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Wealth Tax Commission

Delivering a wealth tax: the role of government

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DELIVERING A WEALTH TAX: THE ROLE OF GOVERNMENT

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Abstract

Introducing a tax on net wealth would be a substantial reform of the UK tax system – far more extensive than anything that has been attempted in recent years. It will be for a Chancellor and Prime Minister to decide if they want to introduce a tax of this sort. But they will rely on the support of civil servants to weigh up their options, design a tax that achieves their objectives and implement it effectively. This paper sets out the role of officials – particularly in the Treasury and HM Revenue and Customs – in helping ministers in this way. We show that it could take over four years to rigorously consider the options, build public support and effectively legislate for and implement a new net wealth tax. However, such a long timescale may not be consistent with the UK's five-year electoral cycles, under which governments find it easier to pass major tax reforms early in the parliament. Ministers could seek to expedite the process but there would be risks in doing so, particularly if the tax were to affect a relatively large proportion of the population and if the government had no existing mandate for this reform.

1. Introduction

Ultimately, ministers decide what tax policies to adopt and when. However, civil servants play a crucial role in facilitating this – providing ministers with advice and implementing their decisions. The role of civil servants is to provide ministers with the analysis they need to understand the implications of the options they face – from the amount of revenue that would be raised and who would pay, to how the tax would be collected and what measures may be needed to minimise avoidance and evasion – and to guide a new tax policy from conception to implementation.

This paper examines what the role of civil servants – in particular, those in HM Treasury and HM Revenue and Customs (HMRC) – would be in designing and implementing a net wealth tax in the UK. Most of the paper looks at what would be required to introduce an annual tax on net wealth; section 6 examines the different requirements for a one-off wealth tax.

Most of the rest of the papers in this volume focus on what a net wealth tax would achieve or how it could be designed and run. However, good tax policymaking starts one step further back – asking what the government's objective is and what (tax and non-tax) options could achieve it (HM Treasury, 2017). We describe the activities that civil servants would need to undertake, what expertise would be needed and how long is likely to be required at each stage. However, as ministers will ultimately dictate the timetable, we also set out the ways in which these processes could be expedited, the risks in doing so and how those might be mitigated.

2. Ministers' and civil servants' roles in tax policymaking

The starting point for any tax reform, especially a radical one, must be strong support from ministers – particularly, the Chancellor and the Prime Minister. The lack of support from then chancellor Nigel Lawson for the community charge (colloquially known as the poll tax) was, for example, one of the factors that led to the failure of that policy, including because he failed to make the necessary transitional funding available to smooth its introduction. But strong ministerial backing is not sufficient to ensure a tax is a success. The last time a government tried to introduce a wealth tax in the UK was in 1974, when Labour chancellor Denis Healey attempted to implement a pledge made by his party in opposition. As Glennerster (2012) highlights, that experience illustrated how an idea with strong political backing from a government with an electoral mandate for the change can nonetheless founder in the face of practical difficulties and mistakes in sequencing and process.

Good tax policy is well-designed and effectively implemented; it must also be politically feasible and sustainable. Healey reflected that: 'We had committed ourselves to a Wealth Tax: but in five years I found it impossible to draft one which would yield enough revenue to be worth the administrative cost and political hassle'.[1] Similar barriers were experienced in the introduction of capital gains tax in 1965. The government did not have a clear enough idea of the implications of the policy choices, which led to delay in providing instructions to parliamentary counsel and the creation of a tax 'few people pretend that they can understand…sufficiently to advise with any confidence'. Many gaps, anomalies and mistakes had to be dealt with in subsequent Finance Acts.[2]

The Treasury laid out a timetable in December 2017, detailing a process that was intended to support good tax policymaking – allowing time to consider alternative options, seek external input and ensure draft legislation is published and consulted on before any tax liabilities are incurred. This timetable (shown in Figure 1) suggests it should take a little over two years from the point at which a policy idea is first floated to its introduction. In practice, many tax changes do not follow this process and are pushed through more quickly – typically because the government chooses to skip the initial phase of consultation and/or to implement the tax before the legislation has been passed in a Finance Bill.

There are arguments in favour of moving quickly. In particular, governments typically have only a short window after an election to pass major tax changes to ensure that the pain of the change has faded and the benefits become evident before the next election. Nigel Lawson recalled in his memoirs: 'The first budget of a new government is the greatest opportunity a chancellor has to introduce sweeping changes…the next best thing is the first budget after an election in which the government has been renewed in office.[3] There are also arguments in favour of limiting external engagement on the design of taxes like a net wealth tax, as repeated lobbying from special interest groups could end up undermining the core objectives of the tax. One of the problems encountered in the 1970s attempt at a wealth tax was the difficulties caused by consultation in a House of Commons select committee (Glennerster, 2012), which gave critics a platform to air their concerns and to propose changes to the way the tax operated.

[1] Healey (1989), p.404
[2] Stopforth (2005), p.16
[3] Lawson (1992), p. 332

FIGURE 1: THE BUDGET TIMETABLE

Year 1	Spring	Initial consultation launched at Spring Statement
	Summer	
	Autumn	Measure announced at Budget
	Winter	Consult on policy proposals
Year 2	Spring	
	Summer	Draft clauses published
	Autumn	Final announcement in Budget
	Winter	Introduce legislation for new tax in Finance Bill
Year 3	Spring	Finance Bill receives Royal Assent
		Tax starts to be levied in April

Source: HM Treasury (2017)

However, there are also risks in moving too quickly and restricting external discussion – and these risks could be substantial in the case of a net wealth tax because it would be a new departure for the UK tax system, with numerous complex design and implementation issues. It could, therefore, take longer than two years to design and implement an effective, politically sustainable, tax on net wealth. The risks of moving too quickly would likely be smaller if the tax only affected a small group of the very wealthiest individuals, rather than being more broadly based. However, if a government wished to introduce a net wealth tax that would be paid by many people, rushing this process could result in several potential problems:

- The government may not be able to pass the legislation if the public strongly dislike it and if MPs on the government side do not feel obliged to support it – as Chancellor Philip Hammond found in 2017 when he attempted to increase National Insurance contributions (NICs) for the self-employed but quickly U-turned in the face of backbench opposition. Reform of the tax system is generally more contentious than reform of other areas of policy. As Brazier and Ram (2006) said, 'it is an article of political faith that very few issues concern the electorate as much as the amount of money taken from them in taxation'.

- Rushing through a new net wealth tax could mean it ends up not having the intended effect – for example, the capital gains tax introduced in 1965 had numerous errors and inconsistencies.

- Legislating too quickly and without proper consultation could also result in unintended opportunities for tax avoidance that reduce revenues.

- Rushed implementation could lead to practical problems – such as the problems with poorly designed tax returns that plagued the early days of the Annual Tax on Enveloped Dwellings (ATED). While those issues did not fundamentally undermine ATED, similar issues could be more damaging to a net wealth tax if such a tax were to affect many more people and therefore be more politically salient.

