Evidence Paper 2

Wealth Tax Commission

Public attitudes to a wealth tax

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PUBLIC ATTITUDES TO A WEALTH TAX

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Abstract

This paper presents findings from the first study in the UK to focus on attitudes to an annual wealth tax. It starts by providing a brief review of key literature including recent studies of attitudes to wealth taxes in general and research on the drivers of attitudes to taxation. The paper then describes the mixed methods used in this new study, which aimed to measure and explore overall levels of support for a wealth tax compared with other taxes; arguments for and against a wealth tax; and opinions on the particular design of such a tax. Key findings include: high levels of public support for a net wealth tax compared with other taxes; support for including financial investments and property wealth (after excluding the main home) as the base for the tax but less support for including cash savings, pension wealth and the main home. On balance, there was some preference for the tax to be based on net rather than gross wealth, and for the unit of taxation to be individuals rather than couples or households. The majority of the public supported a threshold of £500,000 for the tax at a rate of at least 1%.

1. Introduction

In a democratic society, political parties and governments may either seek to *follow* public opinion – by basing policy decisions on evidence from opinion polls and focus groups, for example – or they may attempt to *lead* public opinion by setting out to persuade the public of the reasons for, and benefits of, a particular policy (Hills, 2002). They may also, perhaps, even seek to *shape* the broader policy debate with the use of particular language and discourse. Sometimes, at their peril, governments may *ignore* public opinion, as was the case in 1990 when Margaret Thatcher's demise was closely connected to public opposition to the 'Poll Tax'.

Tax policy is clearly treacherous territory for politicians, but as Advani et al. (2020) argue, the need for raising taxes – potentially wealth taxes – will be considerable at some point in the next few years given the level of public debt; the need for further spending and investment in public services; high levels of wealth inequality; and relatively low levels of wealth taxation. But what does the public think about such taxation and, in particular, a possible new net wealth tax as a way to raise revenue compared to other taxes?

Previous studies of attitudes to taxation in the UK and in other countries have revealed that taxes on wealth are generally unpopular, with inheritance/estate tax perhaps one of the least popular. For example, a number of studies in the UK have found that around half the population supported abolishing inheritance tax completely (Hedges and Bromley, 2001; Rowlingson and McKay, 2005; Prabhakar et al., 2017). More recently, YouGov (2020) found that 41% of people in February 2020 said that they would like to see inheritance tax cut and only 15% wanted it increased with 31% supporting the status quo. This poll also found, however, that the most popular way to raise more revenue would be through increased tobacco duty (55% support), corporation tax (36%), alcohol duty (36%) and capital gains taxes (26%). Other taxes received much less support, though an increase in inheritance tax (at 13%) received more support than income tax (10%), fuel duty (9%), stamp duty (6%), national insurance (5%), council tax (2%) or VAT (2%).

Even more recently, Tax Justice UK (2020) carried out a survey with Survation in March 2020, just after lockdown had begun in the UK. They found that only 24% of the public did *not* want to pay more tax personally, though a similar percentage (26%) of respondents wanted to see tax cuts for everyone. A large majority, however, nearly three-quarters (74%) of the public, wanted to see the wealthy paying more tax – including 64% of Conservatives. Majorities of the public supported the following tax changes:

- Increase tax on wealth (excluding pension wealth and the main home) over £750,000 (63% public support overall and 57% support among Conservatives)
- Increase corporation tax (67%)
- Reforming council tax so that it is more closely tied to a home's current value, so those living in a more expensive property would pay more money than those living in a lower value property (69%)
- Adding more council tax bands for the most expensive properties (72%)
- A mansion tax for the most expensive properties (70%)

There was also significant support for reforming capital gains tax to ensure that those making money from capital gains pay tax at the same rate as income tax. Only 15% of Conservative voters and 8% of Labour voters disagreed with this policy proposal. A report by Demos (Glover and Seaford, 2020), based on research conducted in July/August 2020 meanwhile, found that 63% of the public supported a one off 10% tax on wealth over £2 million, excluding main homes and pension funds, with 11% opposing it.

These studies provide interesting data on general attitudes to different taxes, including wealth taxes, but they were not focused on the details of a possible net wealth tax in terms of preferences for the tax base, tax unit, thresholds, rates and so on. Given potential interest in such a tax, and lack of previous attitude research focusing on it, our study used a mixed methods approach to measure and explore overall levels of support for an annual wealth tax compared with other taxes; arguments for and against such a tax; and opinions on the particular design of such a tax. The study found high levels of support for an annual wealth tax compared with other taxes. There was particular support for including financial investments and property wealth (after excluding the main home) as the base for the tax. There was less support for including cash savings, pension wealth and the main home. On balance, there was some preference for the tax to be based on net rather than gross wealth, and for the unit of taxation to be individuals rather than couples or households. The majority of the public supported a threshold of £500,000 for the tax at a rate of at least 1%. This paper now reviews the previous literature on potential drivers of attitudes to taxation before outlining the research methods used and presenting our findings.

Drivers of attitudes to taxation

Rational choice theory is one of the main approaches used within mainstream economics to explain individual decisions and behaviour (Slemrod, 2006; Gemmel, et al., 2004; Hammar et al., 2008). This theory assumes that people are rational, self-interested, utility maximisers who make consistent choices which satisfy their own preferences, although these preferences may be either selfish or altruistic. Rational choice theory also suggests that people consider both the benefits as well as the costs when thinking about taxation. For example, people may support paying more tax because they believe that they – and their family members – will benefit through increased support for public services such as health and education. But if those benefits can be gained while others pay the tax, support for tax increases will be even higher. Rational choice theory therefore predicts that people will particularly support tax increases that other people will pay – and oppose taxes that they themselves will pay. But while we certainly see evidence for this theory in many studies, the theory does not appear to explain attitudes in all cases. For example, Rowlingson and McKay (2005) found that the highest rates of opposition to inheritance tax were among unskilled workers and the unemployed (social class DE) who were the least likely of any social class group to potentially pay the tax.

So why do some people appear to oppose a tax that they might never have to pay? One explanation might be that they are simply not aware of how the tax operates and they might assume, incorrectly, that they will have to pay it. There is certainly evidence that people significantly overestimate how many people pay inheritance/estate tax and how much they pay (see Gemmel et al.,2004 and Rowlingson and McKay, 2005).[1] Some studies have therefore tried to give people accurate information and then test if their attitudes change. For example, Prabhakar et al. (2017) used an experimental survey design to give a random sub-sample information about wealth inequality and inheritance tax to see if this would make a difference to their views. In fact, they found it had very limited effects, and in some cases the provision of information (which showed that fewer people paid inheritance tax than respondents thought and wealth was more unequal than assumed) actually *reduced* support for inheritance tax compared to the prior average position. Of course, the amount of information provided was limited and there was little time for people to reflect on it. But even studies using more deliberative techniques have found only moderate changes in people's views following the provision of information (Bartels, 2006; Lewis and White, 2006).

[1] See also Krupnikov et al. (2006), however, who question the precise degree of ignorance, as their study shows some lack of motivation in surveys to try to answer questions correctly.

