez (UC Berkeley)

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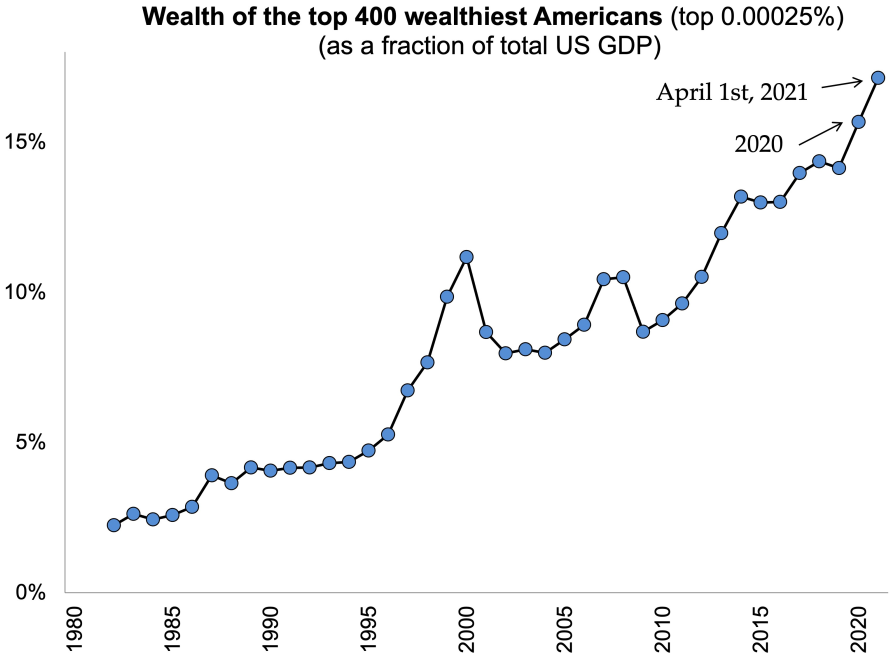
Our proposal

- Robust discussion about sharing of Covid-19 costs: wealth tax, income tax, debt renegotiation, etc.
- This paper proposes a new instrument: a wealth tax on corporations' stock
- Each year listes companies would pay 0.2% of their year-end market value in taxes
- Tax could be easily collected by securities commission in each G20 country

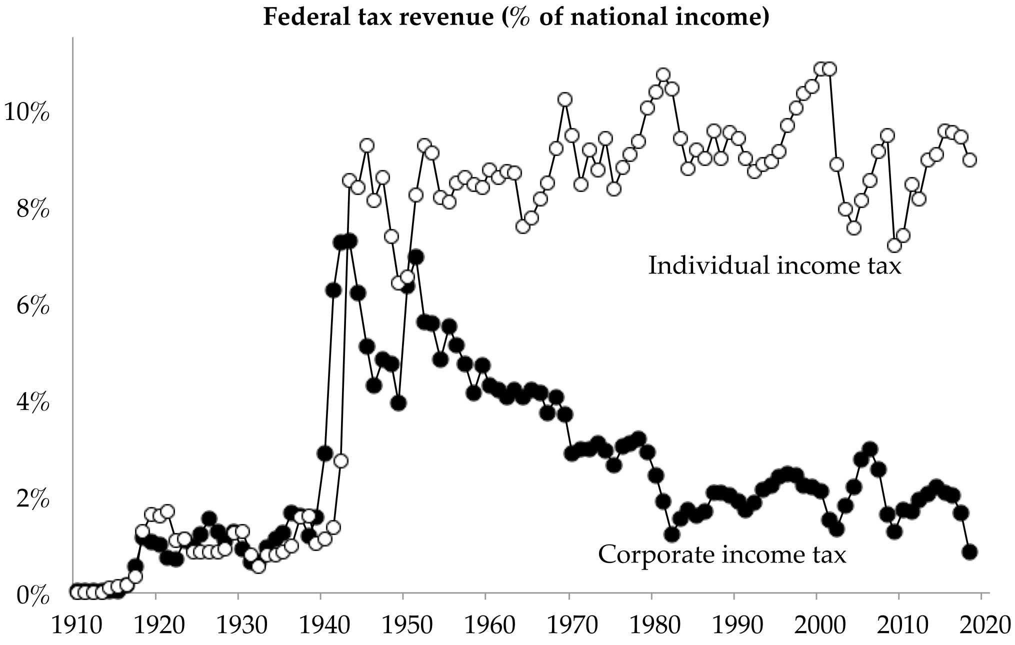
Motivation

- $\triangleright$ Rising top-end wealth concentration and business concentration
- $\triangleright$ Reinforced by Covid-19 pandemic
- $\triangleright$ Declining taxation of corporate profits $\rightarrow$ undermines sustainability of globalization