All of these problems could undermine a net wealth tax from the outset. If that were to happen and lead to the policy being shelved, it would close off this policy space for a long time. Any government considering implementing a net wealth tax is likely, therefore, to face two difficult choices:

(1) There will be a difficult choice between allowing time to explore all the options, hone a design and develop assessment and collection methods that achieve the government's

objectives versus pushing the reform through quickly to ensure it is bedded in well before the next election.

(2) There will be a difficult decision about how much to engage and consult externally as the tax is being designed. In order to pass the legislation and ensure it sustains, ministers will have to build public understanding of the need for such a tax and what it is intended to achieve; the complexity of taxing wealth holdings also means that civil servants and ministers are likely to need to consult tax experts to understand the full implications of different policy designs. But extensive public consultation creates greater opportunities for lobbying by special interest groups and for the policy to be watered down to such an extent that it raises very little money or has so many exemptions as to make it unsustainable.[4]

Civil servants cannot devote time to working up policy ideas in which ministers have shown no interest. No UK chancellor since Healey has suggested he might be interested in adopting a net wealth tax. Most recently, prime minister Boris Johnson attacked the opposition Labour party for suggesting that such a policy might be desirable – saying the party had a 'new Labour leader, same old policies'.[5] As a result, though Treasury and HMRC officials will be aware of the work that has been done on this topic outside government (including as part of this wider project), they will not do the necessary work internally until a government first indicates it is interested in the idea.

External analysis and proposals (like the papers in this volume) can provide helpful pointers and could inform some of the first conversations between ministers and civil servants, reducing some of the work that civil servants will need to do. But they are not a substitute for all the internal work that ministers will use to make their final decisions, especially not for a complicated policy like a net wealth tax. As many of the other papers in this volume make clear, there are important decisions that would need to be made – such as whether a net wealth tax is the best way to achieve the government's objectives, what assets to tax (if a net wealth tax is decided on), how (and how frequently) to value assets, and when and how the tax should be paid. Time and effort would also need to be expended in setting up the systems and infrastructure to assess and collect the tax owed. Therefore, a considerable amount of work would be left to do by ministers and civil servants to turn this idea into reality.

[4] Perret, (2020)
[5] Amos (2020)

3. From ministerial objective to final policy design

Designing tax changes – particularly a potential major new tax on net wealth – is difficult because it requires repeated iteration between (potentially highly charged) political objectives and deeply technical details of the sort outlined in other papers in this volume. It falls to civil servants in the Treasury and HMRC to navigate this terrain and support ministers in identifying and implementing their preferred policy.

There are broadly three stages to designing tax policies. The so-called tax policy partnership between the Treasury and HMRC is designed to ensure that officials from both departments are involved in all stages of the process, although the balance of input will be different at each stage. The first stage is to examine alternative ways in which the government's objective could be achieved. Once the preferred option has been identified, the second stage is to do the detailed policy design and develop a framework for implementation. Once the design details have been agreed, parliamentary draftsmen must turn the proposal into legislation. In this section, we examine what would be required in the first two stages. Section 4 examines the process of turning the policy into legislation and section 5 examines what would be required to implement a net wealth tax. Although we discuss these issues separately, legislative and implementation considerations should and would play an important part in informing the policy design.

Figure 2 sets out how long it would be likely to take to go through the various stages of policy development. This shows both a 'comprehensive' timetable, which would allow time to fully work up and consult on the options, and a 'shortest possible' timeline, which could be followed if ministers wanted to expedite the introduction of the tax. We discuss below the attractions and risks of doing the latter.

There are around 200 staff working on tax policy in the Treasury – most divided into policy teams dealing with subsets of existing taxes – and around 1,000 people in HMRC who are responsible for policy maintenance. A net wealth tax would interact with many other areas of the tax system and touch on issues covered by several different policy and delivery tax teams within both departments (Summers, 2020). To ensure that appropriate input was received and coordinated from all the relevant teams, the departments would be likely to – and should – establish a cross-departmental project team to oversee this work. This sort of approach was taken in developing the changes to the taxation of off-payroll working (commonly known as IR35), when the departments established a programme team covering policy, compliance and delivery. To aid compliance with existing taxes, HMRC has already brought together the teams responsible for compliance on wealth, ATED, inheritance tax, domicile, pensions and charities. But a new net wealth tax would require an even more substantial joining up of expertise. This approach would help ensure that HMRC perspectives and expertise on implementation are fed into the policy process at an early stage.

Considering options

There are several different reasons why a government might consider a net wealth tax. As Adam and Miller (2020) discuss, there are some economic arguments in favour of having a tax on net wealth to complement other taxes. Summers (2020) notes that future governments might also consider a wealth tax as one option for raising additional revenue; the same argument has been made by Bell and Corlett (2019). Alternatively, a government may consider a net wealth tax for the same reason that the Labour government did in 1974 – to redistribute wealth.[6]

[6] Glennerster (2012). Other organisations – like Tax Justice UK – have also advocated for a wealth tax more recently for similar reasons.

FIGURE 2: POTENTIAL TIMELINE FOR DEVELOPING AND IMPLEMENTING A NET WEALTH TAX

	Stage 1 - considering options		Stage 2 - honing the preferred option		Stage 3 - legislating				Stage 4 - implementation		
	Internal HMRC/HMT work	Early consultation	Internal HMRC/HMT work	Policy and consultation announced	Draft legislation	Publish and consultation on draft legislation	Final decision to legislate	Passing the bill through parliament	Identifying and notifying taxpayers	Designing tax return and software for reporting	Training investigators
Comprehensive time	12 months	4 months	12 months	4 months	12 months	2 months			12 months	12 months	6 months
Possible time	0 months	0 months	8 months	4 months	6-9 months	2 months			6 months	6 months	6 months
Year 1											
Year 2		At Spring Statement									
Year 3				At Budget							
Year 4											
Year 5							Spring Statement				

Depending on the government's objective, a net wealth tax may not be the only way of achieving it – as Summers (2020) describes in more detail. For example, as Adam and Miller (2020) describe, if the objective is to tax the normal return on investments, this could be achieved more effectively by reforming existing taxes on income and capital gains from investments. Doing that could well be easier than trying to introduce a new tax on net wealth.

The first step for civil servants is to understand what ministers are trying to achieve through introducing a net wealth tax. The next step would be to assess what the other options might be and advise ministers on the choices.[7] This would include considering not only individual tax changes but also packages of measures that might be more effective or feasible. For example, it may be easier to introduce a net wealth tax if it replaced an existing (and unpopular) tax like inheritance tax. This is both because it would make drafting the legislation easier (as section 4 sets out) and because it may make it easier to build public support. These stages would be led by the Treasury. As Figure 2 shows, this process could take over a year if the options were considered and consulted on thoroughly.