If rational choice theory does not fully or simply explain attitudes to taxation, other approaches suggest that attitudes to taxes might be shaped by people's values and beliefs around ideas such as equality, fairness, or liberty. Beckert (2000) for example, claims that inheritance/estate tax brings together a range of moral issues involving principles such as equal opportunity, family support, justice and the community. And in their study of the estate tax in the US, Graetz and Shapiro (2005) found that the most compelling arguments against the tax were based on simple, emotive stories with a clear moral message including tales of how the estate tax destroyed the lives of 'hard-working Americans' to provide for their children. In a similar vein, Sachweh and Eicher (2020) found that views about wealth taxation were linked to the ways in which potential taxpayers were seen to have accumulated their wealth. Basically, the public were more likely to support taxes on 'unearned' wealth accumulated by chance and luck rather than on wealth acquired through hard work and merit. This reflects views about the 'deservingness' of the rich (Davis et al. 2020; Rowlingson and Connor 2011) and also echoes the recent research of Tax Justice UK (2020), which found that most people believed that the UK was largely a meritocracy, where the wealthy were those who had worked hard to achieve their position. At the same time, however, there were also concerns that the current economic system was stacked in favour of the very wealthy and people were often surprised at the extent of wealth inequality, but this was also tempered with resignation that inequality was inevitable.

Linked to the role of values and beliefs, one strand of behavioural economics suggests that people absorb information through 'frames' or ways of looking at the world. Policymakers can therefore influence opinions and choices by invoking particular frames drawing on different types of language or discourse. For example, Löfgren and Nordblom (2009) found much higher support for environmental taxes if they were referred to as a CO_2 tax rather than a gasoline tax. And Stantcheva's (2020) study showed that views about progressive taxation were most strongly driven by frames relating to redistribution rather than efficiency. Studies have also sought to test whether it is possible to change people's values and beliefs, but Fatemi et al.'s (2008) study found that where people were already opposed towards the estate tax, efforts to create positive frames (looking at issues of equity, redistribution or ability to pay) in fact entrenched opposition to this tax. The authors drew on 'resistance theory' to explain why people may resist or oppose a 'primed' position.

So far, this section has reviewed the drivers of attitudes from a particularly individual perspective but people's attitudes – and policies themselves – may also be driven by broader political, economic and social factors. For example, the development of, and support for, progressive tax systems in advanced capitalist democracies clearly increased during, and in the aftermath of, periods of mass mobilisation for war (Scheve and Stasavage, 2010; 2012; 2016). Limberg (2019; 2020) has argued that financial crises have also driven changes in attitudes to, and policies on, tax. Various studies have also pointed to the role of a range of other political factors such as partisan politics (Osterloh and Debus, 2012), veto players (Hallerberg and Basinger, 1998; Swank, 2016) and electoral systems (Hays, 2003). This perspective is particularly important, now, given that the UK, and the world more generally, is experiencing an unprecedented shock in the form of the COVID-19 pandemic. We might therefore expect this to shift attitudes to, and policies on, taxation very significantly, hence the timeliness of this research.

2. Methods

The main aim of this research was to measure and explore attitudes to a possible new annual wealth tax which we hypothesised, based on the previous research highlighted above, would be driven by a combination of rational self-interest, beliefs, values and socio-economic context. A mixed methods design was chosen with a nationally representative sample survey carried out first to measure attitudes in a way that could be generalised to the population more broadly. Four online focus groups were then conducted to explore the attitudes expressed in the survey in greater depth. The fieldwork was carried out by Ipsos MORI.[2]

Measuring public opinion through surveys needs careful design and analysis. The details of tax design are not commonly discussed by people in daily life and so many issues and ideas were likely to be completely new to respondents. The research team therefore carefully considered the phrasing of the questions and the definitions of key terms to ensure that respondents had similarly informed understandings when answering the questions. The number and type of options included within particular questions was also considered carefully. And the order in which these options were presented to respondents was generally randomised unless there was a clear rationale for ordering in a particular way, e.g. from a high to low rate. Randomisation was used to reduce the (slight) tendency to pick the first – or middle – options people see, thus introducing bias if the order is not randomised. This paper makes clear, when discussing the findings to each question, what the precise question wording and ordering were so that any wording or ordering effects can be taken into account.

Our key dependent variables were based on our aim to measure attitudes to a new wealth tax relative to other taxes – and to focus on particular design issues. We also explored views about different arguments for and against a wealth tax. Our dependent variables were therefore as follows:

- Support for paying higher taxes or public service cuts (Q1).
- Preferences for different types of tax increase (Q2).
- Preferences for wealth tax design:
  - type of assets to be included in a wealth tax (Q3).
  - tax based on gross or net property (Q4).
  - unit of taxation (individual, couple or household) (Q5).
  - tax threshold (Q6).
  - tax rate (Q7).
- If government needs to raise £10 billion, preferences for:
  - wealth tax with low threshold and low rate or high threshold and high rate (Q8).
  - different types of tax (Q9).
- Ways to deal with potential difficulties paying a wealth tax if 'cash poor' (Q10).
- Views on best arguments for a wealth tax (Q11).
- Views on best arguments against a wealth tax (Q12).

In terms of independent variables, we would ideally have gathered data on people's levels of wealth in order to analyse whether or not their views about wealth taxes were linked to their likelihood of paying the tax (as predicted by rational choice theory). However, it is difficult to gather reliable data on wealth levels on an omnibus survey (which was the vehicle used for this study). Nevertheless, we did ask about housing tenure, differentiating between outright owners,

[2] The fieldwork was funded by the Atlantic Fellows for Social and Economic Equity (AFSEE) COVID-19 response fund at the London School of Economics (LSE) International Inequalities Institute. Ethical review was also undertaken by the LSE.

owners with a mortgage and other forms of tenure. We also had data on income levels which are correlated to some extent with wealth levels, if imperfectly. The role of values and beliefs was explored by analysing the data by voting behaviour (in the 2019 General Election) given that we expect Conservative voters to hold ideological preferences for a low tax/small state compared to Labour voters.

A total of 2243 adults aged 16-75[3] were interviewed in the UK using the Ipsos MORI online Omnibus between 10 July and 13 July 2020; a week after 'Independence Day' when pubs, restaurants and hairdressers reopened following lockdown due to the COVID-19 pandemic. The data presented in this paper have been weighted to be nationally representative.

The analysis in this paper is largely descriptive given that there have been no previous studies of public attitudes to a net wealth tax in the UK. It is therefore important to explore the broad nature of these attitudes in the population generally, with some analysis provided of how attitudes vary by different groups, where statistically significant.

The second stage of the research involved four focus group discussions which took into consideration subgroups[4] of interest identified in the online survey as follows:

Group 1: London/SE, Mid/high income[5], Floating voters, All housing tenures, age 25–44	Group 2: London/SE, High income, Conservative voters, Owner-occupiers, age 45+
Group 3: North and Midlands, Low/mid income, Floating voters, All housing tenures, age 45+	Group 4: North/Midlands, High income, Labour voters, Owner-occupiers, age 45+

Each focus group involved five to six participants and lasted 90 minutes. Focus groups were conducted online via a video link and led by an Ipsos MORI moderator. The fieldwork was carried out by Ipsos MORI's Public Affairs team between 6 and 13 August 2020.