The rise of billionaire wealth relative to the size of the economy



The collapse of corporate income taxes



Economic effects

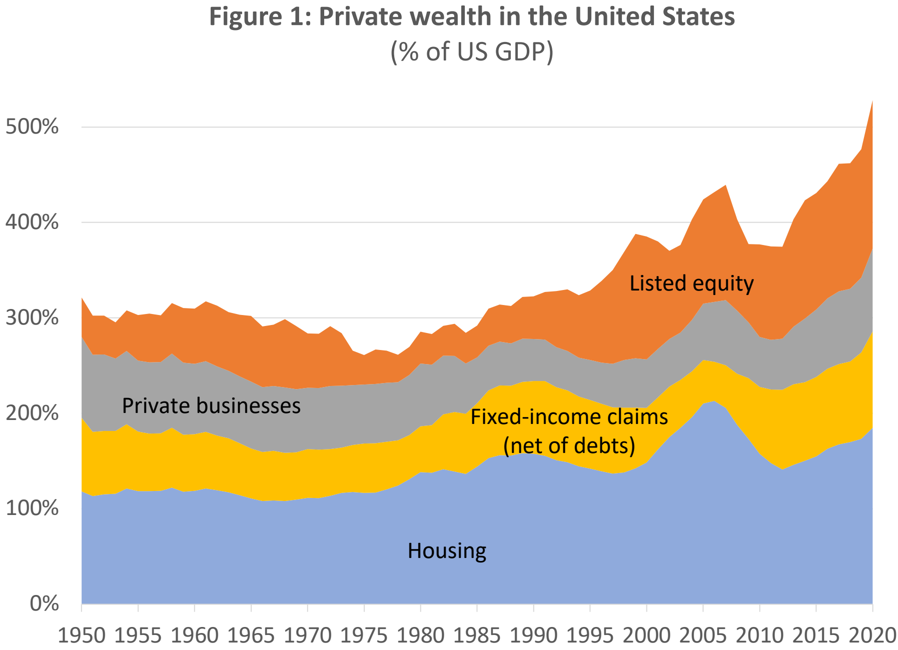
What would taxing listed corporations' stock at 0.2% a year do?

- ▷ Reduces rate of return on listed equity by 0.2% (capitalizes into $\approx$ 5% stock price decline)
- ▷ Creates incentives to remain private $\rightarrow$ large private businesses could be asked to pay tax in kind
- ▷ No effect on liquidity or business operations (firms can always create shares)

Tax Revenue

- Market capitalization: 50%–150% of GDP in G20 countries
- Tax revenue: about 0.1%–0.3% of G20 countries' GDP (0.2% overall, around $180 billion)
- Similar in size to lost revenue due to corporate profit shifting to tax havens (e.g., OECD 2018; Torslov et al., 2020)

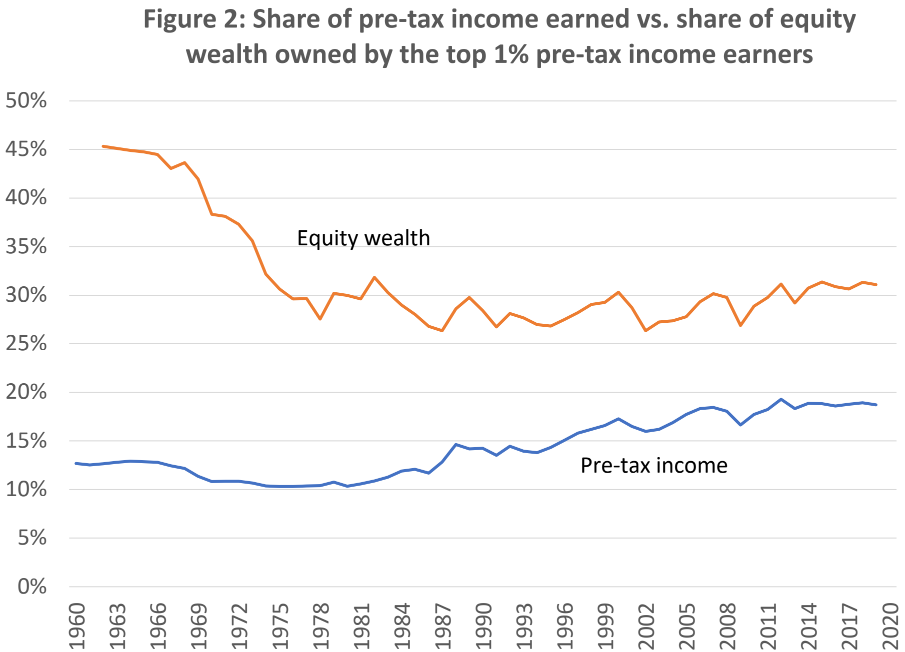
Tax base: the market value of listed equities



Progressivity

- Equity ownership highly concentrated, even after factoring in stock ownership through broad-based pension funds
- Much more concentrated than housing (= the main form of wealth currently taxed)
- Tax we propose would increase progressivity of current tax systems
- But less progressive than a well-enforced progressive individual wealth tax

The concentration of listed equity wealth in the US



International cooperation

- Ideal situation: all G20 jointly implement this tax
- Simpler than fixing the corporate income tax!
- Revenue could go to each G20 country, apportioned globally (e.g., based on population) or fund global public goods
- Single-country solution also possible by apportioning market capitalization (e.g., based on sales)