The bulk of the time in developing most policies is then spent on honing the details of the preferred policy option, with HMRC officials playing an increasingly large role as the details are hammered out. As Figure 2 shows, this would be likely to take between 10 and 16 months. The Treasury's guidance on best practice in tax policymaking suggests this process would follow from consideration and consultation on the options available to achieve the government's objectives. In many cases, however, ministers will be strongly committed to one tax option and bypass the earlier stage. Doing this would expedite the introduction of the tax but risk missing opportunities for identifying better options – for example, ones that raise money more efficiently, have fewer opportunities for avoidance, or attract greater public support and so are more politically sustainable.

To help ministers consider their options, civil servants in the Treasury and HMRC will provide analysis of how much money different options might raise and from whom, how any changes might interact with existing taxes, what practical difficulties there might be in implementing it (for example, in valuing assets or collecting the revenues), and, conversely, what current problems could be eliminated through the reforms. They will also need to understand how a new net wealth tax would interact with existing taxes. HMRC officials – both on the tax policy teams, who have a detailed understanding of how taxes operate in practice, and in the Knowledge, Analysis and Insight (KAI) directorate, who have access to and the skills to analyse household microdata and administrative tax data – would play a substantial role in this stage of the policy development process. Officials would not be able to provide full analysis of all options at the very earliest stages of policy development but would provide increasingly detailed information as ministers narrow down their options and hone the final design.

Chamberlain (2020), Daly and Loutzenhiser (2020), Loutzenhiser and Mann (2020) and Troup, Barnett and Bullock (2020) provide detailed discussions of many of the practical difficulties in taxing net wealth that civil servants may also want to draw to ministers' attention. Taken together, the papers in this volume provide good evidence for civil servants to draw on to help weigh up the costs and benefits of a net wealth tax against similar evidence on alternative options. However, this is not a substitute for all the work that civil servants would need to do. Exactly what further information is needed on a net wealth tax and exactly what other alternatives are considered would depend on the government's objectives.

[7] As Summers (2020) sets out, it is not necessarily easier to change existing taxes. Charging VAT on imputed rent from housing, for example, would require estimating imputed rent and generating an entirely new payment system with many similar design and implementation challenges to those outlined in this paper and in the accompanying papers published as part of the Wealth Tax Commission.

Engaging those outside government

The development of a policy like a net wealth tax could not happen exclusively within government. Officials and ministers would need to discuss the policy with others outside government for at least two reasons: to help build public support for the proposal and to gather expert advice on details of the policy design.

Building public support

A new net wealth tax would be a large-scale reform, particularly if it were accompanied by changes to or the abolition of other taxes, as Summers (2020) suggests could make sense. The government's theoretical cycle for tax policy development – which is summarised in Figure 1 – envisages an early stage of consultation on the options for reform. This 'ensures that stakeholders and the wider public understand the government's objectives; that any policy changes are well targeted; and that the likely impacts are better understood' (HM Treasury, 2017). In this section, we assume that the tax being proposed is broad-based, such that it would include a sufficient number of taxpayers to capture public attention. If the government wanted to introduce a tax that only the very wealthiest individuals paid, it would need to worry less about the handling of public opinion.

Early stage consultation is a process that the Treasury recognises is 'particularly valuable and appropriate where a large-scale reform is under consideration' (HM Treasury, 2017). Rutter et al. (2017) highlight the problems that arise when this phase of consultation is not carried out. They note that failing to consult early on means that the government 'cuts off a potential route to develop wider policy options, build consensus and provide the basis for longer-term, more secure reform'.

The Treasury would normally allow 12 weeks for responses to an early stage consultation. Civil servants would also require time before this to scope out the issues to be consulted on and afterwards to consider the responses.

If the government has no existing mandate for a net wealth tax, building public understanding of the need for change and consensus around the approach would be vital to ensure the proposal could be passed into law and sustained.[8] This is both because strongly adverse public reaction could in itself force ministers to abandon the policy and because even a government with a majority could struggle to pass this legislation if backbench MPs do not feel obligated (for example, by a manifesto commitment) to support it.

Governments have in the past made a variety of tax changes quite quickly, without an electoral mandate and without early stage consultation or efforts to build public acceptance. This has included, for example, the introduction of ATED in 2013, changes to the tax treatment of non-doms in 2008 and changes to the tax treatment of trusts in 2006. However, a net wealth tax would be likely to affect a much wider swathe of people and be more politically salient than any of these examples, meaning there would be greater political danger in trying to rush through such a reform without building public support in advance. Successive governments have, for example, failed since 1991 to implement a revaluation of properties in England for council tax because of public resistance to the impact (or the perceived impact) of doing so. Given the scale of the changes needed to introduce a new net wealth tax, it would be impossible for the government to implement one without any prior public awareness that such a move was being considered.

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[8] For a longer discussion of the difficulties governments face in reforming the tax system and the importance of public understanding and acceptance of the need for change in creating the space for reform, see Tetlow et al. (2020).

As Ed Balls, who served as an adviser to Chancellor Gordon Brown, has argued: 'to make good policy you have to open up the space and you have to move into it'.[9] A formal government consultation could do this, but it is not the only way and it may not be the most effective. If the terms of the consultation were too broad – leaving open, for example, many questions about what assets would be taxed, what the thresholds and rates would be, and how the policy would deal with difficult cases (such as those with high wealth but low income) – it could generate substantial resistance rather than generating constructive discussion.

The media reaction to suggestions that the opposition Labour party in 2019 were considering a land value tax demonstrates how quickly public opinion can be galvanised against an idea if the public does not understand what is being proposed and why. Land value tax attracts widespread support among economists. However, press coverage was damning, with the Daily Mail decrying: 'Labour's garden tax: party unveils new Corbyn cash-grab on your private green space and force the sale of vacant land on the cheap'.[10]

There are several alternative ways the government could try to promote public debate and acceptance of proposals for a net wealth tax, which would be less likely to cause immediate backlash than a formal early stage consultation. The government could try to rely on other organisations – such as think tanks – raising awareness of these issues and creating the space for change. If that had not happened, the Treasury could task the Office of Tax Simplification (OTS) with conducting a relevant study to examine and create discussion of existing problems that ministers wanted to address – to which a net wealth tax might be the answer, although the remit of the OTS would not extend to recommending such a change. Another approach, set out by Tetlow et al. (2020), would be for the government to set up an independent commission to lay out and publicise evidence on existing problems in this area of the tax system and/or the need for additional revenues before laying out options for tax reform. Both these methods could be used to increase public debate of the issues and acceptance of the need for change – opening the space for ministers to announce a new policy. But both would likely take longer to complete than a formal government consultation.

There would be less need for this sort of 'pitch-rolling' if a government had explicitly pledged to introduce a net wealth tax in its manifesto and therefore had an electoral mandate to do so.