A discussion guide was designed to ensure that key topics were covered in each focus group, including views of the design of different elements of the wealth tax. Simple, neutral language was used to ensure that participants would need no special knowledge to be able to respond fully. Vignette scenarios were provided to simulate real-life examples of how the wealth tax may impact an individual, based on their level of wealth and the form in which it is held.

[3] The online omnibus excludes people over 75 because members of this group who are active online are not representative of the broader group. Those over 75 constitute about 9% of the population aged over 15 so we need to take this into account when interpreting our findings.
[4] Additionally, age, gender, and ethnicity were monitored to ensure a good mix across the research.
[5] Higher income = £55,000 + individual income, no restriction on household (HH) earnings; Mid income = £35–55,000 + individual income, no-one in HH earning above £55,000; Lower income = below £35,000 individual income of highest HH earner.

3. Findings

This section presents the findings in three parts: first, general attitudes towards tax increases including through a net wealth tax; second, views about the best arguments for and against a net wealth tax; and third, preferences for specific design features of a net wealth tax.

Support for tax increases or cuts to public services

The first question in our survey placed attitudes to wealth taxation in a broader context by asking people for their preference for either tax increases or public service cuts and the question made it clear that any tax increases might fall on them personally to avoid people thinking that they could benefit from public service funding without having to pay for it themselves.

Q1. The current COVID-19 pandemic has required high levels of government spending. Which of these statements do you agree with the most?

- Statement A: 'I am prepared to pay more taxes myself in order to fund public services.'
- Statement B: 'I am prepared for some cuts to public services rather than pay more taxes myself.'

Table 1 shows that people were more likely to say that they were prepared to pay higher taxes themselves in order to fund public services than they were prepared for some cuts to public services (44% versus 29%). Views varied between different groups of people, however. As we might expect, those intending to vote Labour in the future were more likely than Conservatives to support tax increases, but as many as two in five Conservatives were also prepared to pay more taxes themselves rather than see cuts in public services (54% vs 43%). And outright owners and those with mortgages were more likely to support tax increases than private renters and social renters (51% and 48% versus 41% and 33%), perhaps suggesting that owner occupiers felt they had better capacity to pay more in tax than renters (Table 1). This explanation is reinforced by the fact that those on higher incomes were also more likely to agree with tax rises than other groups. For example, 49% of those on incomes over £55,000 supported tax rises compared with 37% of those on incomes up to £20,000.

TABLE 1: PREFERENCES FOR TAX INCREASES OR PUBLIC SERVICE CUTS BY TENURE AND VOTING IN 2019

	Total	Housing tenure				Voting in 2019	
		Outright owner	Own with mortgage	Private renter	Social renter	Cons	Labour
Unweighted base	2243	606	576	411	361	672	609
Weighted base	2243	623	559	413	370	680	594
Strongly agree with A: 'taxes for public services'	14	17	14	11	10	9	21
Tend to agree with A	30	34	34	30	23	34	33
Agree with neither	23	18	20	25	31	21	21
Tend to agree with B: 'cuts rather than taxes'	17	18	17	16	16	20	13
Strongly agree with B	12	11	12	13	13	12	10
Don't know	4	2	3	4	6	4	2

Notes: Top segment of table gives counts; bottom segment is percent of those in each column.
Source: Authors' calculations

The next question asked respondents which tax increases they would most support if the government decided to raise taxes. This question therefore included the premise that the government had decided to raise taxes and so the answers cannot be taken as indicating a simple level of support for raising these taxes. Respondents were asked for the option they preferred most, and then their second and third preferences (if they wished to give up to three preferences). Of course, there are many different taxes that could be raised and the set of taxes presented to respondents will affect their answers. We gave respondents five options to choose from: income tax, VAT, capital gains tax (CGT), council tax and a new wealth/fortune tax. We gave a simple explanation of each of these taxes in case respondents were not familiar with them but provided few details about precise thresholds or rates. The wealth/fortune tax was not, therefore, the only type of wealth tax provided as an option given that CGT and council tax (which is related to property values if not a simple tax on wealth ownership) were also included in the list.

When a new tax is introduced, policymakers have a choice about what to name the tax, and we decided to measure whether different names produced different responses among the public by presenting (a random) half of the sample with the name 'wealth tax' in Question 2 and presenting the other half with exactly the same question but this time using the name 'fortune tax'. Given that people have very different ideas about what wealth is, we reasoned that by calling the tax a 'fortune tax' it may indicate that the tax will be particularly targeted at people who have large amounts of wealth (fortunes). It may also suggest that people have been fortunate to accumulate wealth. We therefore expected a higher level of support for this 'framing' of the tax.

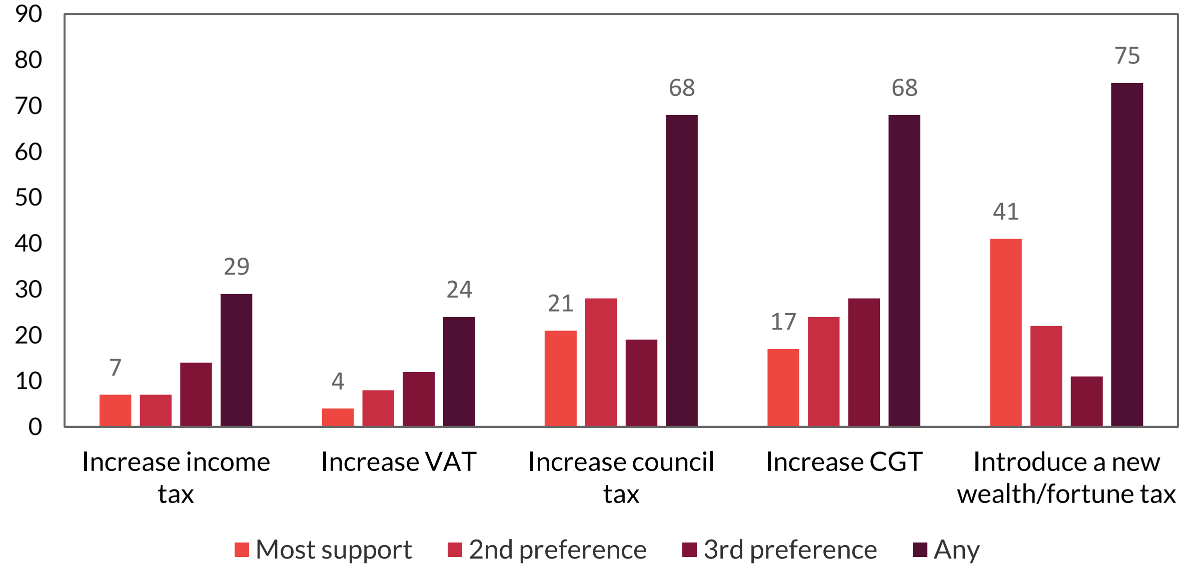
Q2. If the government decides to raise taxes in order to fund public services, which of the following measures, if any, would you most strongly support?

- Increase Income Tax on all earners
- Increase VAT (paid when people or businesses buy goods and services)
- Increase Council Tax on properties worth over £1 million
- Increase Capital Gains Tax (the tax paid on the profits made from selling shares, business assets and properties apart from people's main home)
- Introduce a new wealth/fortune tax on those with more than £1 million in savings, investments and/or property
- None
- Don't know

Of the five options presented to them, the public were most supportive of the introduction of a new wealth/fortune tax, should the government decide to raise taxes. Two in five (41%) said it was their most preferred option with an increase in council tax the next most popular, mentioned by 21% as their main preference (see Fig. 1). Three quarters of the public supported the wealth/fortune tax either as a first, second or third preference. Council tax and CGT increases were next most popular, each supported by 68%.

A small group (6% of the public) said that they did not support raising any of these taxes (Table 2). This could be because they would prefer other taxes to be raised that were not mentioned here (e.g. taxes on tobacco/alcohol or fuel/carbon) or that they would not support any tax increases and so were not willing to give any preference.

FIGURE 1: PREFERENCES FOR PARTICULAR TAXES IF AN INCREASE WERE TO TAKE PLACE



Source: Authors' calculations

Surprisingly, perhaps, the wealth/fortune tax was more popular among owners with a mortgage (45%) compared to average (see Table 2). Outright owners were less keen, but 36% nevertheless mentioned this as their first choice of the five possible tax policies. At this point in the survey, participants did not know if the wealth tax would be levied on the total value of property or the value net of mortgages. The difference between outright owners and those owning with a mortgage could, perhaps, be due to age and income or other demographic differences. And this explanation is reinforced by the finding that the introduction of a wealth tax was more popular among middle-aged people than younger or older people, with 48% of 35–44 year olds mentioning this tax as their most preferred option. Labour party supporters were much more likely to support a new wealth/fortune tax as their first choice than Conservatives (49% compared with 34%).

TABLE 2: PREFERENCE FOR DIFFERENT TAXES: MOST SUPPORT; BY TENURE AND VOTING IN 2019

	Total	Housing tenure				Voting in 2019	
		Outright owner	Own with mortgage	Private renter	Social renter	Cons	Labour
Unweighted base	2243	606	576	411	361	672	609
Weighted base	2243	623	559	413	370	680	594
New Wealth/Fortune Tax	41	36	45	41	43	34	49
Council Tax	21	21	21	22	19	23	22
Capital Gains Tax	17	20	15	15	18	17	14
Income Tax	7	10	7	7	6	10	6
VAT	4	4	3	5	3	4	3
None	6	5	7	6	3	7	3
Don't know	5	3	3	4	7	5	3

Notes: Top segment of table gives counts; bottom segment is percent of those in each column.
Source: Authors' calculations

As well as looking at whether people 'most' supported different taxes we also looked at whether each tax was a first, second or third choice. On that basis, three-quarters of the public (75%)

supported a new wealth/fortune tax, including two thirds (67%) of Conservative supporters and 69% of those on high incomes put this tax as their main, second or third preference for tax increases, should an increase be introduced (Table 3 and Q2d).

TABLE 3: SUPPORT FOR NEW WEALTH/FORTUNE TAX BY INCOME AND VOTING IN 2019

	Total	Income				Voting intention	
		Up to £19,999	£20k-£34,999	£35k-£54,999	£55k+	Cons	Labour
Unweighted base	2243	602	590	509	302	672	609
Weighted base	2243	608	605	502	285	680	594
New Wealth/Fortune Tax	75	72	79	77	69	67	82

Notes: Top segment of table gives counts; bottom segment is percent of those in each column.
Source: Authors' calculations

As mentioned above, policymakers would have a choice over the name given to a new tax so we ran a split sample on Question 2 to see if there would be any difference in attitudes if we used the label 'fortune tax' rather than 'wealth tax'. There was, indeed, a greater level of support for 'wealth tax' at 44% as a first choice for tax increase compared with 38% for a 'fortune tax'. But no real difference for the total level of support for this tax. The rest of the survey went on to refer only to a 'wealth tax'. In the focus groups, there was support for the idea of linking the tax to particular investment in public services and perhaps even labelling it as a 'public service tax'.

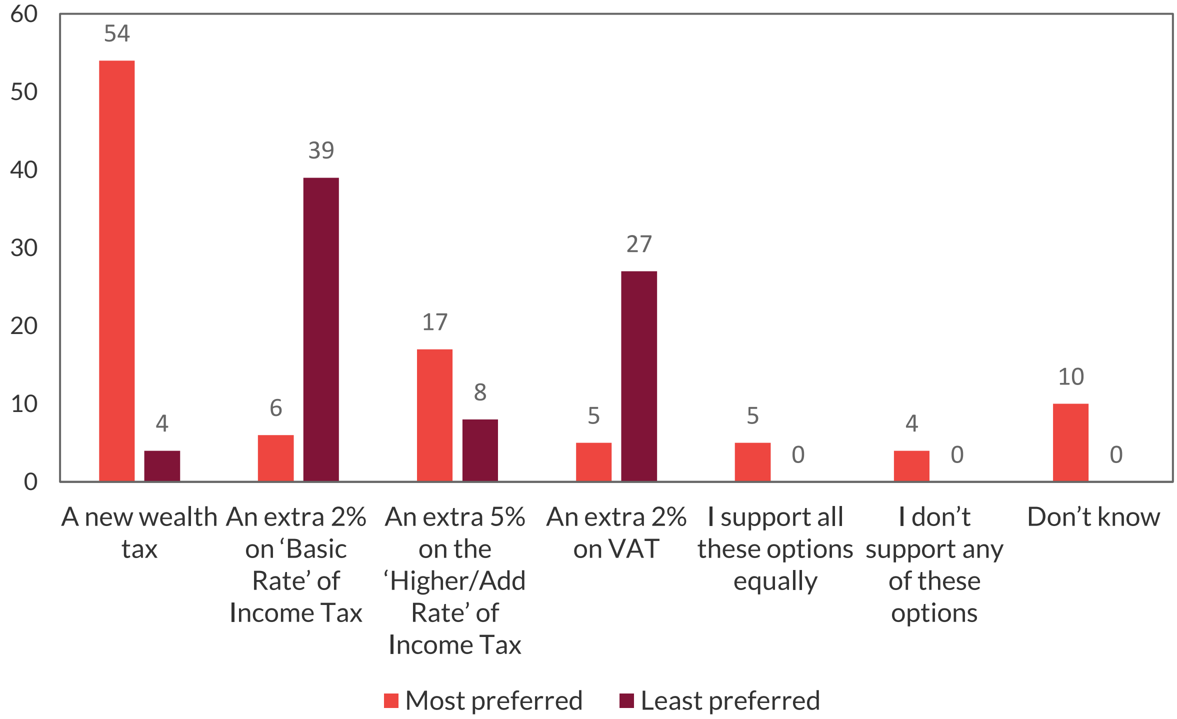
The survey then focused on a number specific questions about the design of a new wealth tax (findings on these given below) and this would have given respondents some more time to become acquainted with the idea of such a tax and its different features. With this additional knowledge and (albeit still limited) time to think about the tax, we then asked about preferences between different kinds of taxes if the government wished to raise £10 billion in tax. The use of this scenario also enabled us to give some very specific parameters for different kinds of taxes rather than the broad options we had presented in question 2 above. We gave respondents four options including the wealth tax (which inserted, for every respondent individually, the particular rate/threshold they had expressed a preference for at Q8 – see below). We then gave a specific option for an increase in the basic rate of income tax, an increase in the higher/additional rate and an increase in VAT. Thus, some options would be targeted very widely and some more narrowly. These options were therefore different from the ones provided in question 2.