Consulting on the detail

As the other Wealth Tax Commission papers make clear, there are a huge range of details that would need to be decided on before a net wealth tax could be legislated for – including the tax base, the unit of assessment, how and when assets would be valued, and how and when taxpayers would have to make their payments. There would be many important trade-offs and choices to be made. For example, excluding owner-occupied housing wealth from the tax may be more palatable to the public – since primary residences are treated favourably in other areas of the tax system – but would significantly reduce the potential tax base and could create greater unwelcome incentives for people to shift wealth into owner-occupied housing.

Ministers will want, and need, to make many of these choices before they open the proposals to consultation. To try to avoid the core objectives of the policy being undermined – for example, by attempts to lobby for the removal of swathes of assets from the tax base – it would be wise for ministers to agree the main details of the policy before consulting, such as the tax base and the approximate rate, as well as how difficult cases (such as those with high wealth but low income) would be dealt with. Doing this would also help to head off unnecessary adverse

[9] Balls (2019)
[10] Martin (2019)

reaction that could occur if people feared wrongly that they were likely to be hit with a large tax bill or if they thought the tax unfairly penalised some taxpayers.

The Treasury's Budget timetable (Fig. 1) suggests that the process of nailing down a more detailed policy design to consult on would normally take up to six months, including the early stage consultation. However, interviewees in both departments suggested a reform of this scale could require more time, as Figure 2 suggests. Ministers could push this through more quickly, but that would risk a worse policy outcome – for example, missing the opportunity to adopt a better option or failing to spot issues that create problems later with implementation or enforcement.

The objective of consultation on the detailed policy design would be to elicit views on specific design questions. Consulting on some of these details would be valuable to ensure that the final policy achieves what the government wants. As Rutter et al. (2017) highlight, potentially unnecessary problems have been created in the past when the government has made what turned out to be crucial design choices without adequate consultation. The Treasury would normally allow at least 12 weeks for people to respond to such a consultation. After that, they would need around two further months to process the responses and amend and finalise the policy design. The Treasury and HMRC rarely skip this stage of consultation when introducing a major tax change. Given the complexity of the issues that arise in introducing a net wealth tax, it would be difficult – and raise substantial risks – if they attempted to do so in this case.

At this stage, contributions would be most valuable from those with detailed knowledge of the likely practical implications of the tax – for example, those with in-depth understanding of the current tax system as it applies to wealth, experience of advising wealthy clients, and organisations who manage and value assets. However, those who are most expert in the tax system are also typically those who make their living from advising clients on how to minimise their tax bills and so may seek to use this opportunity to push for narrowing of the tax base. As Perret (2020) shows, such exemptions can be 'motivated by different rationales, including social concerns (e.g. pension assets, primary residences), liquidity issues (e.g. farm assets), supporting entrepreneurship and investment (e.g. for business assets), avoiding valuation difficulties (e.g. artwork, jewellery, shares in unlisted businesses), and preserving countries' cultural heritage (e.g. artwork, antiques)'. But however persuasive these arguments might be, the narrowness of the tax base has been one of the crucial factors that has undermined – and ultimately led to the repeal of – wealth taxes in other countries (Perret, 2020).

While a formal consultation creates a channel for lobbying by special interest groups, it is not the only way that such organisations and individuals can put pressure on ministers to make concessions. Such groups typically present one-sided cases in the media and lobby ministers and officials hard. The very wealthy have substantial resources at their disposal and are typically well-connected, meaning their views will be given disproportionate weight in the public and private discussion of these proposals to which ministers, other politicians and officials will be exposed – whether or not there is a formal consultation.

To help create a greater balance of input into the policymaking process, Treasury officials may need to adopt more active approaches to elicit a range of responses, either to a formal consultation or informally. Professional tax bodies, tax lawyers and tax accountants respond regularly to tax consultations. But 'organisations whose expertise is in policy design and evaluation – rather than in the taxpayer experience and implementation…rarely if ever respond to tax consultations'.[11] Similarly, the majority of the UK public who might benefit (but only by a small amount each) from the revenues raised by a net wealth tax – depending on its design – would be unlikely to express their views publicly or in response to a consultation. Recent

[11] Tetlow et al. (2020)

consultations run by the Office of Tax Simplification provide a model for a more active approach to consultation to elicit views from a wider swathe of the population.

Gathering the evidence

One crucial role that civil servants – particularly those in HMRC's KAI directorate – would play is to generate evidence on the likely impact of the policy options. This evidence would serve three crucial functions:

(1) It would help ministers to understand what the policy would do: how much revenue would be raised, who would pay the tax, how behaviour might change in response and what could be done to mitigate that.

(2) Similar sorts of evidence could also be used to explain the policy to the public and reassure them about its effects – for example, providing facts on how many people would be affected and what average tax payments were likely to be. For example, the Coalition government's 2014 changes to Stamp Duty Land Tax were carefully designed to ensure that the purchase of 98% of properties would incur less or the same tax as previously, allowing ministers to reassure the public that very few people would be worse off.

(3) Detailed area-by-area analysis could also help ministers to understand how different proposals are likely to affect different constituencies, allowing ministers to provide backbench MPs with precise information on how their constituents are likely to be affected.

To establish how much a net wealth tax might raise, civil servants would first need to use the sort of evidence presented by Advani et al. (2020), who show how much wealth is held in different forms in the UK. In addition, officials would need to gather evidence on how people's behaviour might respond if a new tax were imposed, building on the work of Advani and Tarrant (2020). As Chamberlain (2020) outlines, depending on exactly how the tax was designed, some people may be able to change how they hold their wealth in order to minimise their tax liability, which could substantially affect the overall tax take and the impact of the tax on overall economic efficiency.

HMRC officials would be able to go further by analysing taxpayer data that the department holds. This includes information on the very wealthiest taxpayers (those with assets worth at least £10 million), whose affairs are currently scrutinised by dedicated 'compliance managers' in HMRC's high net worth team. HMRC also already devotes resources to developing 'an in-depth understanding of the finances, behaviours and compliance risks of [a wider group of] wealthy individuals', who they define as those with income over £150,000 or assets over £1 million.[12] This information on the wealthiest taxpayers could help to fill some of the gaps in household survey data. However, there is no comprehensive register of assets in the UK and who owns them, meaning there will inevitably be some questions – about how much money any policy design might raise, how people might respond and what anti-avoidance measures might be needed – that data analysis alone cannot answer.

Accurate estimates of the likely revenue impact will be required before the Chancellor can include the final measure in his Budget 'scorecard'. These figures will be scrutinised by the Office for Budget Responsibility (OBR), which will challenge HMRC and Treasury officials on the assumptions they make in these calculations – including about the size of the tax base and likely behavioural responses.