Q9. Now suppose the government could also raise £10 billion from increasing other types of taxes instead of introducing a new wealth tax. Which of the following is your most and least preferred option, if any?

- A new wealth tax (with rate/threshold as selected by respondent at Q8)
- An extra 2% on the 'Basic Rate' of Income Tax applying to incomes over £12,500 per year
- An extra 5% on the 'Higher Rate' and 'Additional Rate' of Income Tax applying to incomes above £50,000 per year
- An extra 2% on Value Added Tax (VAT) applying to purchases of products and services
- I support all these options equally
- I don't support any of these options
- Don't know

Our findings show clearly that a new wealth tax was still by far the most preferred option among the four presented to the public (Fig. 2). More than half (54%) said that they supported a new wealth tax if the government needed to raise £10 billion and was considering these different options. The next most popular option, chosen by 17%, was to raise the higher/additional rate of income tax by 5%. There was very little support for increasing VAT (5% support) or increasing the basic rate of income tax by 2% (6% support).

FIGURE 2: PREFERENCE FOR DIFFERENT KINDS OF TAXES TO RAISE £10B



Source: Authors' calculations

There was surprisingly little difference in answers to this question between Conservative and Labour party supporters. Also surprisingly, those least enthusiastic about a new wealth tax included those less educated and those on lower incomes, with 'only' 48% of those on incomes below £20,000 saying a new wealth tax would be their preferred option. This group were more likely than average to support higher income tax on high earners and all options equally. Younger people also showed relatively less enthusiasm for a wealth tax with 'only' 47% of those aged 16–34 choosing the new wealth tax as their preferred option. This group seemed to prefer VAT increases compared with other groups.

In the focus groups, participants preferred a wealth tax over other options for increasing taxes, largely as it was seen as affecting only those with considerable wealth, whom they perceived could afford to pay. A Conservative voter in London/South East felt that a wealth tax would be the fairest option given that:

> *At the end of the day, we're in the situation we're in … we need extra revenue… as horrible as it is, we need to find the money from somewhere.*

However, someone else in the same group was vehemently opposed to a wealth tax:

> *I'm now going to be taxed off the planet because I've been sensible … it's unacceptable.*

A more typical view, expressed by a floating voter on a mid/high income in London/South East was:

> *I have read about the net wealth tax; I would personally struggle with a tax increase but if it hits the wealthier who can afford it that might be okay.*

Views on the best arguments for and against a wealth tax

This study was deliberately designed to focus on the design of a new wealth tax, and preferences for this tax compared with other taxes. But we were also interested in people's views about the arguments for and against a wealth tax. We therefore presented respondents with six arguments in favour of a wealth tax and asked which they most strongly supported. The question was not, therefore, measuring absolute levels of support for each argument but views about which arguments respondents believed were the strongest.

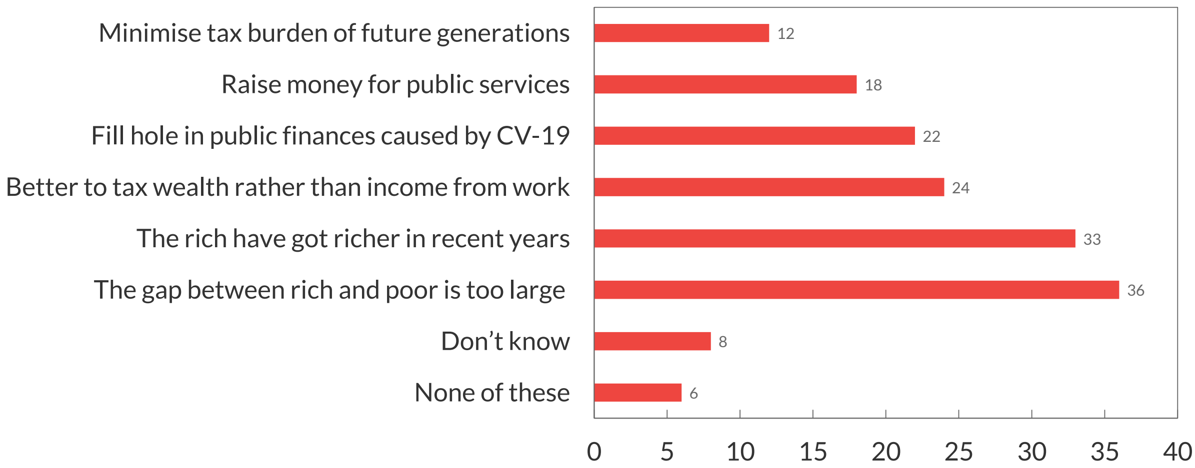
Q11. There are many arguments both for and against a new tax on wealth in this country. Which one or two, if any, of the following arguments in favour of a net wealth tax do you most strongly support?

- The gap between rich and poor is too large in the UK and a wealth tax would help to reduce it
- The rich have got richer in recent years. It's time for them to give something back
- If taxes have to increase, it's better to tax wealth rather than people's income from work
- The government needs to fill the hole in public finances caused by the COVID-19 pandemic
- A wealth tax would help to raise money for public services
- A wealth tax now would help to minimise the tax burden of future generations
- None of these
- Don't know

Of these six different arguments in favour of a new wealth tax, the public said that they were most likely to support the argument that 'the gap between rich and poor is too large' (36% support, see Fig. 3). There was also concern about the rich getting richer in recent years (33% support). This was, perhaps, a surprising result given that much of the public debate around the time of the survey fieldwork had been about government spending and measures to support the economy. We had therefore expected stronger support for arguments about the need to raise money for public services – or to help 'fill the hole' in public finances due to COVID-19; but these arguments were not supported as much ('only' by 22% and 18% respectively). Just over one in twenty (6%) said that they did not support any of these arguments.

As we might expect, there were significant differences here by party affiliation. Conservative supporters were much less likely to support arguments about the gap between rich and poor than Labour supporters (29% compared with 46%). And Conservatives were also much less persuaded about the need to raise money for public finances than Labour supporters (28% compared with 19%).

FIGURE 3: SUPPORT FOR ARGUMENTS IN FAVOUR OF A WEALTH TAX



Source: Authors' calculations

Having asked people for their views about the best arguments in favour of a wealth tax, we now asked them which arguments against a wealth tax they supported most. For this question, seven arguments were presented to respondents.