[12] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/824652/HMRC_Annual_Report_and_Accounts_2018-19__web_.pdf

4. Legislating

Having finalised the details of the policy, the final stage of the design process requires the choices made to be enacted in written legislation. This is not a trivial task: taxpayers will comply with the law as written, rather than the tax designed in principle by HMRC and the Treasury. The drafter's job is much easier if the plan for the tax is already firm when they start to draft. The tax professionals' forum, a group of independent tax professionals convened by the government, have complained that when the process has been rushed and consultations have not been taken into account, this can lead to legislation being changed or an 'overly heavy reliance on guidance'.[13] This is not a new problem. When capital gains tax was introduced in 1965, contemporary complaints included that the Office of Parliamentary Counsel (OPC) were given the instruction too late.[14] The result was unclear legislation, partially amended through additional clauses in the 1966 Finance Act. While the legislative process differs now from 1965, this nonetheless shows how the success of legislative drafting depends on a clear and effective process in the earlier design stages.

Legislation is drafted by the OPC, a small and specialist group of lawyers, in collaboration with HMRC and Treasury officials. There are three stages in the legislative process: preparing draft legislation, consulting on the draft, and passing the (possibly amended) final proposal through parliament. Completing these stages would usually take a little over a year. However, it could take longer for a new net wealth tax, depending on the precise design of the tax and whether it was replacing or adding to existing legislation.

Initial draft legislation

At this stage, the OPC will need to draft the clauses that give effect to the tax as intended. Doing so will involve different challenges to most previous tax legislation, which has often relied on amending existing clauses or adding new clauses to existing tax legislation. For a new net wealth tax, the drafters would be creating a new tax from scratch.

Creating a new tax, rather than amending existing legislation, may be easier rather than harder. Many of the definitions and clauses that would be required could be borrowed from other taxes. For example, the definition of 'net wealth' could draw heavily on definitions used in inheritance tax legislation.[15] In contrast, amending an existing tax, and especially sections of existing Acts, can be more difficult due to interactions other areas of existing legislation.

The most complex proposal, legislatively, would be one in which a net wealth tax added to and interacted with existing taxes: for example, if payment of one tax were a credit for another, existing tax. This would require amendments to existing tax legislation as well as entirely new legislation. Interactions with inheritance tax would likely be especially complex given that both the tax base and those liable to pay tax would slightly differ between the two taxes. If instead the net wealth tax were introduced to *replace* other taxes (for example, inheritance tax), this would be easier as existing legislation could be repealed rather than amended.

Even if the legislation is relatively simple, it would still be a major task for the OPC, requiring at least the six to nine months provided for in the new Budget timetable (Fig. 1) and ideally longer and require considerable resource. The OPC is made up of just 50 lawyers, and interviewees suggested that only a minority of these have sufficient expertise in tax legislation to draft a major new tax. It might, therefore, be difficult for the OPC to draft this legislation at the same

[13] Tax Professionals Forum (2018)
[14] Stopforth (2005)
[15] See, for example, the definition of an estate for inheritance tax purposes: Inheritance Tax Act (1984), Part 1, section 5, https://www.legislation.gov.uk/ukpga/1984/51/part/I/2019-02-12

time as any other major tax legislation (especially on a short timescale), and so the drafting of new wealth tax legislation would likely crowd out other major tax reforms.

Given the specialist skills required to draft law – and tax law in particular – it would be difficult to recruit more people quickly in order to ease this capacity constraint. The OPC has traditionally been a place where employees have long tenure and they recruit new permanent staff only rarely.[16] Even if more people were recruited, it is unlikely that they would be immediately capable of drafting legislation of this complexity.

For some previous tax legislation, external experts have been brought in to provide additional expertise and capacity – for example the plain English rewrite. This has had mixed results. The changes to the residence test for tax in 2013 are an example of where external expertise was used during the drafting process, if not actually writing the legislation, and yielded effective and comprehensible legislation. However, the Controlled Foreign Company rules in 2011 show that this approach can work less well: critics deemed that legislation to be too lax, and the drafter seconded in later advertised that they had been involved in drafting the law in order to generate more business for their firm. For a politically sensitive change such as the introduction of a net wealth tax, the OPC may prefer to draft the tax in-house to allay any concerns about undue external influence. Furthermore, drafting legislation is a different skill to those mainly required to practise law and so, while the OPC may be able to get additional support from barristers serving on the government panels, there is not a deep pool of relevant expertise to draw from. However, should the appropriate experts be identified and willing, this may be worthy of consideration.

Consulting on draft legislation

Once draft legislation has been written and published, it is typically subject to a further consultation, which is open for at least eight weeks.[17] The objective of this round of consultation is to confirm that the legislation achieves what is intended and that it is clear.

This can and does lead to changes being made. For example, the June 2012 draft legislation for the residence test was followed by new, revised draft legislation in December 2012.[18] Consultations on legislation relating to the direct recovery of debt, the personal savings allowance and entrepreneurs' relief also led to (albeit relatively minor) amendments and improvements.[19]

However, there is still a danger that contributions to the consultation will touch on substantive aspects of the policy. This and delaying tactics, especially in cases where vested interests would prefer the tax not to be introduced, can lead to the process being slowed down. To avoid this happening, the HMRC and OPC leads must have a firm grasp on the purpose and detail of the tax. Ideally, the HMRC lead would have prior capital tax experience and would have been involved in the policy design process from the beginning. Interviewees emphasised the importance of having ready answers to difficult questions and the need for both continuity and expertise in ensuring that the purpose of the legislation is not undermined at this stage. They highlighted the example of the 2017 legislation on the treatment of non-domiciled taxpayers as an example of where this worked poorly, and the statutory residence test (2013) and the IHT changes to residential property (2017) as an example where this worked well.

[16] Brecknell (2018)
[17] HM Treasury and HM Revenue and Customs (2011)
[18] HM Treasury (2012)
[19] See end note 126 of Rutter et al. (2017)

Passing the bill through parliament

Once legislation has been finalised, it will need to be passed by parliament in the Finance Bill, which is the annual piece of legislation that encompasses all tax changes being made in that Budget cycle. Under the 2017 Budget timetable (Fig. 1), the bill should be passed in the early spring in advance of the start of the tax year in early April.[20]

The Finance Bill faces relatively little parliamentary scrutiny compared with most other bills. The convention of financial privilege means that the bill is not amended by the House of Lords. In the House of Commons, a minority of clauses selected by the opposition are considered in the Committee of the Whole House. The remainder of the clauses are scrutinised by the Finance Bill committee, but in practice this scrutiny rarely if ever results in changes to the legislation. It is likely that any clauses related to a net wealth tax, given the magnitude of the measure, would be chosen for debate in the House.

Finance bills have traditionally been seen as votes of confidence for the government – although, under the terms of the 2011 Fixed Term Parliament Act, they are not officially votes of confidence.[21] As a result, it is very rare for government MPs to vote against the bill or to propose serious amendments to it. Once in the bill, therefore, it is likely that a majority government would be able to pass the bill through parliament without amendment. However, this does not mean that all tax measures proposed by the government are able to pass – and this problem would obviously be more severe for a minority government. In the 2012 'omnishambles' budget, political pressure – including from government MPs – led to Chancellor George Osborne U-turning on (and thus withdrawing from the Finance Bill) the so-called 'pasty tax'.[22] Likewise, Philip Hammond's attempt to raise NICs paid by the self-employed failed in large part due to opposition from government backbenchers.[23]

The process required for getting government MPs on board would depend on the party proposing the measure and whether it was a manifesto commitment. Parliamentary management is beyond the scope of this paper, but earlier phases of the policy process would play an important role here, as would the size of the party majority and whether or not the government had an electoral mandate for the reform.

[20] HM Treasury (2017)
[21] Marshall (2019)
[22] Wintour, Bowcott and Norton-Taylor (2012)
[23] BBC (2017)

5. Implementation

Making all of the design choices for a tax, and even legislating for one, is not sufficient to ensure that the revenue actually flows in. To do that, HMRC need to acquire the information about who is liable for the tax and set up the systems necessary to enforce and collect it. Troup, Barnett and Bullock (2020) set out how a net wealth tax could be administered in practice. In this section, we set out what HMRC would need to do to have a system in place, and also ensure that taxpayers and the private sector are prepared for the obligations the tax will impose on them.

There are few recent examples of entirely new taxes that HMRC has implemented. The bank levy (2010) is one, although it posed a very different implementation challenge as the payees were a small number of very large financial institutions. A more recent, and more relevant, example is ATED, which is an annual surcharge on residential property held through companies. But even that policy is much more limited – in terms of the assets captured and the number of taxpayers – than a broad based wealth tax.[24] This means the implementation challenge of a net wealth tax would in many ways be an unprecedented one in the history of HMRC (first formed in 2005). However, other previous policy changes, and the introduction of new systems to administer existing taxes, have required similar processes and therefore provide some evidence for how a net wealth tax could be implemented and what time and resource would be required.

Implementation is not a minor detail, but a key factor if the tax is to be a success and a set of issues that should feed into the design process from the start. Perret (2020) flags administrative problems, including the avoidance that results from poor tax design, as one reason for the decline of previously existing wealth taxes.

The ease of implementation of a net wealth tax will depend on the design choices that are made. For example, which assets are included, and how they are to be valued, will affect tax implementation.

Troup, Barnett and Bullock (2020) recommend that the tax be collected through self-assessment. The primary enforcement approach in that case would be through ex-post audits, as happens for self-assessment income tax, capital gains tax and inheritance tax. Most of the burden of correctly valuing items would fall on the taxpayer. But this does not mean that HMRC has little to do to administer the tax. There are three tasks that HMRC would need to complete before the tax could be administered:

(1) Identifying and notifying those who will pay the tax and private sector companies involved in providing valuation.

(2) Setting up a (preferably electronic) reporting system, including designing the wealth tax return.

(3) Compiling the necessary third-party information to enable effective auditing and training of investigators.

Identifying and notifying taxpayers and valuers

To enable effective tax collection, HMRC will need to ensure that taxpayers know they are liable for the tax. Even though it is the taxpayer's duty to pay – whether or not they know they are meant to – making taxpayers aware of their potential tax liability will be an important first step in ensuring the system proceeds smoothly.

[24] The implementation process would differ if the tax only affected the very richest – for example if the threshold were set at £5 million or £10 million.

Any net wealth tax, unless it only applies to the very richest taxpayers, is likely to have had a lot of press and political attention before its introduction. But HMRC will still need to communicate how the tax is to be paid, and what the obligations on taxpayers are (for example, whether assets require a formal independent valuation). Furthermore, taxpayers will need sufficient notice if they are required to get a valuation for their entire estate before reporting their wealth.

For the wealthiest individuals, HMRC already has ‘compliance managers’ in their Wealthy Unit. Initially set up in 2009 to cover those worth more than £20 million (and now covering those with worth of more than £10 million), this unit operates closely with these individuals to ensure that the correct amount of tax is paid.[25] A new wealth tax would require an increase in resources for this team. But the presence of this team would likely smooth the process of introducing the tax by fielding queries about unfamiliar aspects of the new system for those taxpayers that will pay most of the tax. If the tax kicked in at a lower level, more individuals would be brought into the wealth tax net and a smaller proportion of them will have a relationship with the high net worth team (or the related wealthy and mid-sized business compliance unit). Additional complications would arise if the tax were assessed on a household basis rather than an individual basis. HMRC would then need to communicate what constitutes a household and when a household would be required to pay the tax (Chamberlain, 2020).

A final challenge in identifying taxpayers would be non-UK residents holding UK assets (assuming these would be liable to the tax). However, the most important assets of this type are likely to be UK real estate held directly and property rich companies, both of which HMRC should be able to identify as they are already taxed, either through council tax, tax on rental income, capital gains and inheritance tax or stamp duties (when they are traded).

As well as notifying taxpayers of their obligations, HMRC would also need to ensure that third parties were able to provide the necessary valuations for taxpayers to self-assess accurately. For example, banks and pension funds would need to provide statements setting out the balance on (say) the annual assessment day. Furthermore, for those assets such as property requiring independent valuation, additional capacity would be required to undertake these valuations (either by private valuers or by the Valuations Office Agency, VOA).[26] The extent to which that would be necessary would depend on whether and how often taxpayers were mandated to seek an independent valuation.

All of these processes would be relatively straightforward but to the extent that they required spending money (for example, for information campaigns), this could not start until after the second reading of the Finance Bill.

Setting up a reporting system

A reporting system, to allow taxpayers to report their net wealth, will be the main infrastructure that would need to be in place before the tax could be administered. This system would allow taxpayers to complete their returns and pay their tax, as well as incorporating a back end to calculate liabilities.

The complexity of the form that taxpayers would be required to fill in, and the system to pre-populate and then process those returns, would depend on choices made at the ‘design’ stage. For example, the calculation of ‘net wealth’ for the purposes of the tax will be simpler if there are fewer reliefs (and therefore fewer boxes that need to be filled in on the form). A system would also need to be more complicated if tax due depended not only on net wealth in a given fiscal year (or on a certain date), but also on tax due in previous years (for example, if tax due can be rolled over to subsequent years for those with high wealth but low income who may face

[25] Plager (2017)

[26] Ideally, this could be done in a conjunction with council tax reform and revaluation.

liquidity problems) or other taxes paid (for example, if the wealth tax were deductible against other capital taxes). Compliance could be improved if taxpayer returns were pre-populated with third party information (for example from banks, pension funds and the VOA) but to do this different parties would need to be able to enter their information securely, requiring a more complicated infrastructure than other HMRC self-assessment systems.

In practice, designing a system would require HMRC to procure external IT expertise, especially if completed on a short time scale. HMRC has a mixed record in procuring IT systems. The high profile tax credits system, designed in the early 2000s, was the subject of numerous complaints.[27] Making Tax Digital has been a major project that has taken several years but has mostly achieved what was intended. The ATED IT set-up costs for HMRC were estimated to be around £350,000 to £400,000 in 2013.[28] A system to run a net wealth tax would be much more complex and so more expensive, but this would still be a relatively modest sum in the context of even the lower-end of revenue estimates from the tax.