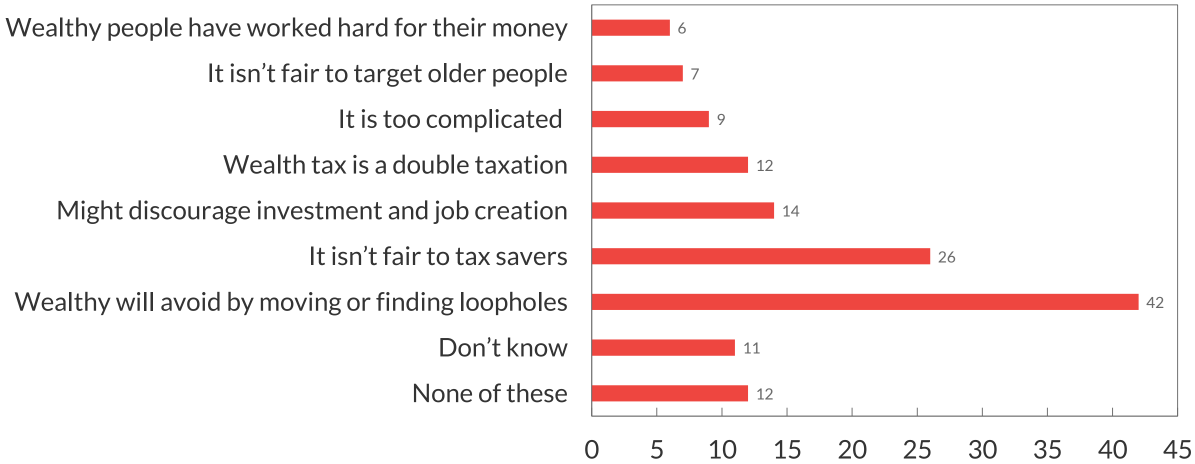
Q12. Which one or two, if any, of the following arguments against a net wealth tax do you most strongly support?

- The wealthy will just avoid paying the tax by moving or by finding loopholes
- It isn't fair to tax people who have chosen to save rather than spend
- Wealthy people help boost our economy and a wealth tax might discourage them from investing and creating jobs
- Wealthy people have already paid tax on most of their wealth when they acquired it, it is not fair to make them pay tax on the same things twice
- It is too complicated to introduce a wealth tax
- Wealth is concentrated amongst older people, and it isn't fair to target them
- Wealthy people have worked hard for their money so it isn't fair to target them
- None of these
- Don't know

When presented with seven arguments against a wealth tax, one argument in particular stood out – the concern that the wealthy would find ways to avoid paying the tax (seen as the strongest argument against the tax by 42%, see Figure 4). This argument was not, therefore, about the principle of a wealth tax or the impact it might have but the fact that it might be avoided. There was also some concern, however, that such a tax would be unfair to savers (26%). Other arguments gained less support but 14% were concerned about possibly of discouraging investment and job creation. And 12% were concerned about the possibility of 'double taxation'.

Conservative supporters were more likely to mention concerns about savers and discouraging investment in the economy. Nearly one in five (18%) of Labour supporters declined to pick any of these arguments compared with 7% of Conservatives.

FIGURE 4: SUPPORT FOR ARGUMENTS AGAINST A NEW WEALTH TAX



Source: Authors' calculations

Concerns about tax avoidance were widely discussed in all the focus groups. Concerns included the possibility that individuals might transfer wealth to their partners or children (depending on the tax unit), move their wealth offshore, or find other ways to avoid paying tax. There was much disgruntlement expressed with the idea that the super-wealthy might avoid tax:

> *Why should the rich be able to get around the loopholes and everyone else has to play by the book?*
> (North/Midlands, High income, Labour).

There was a general undercurrent of cynicism and an acceptance that the super-wealthy would generally avoid taxes if they could:

> *So many people keep their assets offshore and that is just a fact and that should be the thing that needs looking into most.*
> (London/South east, Mid/High income, floating voters.).

However, overall, participants felt that the broader benefits of introducing a net wealth tax outweighed the risk of avoidance by the very wealthy.

Preferences for specific design features of a net wealth tax

Having assessed broad levels of support for a new wealth tax, the survey asked respondents for their views on particular aspects of its design. The first question here was in relation to views about which assets might be included in a new wealth tax. Once again, the question presumes that the government is thinking of introducing the tax and so asks for strength of support/opposition for taxing five types of asset. A simple explanation of each type was provided.

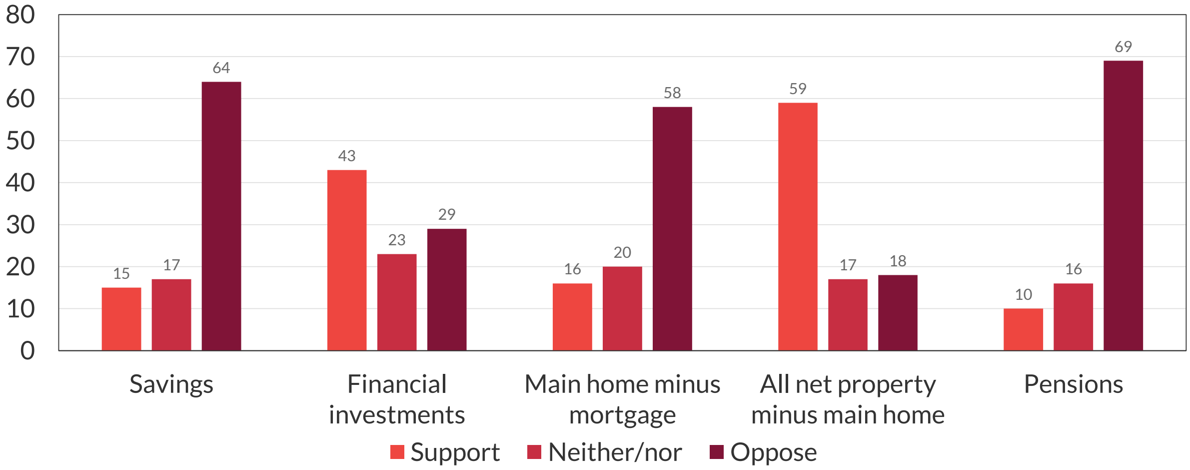
Q3. Imagine that the government is thinking of introducing a new yearly tax based on the value of people's wealth. How strongly do you support or oppose taxing each of these different types of wealth?

- Savings (e.g. bank and building society accounts and cash ISAs)
- Financial investments (e.g. stocks, shares and bonds)
- The value of people's main home, minus any outstanding mortgage
- The value of all property owned except the main home, minus any outstanding mortgage

- Money people have in occupational or personal pensions
- None of these
- Don't know

The survey findings (Fig. 5) showed a clear preference to include net property wealth (apart from the main home) and financial investment wealth in the asset base for a new wealth tax. Inclusion of these asset types was supported by 59% and 43% of the public respectively. A further 17% and 23% respectively were neutral about their inclusion. There was much less support for taxing the equity in the main home (opposed by 58%) or savings (opposed by 64%) or pension wealth (opposed by 69%).

FIGURE 5: PREFERENCES FOR TAX BASE FOR NEW WEALTH TAX



Source: Authors' calculations

As we might expect, there was some variation in views on these different asset bases. Opposition to taxing savings was highest among older people: 74% of 55–74 year olds opposed this, as did 74% of Conservative supporters and 73% of outright owners. Opposition to taxing equity in the main home was also highest among older people (71%), Conservative supporters (68%) and outright owners (72%).

We saw similar patterns in relation to views about including pension assets with those on higher incomes and those in professional and senior managerial occupations most opposed to including pension assets (74% of those on incomes over £55,000 were opposed for example). But we also found that women were slightly more likely to oppose including pension wealth (73%) than average – and we did not find that gender was a particular driver of attitudes on many issues in the study.