None of this would pose a unique problem for HMRC. They have other systems which serve a similar purpose, including ones where calculation of liability is complicated, such as income tax. ATED also provides a recent example of a new system to assess asset values annually being set up quickly.[29] Depending on the tax base chosen, the system could be based on the inheritance tax return system.

The ATED experience does, however, offer a cautionary tale. Due in part to the short timescales, programmers began to set up the system before the precise details of the tax were finalised. Because the forms and systems need to be designed to precisely calculate the tax liability, programmers struggled to design an effective system without sight of (at the very least draft) legislation setting out the legal liability. This led to teething problems for ATED.[30]

Given the ATED experience, in an ideal world, more than nine months would be allocated between the publication of near-final legislation and the initial tax returns for a new net wealth tax being made available for taxpayers to start filling in ahead of the first filing deadline. An appropriate timescale would be around 12 months, as a net wealth tax system is likely to be at least as complicated as – and far more politically salient than – ATED. As the tax would be self-assessed retrospectively, the tax could come into force before the reporting system was ready, as happened with ATED, though cutting it fine increases the risk of the reporting system being imperfect when taxpayers do need to use it.

Compiling audit information and training investigators

While a self-assessment method means that HMRC does not need independently to calculate the tax liability of every taxpayer using third-party information, effective enforcement through audits will require the collection and storage of various data. HMRC already has access to data from the Land Registry, bank records and information on trusts. These would need to be compiled in a form that investigators could access easily when conducting an audit. In time, these sources could also be used to 'flag' returns which seem inconsistent with wealth holdings. HMRC's 'Connect' system, which draws information from an extensive set of third-party

[27] Brewer (2006)
[28] HMRC (2013)
[29] ATED was first announced in March 2012, draft legislation was published in December 2012 and the tax came into force in April 2013, with a system that was workable – if not perfect – six months later at the first reporting date.
[30] In August 2013, shortly before the first returns were due, the Chartered Institute of Taxation (CIOT) were asking for clarification on a number of issues from HMRC (CIOT, 2013). In 2014, HMRC issued a consultation on how to reduce the administrative burden of ATED on businesses, resulting in a 'short' tax return for simpler cases (HMRC, 2014).

sources (including AirBnB, eBay and social media) is also already in place to assist investigators. Automatic exchange of information with other countries would also assist HMRC with identifying the overseas assets of UK taxpayers. These systems could be used to help identify taxpayers who did not submit a return but who should have done, although it will be difficult to identify all these individuals.

While the systems required to investigate taxpayers are mostly already in place, the investigators are not. HMRC does have some investigators in the inheritance tax team who do a similar job evaluating net wealth. However, they currently deal with only around 25,000 estates each year,[31] of which around 5,000 are investigated.[32] These investigations can be lengthy. Partly, this is due to complex rules in the system, and disputes – for example, over wills or trusts. However, part of the complexity is driven by the need to assess the value of all eligible assets of the estate.

For self-assessment income tax, HMRC audits approximately 300,000 returns per year, or around 2.5% of the total (with the audit probability increasing with the amount of tax paid).[33] HMRC could choose to audit a smaller proportion of returns for a net wealth tax, given that the amounts of tax involved would likely be smaller on average. But even if HMRC only audited 2% of returns, a tax that applied to 1 million people (implying a threshold of around £2 million)[34] would require 20,000 additional investigations. While a net wealth tax should have fewer complex disputes than inheritance tax (for the reasons outlined above), if a relatively complex structure for the net wealth tax (or one with extensive avoidance opportunities) were adopted, investigations could also be more time-consuming.

The tax structure suggested by Troup, Barnett and Bullock (2020) – a banded system, in which the tax due depends not on the precise wealth value but the broad band into which the total falls – would have costs (especially by creating 'cliff-edges' in tax liability when net wealth crossed a threshold) but would reduce administrative complexity. The taxpayer would not need to value every silver spoon in her cutlery drawer but could instead focus on the value of 'big ticket' items such as residential property and bank accounts. Those same benefits would apply to an HMRC investigator, who would be able to complete the investigation more quickly.

Regardless of the precise details of the tax structure and audits, HMRC will need to hire and train more investigators in this area as those currently employed to carry out audits for inheritance tax would be far too small a group to take on this extra work. It should be possible to hire and train investigators in six months, and hiring should be relatively easy in the current economic environment. This would not need to wait for detailed legislation to have been drafted, as the investigation methods would draw heavily on inheritance tax processes.

[31] Table 12.3 of HMRC inheritance tax statistics, https://www.gov.uk/government/collections/inheritance-tax-statistics
[32] McKie and McKie (2020)
[33] Accountancy Daily (2020)
[34] Advani and Tarrant (2020)

6. Levying a one-off wealth tax

This paper, and most of the other papers published as part of the Wealth Tax Commission, has focused on how a recurring (annual) wealth tax would be designed and operated. This is the form that most wealth taxes have taken. There are past examples of one-off wealth taxes but, as O'Donovan (2020) notes, none have been implemented since the mid-20th century. The closest thing has been the time limited (but still annually assessed) taxes introduced in Iceland, Ireland and Cyprus.

The economic rationale for favouring a one-off net wealth tax over a recurring one, as Adam and Miller (2020) set out, is that it would avoid many of the economic concerns, such as distortions to saving behaviour. If the objective of the government was to equalise the distribution of existing capital (believing it had been insufficiently taxed in the past), a one-off wealth tax would be worthy of serious consideration in combination with changes to the taxation of future capital returns.

In many ways the tax would look similar to the annual version, although presumably the rate would be set much higher. However, the process for delivering the tax could look very different.

The main risk for a one-off wealth tax would be changing behaviour in advance of the date on which wealth was to be assessed. Because of this, it would be inappropriate for the government to consult on this measure in advance. If wealthy individuals were forewarned of the coming tax, it could lead to accelerated spending or attempts to temporarily convert assets into untaxed (or unidentifiable) forms. This would be more problematic for a one-off tax than a recurring one because: (i) the tax rate would likely be higher, so the benefit from avoiding the tax would be greater; and (ii) converting, say, bank balances (taxed) into agricultural land (untaxed) and back again is easier as a way to avoid a one-time tax than to avoid an annual tax, where this conversion would need to be repeated year after year. All of the recent examples of one-off net wealth taxes have been implemented very quickly.[35]

Designing a brand new tax that would apply on the day of announcement is much more difficult than simply changing a tax rate of an existing tax. The government would need to set out the policy in some detail on the day of announcement. This would require HMRC and the Treasury to have devised the details, such as the base of the tax, in secret in advance of the announcement.

The danger of designing and implementing a net wealth tax quickly and without consultation is that there may be deficiencies or unintended features of the policy. However, any such deficiencies are likely to create fewer problems for a one-off tax than an annual one. The risks of a poorly defined base, for example, are lower when taxpayers cannot respond to the tax and exploit loopholes through changing their future behaviour.