The opposition to including savings, pensions and the main home in the asset base looks stark. But it is worth noting that the question did not include any thresholds for the tax so people might have thought that even small amounts of savings and relatively modest pension and housing wealth might be included here. This might affect people with relatively modest means and so be a reason to oppose the inclusion of these asset types. Indeed, across all of the focus groups, there was a view that a wealth tax should be paid by the very wealthy, rather than those on more modest means (i.e. people like themselves). Main homes, savings and pensions were all assets which the participants either held, or could possibly imagine or aspire to holding, which may therefore explain why they felt these assets should be excluded.

Rational self-interest might therefore explain views about the asset base. But the qualitative findings also suggested that views on this question were closely linked to values and beliefs around perceptions of fairness. For example, across all of the focus groups the main home was primarily seen as a residence, not an asset, that people had worked hard and saved for. Therefore, taxing this was seen as charging people for engaging in what was deemed to be socially responsible behaviour. In addition, any wealth a main home represented was seen to be illiquid and the owner was not seen to be responsible for any gains made. It felt unfair to tax them on something which was out of their control. This scenario, of a main home having increased in value over time, was put to participants, with the following typical response:

> *He bought the house fair and square and it's not his fault that it's gone up in value but he might not have the funds available to pay the wealth tax… He doesn't really have three million it just so happens that the house is worth three million.*
> *(North/Midlands, Low/mid income, Floating voter.)*

In contrast, second homes were seen as an asset which could definitely be included in the asset base for a wealth tax including, reluctantly, amongst those least in favour of a wealth tax. People owning a second home were seen to be wealthy and cash, as well as asset, rich. As one participant said:

> *Second homes are the most liquid of all the assets, people that would be taxed that way can most afford it.*
> *(London/SE, Mid/high income, Floating voters.)*

A second home was also seen, by some, as an unnecessary luxury and potentially having negative effects on the local property market:

> *By the same token, people having second properties is taking them away from people that are needing them. It can drive up the property prices in desirable areas and those that need to live there to work there are unable to afford that.*
> *(North/Midlands, High income, Labour voter.)*

Perceptions of fairness also underpinned reluctance to include savings and pensions in the wealth tax as saving was again seen as a socially responsible behaviour, and one which would help prevent people relying on the state in times of crisis:

> *It's not fair to penalise people for grafting hard and working hard, some of the areas would do that like savings and the pensions, things that people have invested in themselves they shouldn't be penalised for those."*
> (North/Midlands, Low/mid income, Floating voter.)
>
> *Savings shouldn't be included because people who were furloughed relied on their savings, they can help people survive financially."*
> (London/SE, Mid/high income, Floating voter.)

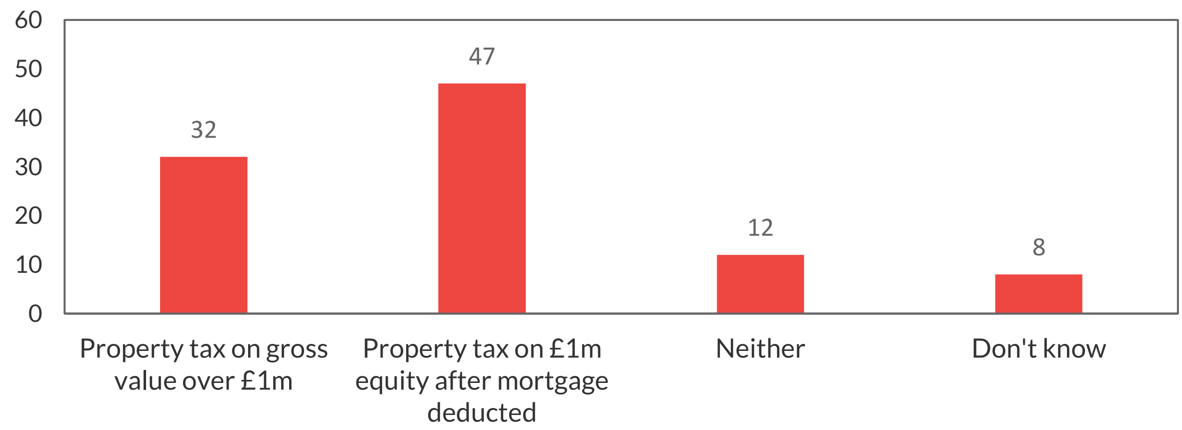
Another design choice for a new wealth tax is whether the tax base should be on gross wealth (the value of all assets *regardless* of any debts including mortgages) or net wealth (the value of all assets *minus* the value of all debts including mortgages). We therefore asked respondents for their views on this choice. But we recognised that this was quite a technical question which respondents may had never thought about before so we introduced it by explaining that we did not expect them to be experts and wanted their immediate reaction only. We focused the question on property wealth because it was simpler than including all forms of assets and debts.

Q4. We are now going to ask you what you think about certain proposals for new forms of taxation. We realise that you may not have come across these proposals before, and may be unsure what they would mean in practice. But we are interested in finding out your immediate reactions to them, whether they seem fair and sensible or not. Below are two types of property wealth that the government could tax. Which do you most strongly support, if either?

- A tax paid on those who own a property or properties worth over £1 million in total <u>regardless</u> of the value of any outstanding mortgage
- A property tax paid by those who have over £1 million saved in property or properties <u>after</u> any mortgage borrowing has been deducted
- Neither
- Don't know

Figure 6 shows that nearly half the public (47%) preferred a net property tax (that is, one that is based on the equity in the property after the mortgage is deducted from the value) than a gross property tax (that is, one that is based on the full market value of the property). Nevertheless, almost a third preferred the gross property tax. Just over one in ten said they preferred neither option. And just under one in ten said that they did not know.

FIGURE 6: PREFERENCE FOR GROSS OR NET BASIS FOR WEALTH TAX



Source: Authors' calculations

There were relatively few differences in views on this between different groups – even, perhaps surprisingly, between those who were outright owners and those who owned properties with a mortgage. But, as we might expect, Conservative voters were twice as likely as Labour voters to say they supported neither option (16% vs 8%) and Labour voters were more likely than Conservative voters to support a gross wealth tax (38% vs 28%).