One risk is that the proposal would be deemed as 'retrospective taxation' (and so create public opposition) if the government approached it in this way, since there would be no way for people to change their behaviour to avoid the tax. However, this is likely to be less of a problem if the tax were broad-based and applied to most assets, as that would limit the extent to which people would feel arbitrarily penalised by the tax.[36]

While the date that the one-off tax is assessed should be the same date as, or shortly after, announcement, collection of the tax need not occur immediately. After the announcement of the tax, draft legislation, and then a reporting system, could be developed. These steps would be

[35] O'Donovan (2020)

[36] If, for example, the tax excluded housing but taxed financial assets, someone who had recently sold their house and so held more cash might feel penalised by the tax, about which she had no warning.

similar to what would be required for an annual tax, but the reporting system would not need to be durable for the long-term. The legislation would also likely not interact with other taxes, making the process easier. Valuing assets at a certain date would become harder if the reporting date was delayed for a long time. But HMRC could, at announcement, issue guidance to banks and pension funds so that they could provide a balance for their customers as of the assessment date. It should, therefore, be possible to allow for reporting 12 to 18 months after the announcement/assessment date.

Troup, Barnett and Bullock (2020) set out how the enforcement regime would differ for a one-off wealth tax. Broadly, the audit regime would be more comprehensive. But many of the processes we outline in section 4 would still need to take place. It would be necessary to hire and train additional investigators, some of whom would only be required temporarily. They could be hired on fixed-term contracts or subsumed into HMRC after the tax has been assessed. The recruitment and training would begin after the announcement of the tax.

The process to deliver a one-off wealth tax would almost operate 'back-to-front' from what is described above for an annual tax on net wealth, with announcement preceding extensive legislative and implementation effort. This means that the government would not have the benefits of using consultation to pitch-roll and make the public case for reform. The government would, therefore, need a strong narrative to convince the public that the tax was needed – for example, about the need for a one-off tax to offset some of the one-off debt increases that have arisen around COVID-19. However, the need for secrecy in advance of the announcement would make building this public case for the reform difficult.

7. Conclusions

There has been no major overhaul of capital taxes in the UK for many decades. The decision about whether or not to adopt a net wealth tax would fall to the Chancellor and Prime Minister. But they would be unable to make an informed decision on how to design the tax, and would be unable to implement it, without extensive support from civil servants – particularly those in the Treasury and HMRC.

The Treasury's normal timetable for good policymaking suggests that it should take a little over two years to turn a tax policy idea into a fully designed and implemented tax change. This is the time normally required to weigh up and consult on alternative options for achieving the desired outcome, to hone and consult on the detailed policy design, draft legislation that accurately translates the policy intent into law, and get to the point at which the tax can start to be levied. However, introducing a new tax on net wealth could take substantially longer than this – perhaps more than four years (as set out in Figure 2) – potentially more than the lifetime of a single parliament. Taking this long would make implementing the tax difficult, particularly if there were not cross-party support for the proposal.

The government could try to speed up the process by reducing the time dedicated to considering and consulting on alternative broad policy options, by starting to set up the administrative systems before all the policy details are nailed down or by starting to levy the tax before the legislation has been passed. However, cutting corners in this way presents risks. A lack of public debate and understanding of the need for reform could easily undermine such a radical tax proposal even before it made it into a draft Finance Bill. Pressing ahead with developing administrative systems without full policy details could lead to wasted effort or botched implementation, and levying the tax before the legislation has passed could leave the government open to challenge from taxpayers and generate uncertainty.

To implement a major new tax requires building public support and backing from MPs. Given how high-profile the introduction of a broad-based wealth tax would be, and given how long it is since any major capital tax reform has been introduced in the UK, it would be risky for a government without an electoral mandate for such a tax to try to rush it through without building public support and understanding first. This could be done through formal consultation on tax proposals. But other organisations – such as think tanks, the OTS or a dedicated tax commission – could also play a part. Whichever method is used, a longer period between the idea for the tax being floated and it being implemented will provide more time for the arguments in favour to be developed.

The technical complexities of the tax also call for the process not to be rushed. In order to ensure that the tax is designed and legislation is written effectively, the government should allow adequate time to consult on the detail. Similarly, for a complex and wide-ranging new tax of this sort, it would take longer than usual to ensure that taxpayers are identified and aware of their obligations and for a reporting system to be effective from the first year. Past experience shows that legislation and implementation have been most effective when the drafting and system design has begun after the final policy details have been nailed down.

Going more slowly brings risks with it. Allowing time for consultation and extending the period available for lobbying by special interest groups risks the original policy objective being undermined by a cumulation of exemptions to buy off those interest groups. An extended process also gives opponents of the tax longer to try to undermine it. To guard against these risks, the government should set out the answer to some key questions early on: for example, making clear roughly what the threshold is at which the tax will kick in, whether it will apply at the individual or household level, and whether common assets types (such as primary residences and pensions) will be included.

Even with these mitigations of risks in mind, politics might dictate that the timeline move more quickly than the ‘comprehensive’ option (Fig. 2). As Tetlow et al. (2019) highlight, previous governments have found it easier to implement major tax changes soon after an election – doing so when the government’s political capital is high and allowing time for objections to die down, for any teething problems to be worked out and for the benefits of change to be noticed before voters next go to the polls. If a government does not have an electoral mandate for a net wealth tax, it could buy more time for implementing one by establishing an independent commission to examine existing problems in the tax system and make recommendations for change, which might include a net wealth tax. This would be similar to the approach taken by the Labour government in setting up the Pensions Commission during the 2001–2005 parliament. That commission helped to build public acceptance of the need for change in what had been a highly contentious area of policy and built cross-party support for various recommendations that the Labour government was then able to legislate in the 2005–2010 parliament. Many of the major changes were then implemented by the new Coalition government after the 2010 election.

All of the risks in expediting the process would, however, be lower if the tax applied only to the very wealthiest taxpayers, rather than to a broad swathe of taxpayers. Similarly, if a net wealth tax were to be one-off, rather than repeated every year, it could also be delivered more quickly (although would come with its own political challenges – namely, possible complaints about retrospectivity).

Regardless of the timetable adopted, our research shows that four other factors would be crucial for the effective delivery of the tax. First, a joint project team should be established to ensure that people with expert knowledge of all relevant areas of the tax system and all stages of the tax policy process (from design to implementation and compliance) are involved from the start to ensure that relevant expertise is fed in from the earliest possible stage. Second, there needs to be a continuity of leadership throughout the policy design and delivery to ensure that the purpose of the tax is not diluted or undermined. Third, the analysis and use of data will play an important role. Making use of data that only HMRC has access to should allow civil servants to produce accurate estimates of where wealth is held, how much a tax might raise and how potential taxpayers might respond. This will inform design choices, but it can also be used explain the policy to the public and to win round sceptical MPs. Finally, use of third party data sources will be important to set up the compliance functions – especially for auditors – and ensure that the tax raises what it is supposed to.

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