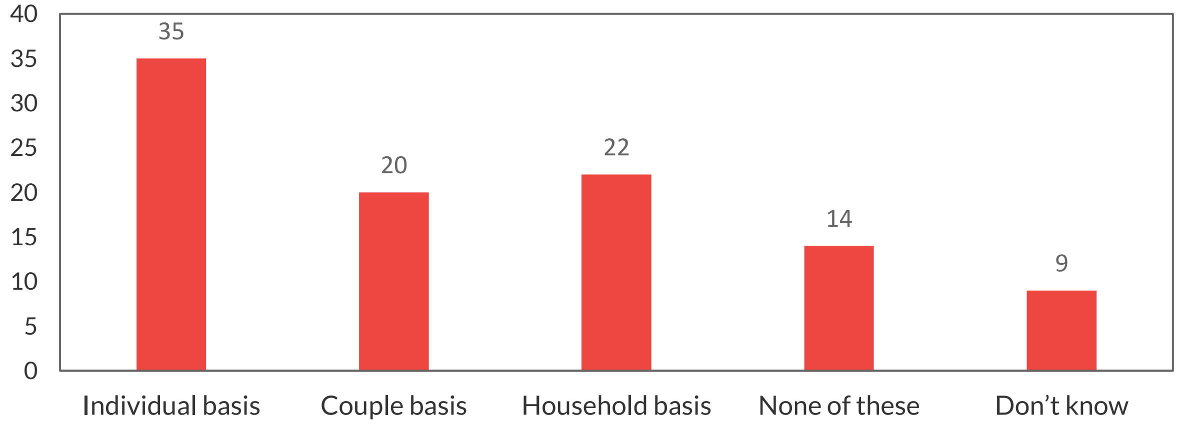
In the focus groups, there was support for net wealth as the base for the tax, partly due to concerns that otherwise people could be asked to pay a wealth tax but without the capacity to pay it. However, participants also recognised that using property value minus mortgage value would lead to a tax on people who had paid their mortgage off.

The next aspect of wealth tax design that we explored was the unit of assessment for the tax. This, again, is a relatively technical issue which few members of the public are likely to have given much thought to. We therefore sought to explain three options (individual, couple and household) in simple terms and, again, the question was premised on the government having already decided to introduce a wealth tax as we wanted to measure views on the particular aspect of the design rather than overall views about a wealth tax. We did not say whether or not the thresholds for the tax would be different (i.e. perhaps doubling the threshold for a couple compared to a single person) which might have made an important difference to views on this question.

Q5. If the government introduces a new yearly tax on people's wealth, they would need to decide whether to tax people individually or together with others in their household. Which one of the following options do you most strongly support, if any? • The tax should be based on how much each person owns *individually*, ignoring the wealth of their partner or anyone else in their household • The tax should be based on how much *a couple* who live together owns between them, ignoring the wealth of anyone else in their household • The tax should be based on how much wealth *an entire household* owns between them, including everyone in the household • I don't support any of these options • Don't know

Figure 7 shows that there were mixed views about the unit of taxation for a new wealth tax with the preferred option being the individual as the unit (35%) but 20% preferring the couple as the unit and 22% preferring the household. Once again, more than one in ten (14%) said they did not support any of these options and 9% said they could not give an answer as they did not know which to choose.

FIGURE 7: PREFERENCE FOR THE TAX UNIT FOR A NEW WEALTH TAX



Source: Authors' calculations

As with the other technical aspects of the design, there were relatively few clear variations between groups. However, those on higher incomes (£55,000+) and in professional or senior managerial occupations (social class AB) were also more likely to prefer an individual basis for taxation compared with semi or unskilled manual workers/unemployed (social class DE): 40% for those on higher incomes and 38% for ABs vs 30% for DEs. We might have expected some gender differences in answers to this question given that men are more likely to own wealth than women and may seek to transfer wealth to their partners if the tax unit is individual. But we did not see such differences. We might also expect to see some differences of opinion depending on respondents' living arrangements and here we did find that single people and those widowed/divorced were more likely to prefer an individual unit of assessment than those married or living as a couple (38% vs 32%).

In the qualitative research, participants also found it difficult to decide whether a wealth tax should be levied at the individual, couple or household level and this was one of the elements which illustrated to participants how complex introducing this tax could be. On the one hand, the individual basis was seen as the simplest to levy. On the other, some participants felt that levying the tax at the couple level may be more appropriate as assets are likely to be held at the (married) couple, rather than individual, level. Those who considered their wealth and assets at the couple or household level felt that identifying what proportion of these belonged to each person could add an additional layer of complexity to the tax. However, levying the tax at a household level was seen as potentially penalising adult children living at home to save for a deposit for a mortgage.

> *If you have a husband and wife it should be up to them as a couple or individuals, I don't think that when the children grow up, if they're still living at home trying to get savings together that they should be included within that household if they're trying to get on the property ladder.*
> (North/Midlands, Low/mid income, Floating voter.)

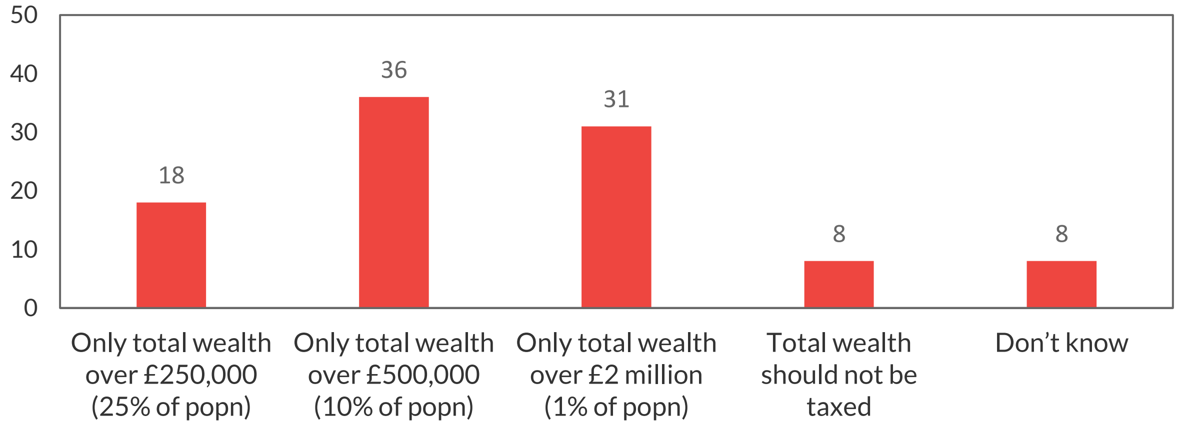
So far, in the survey, we had not broached the issue of the level of wealth at which people might start paying a new wealth tax. We know from previous research, that people underestimate the level of wealth inequality in the UK (Rowlingson and McKay, 2013) and so, when asking a question about tax thresholds we gave respondents some information about what percentage and number of the population would then be liable to pay tax. We also made it clear in the question that the tax would be based on savings, investments and net property, and the unit of assessment would be individual. We did not, therefore, include pension savings, but the main home was not excluded from our definition. We gave three thresholds as options and did not include an option for 'all wealth' as this would be unlikely to be introduced as a policy so we started with a threshold of £250,000, then £500,000 and then £2 million. We also allowed for an option of 'no wealth should be taxed' even though the question was encouraging people to provide their views on a threshold given the assumption that the government might decide to introduce such a tax.

Q6. If the government decides that this new yearly tax will include the total wealth an individual has in savings, investments and property, minus the value of any outstanding mortgage, at what level of wealth do you think people should start paying this new tax on total wealth, if at all?

- Only total wealth over £250,000 should be taxed (the wealthiest 25% of the population which is about 17 million people)
- Only total wealth over £500,000 should be taxed (the wealthiest 10% of the population; about 7 million people)
- Only total wealth over £2 million should be taxed (the wealthiest 1% of the population; about 700,000 people)
- Total wealth should not be taxed
- Don't know

Figure 8 shows that there were mixed views on the threshold for a new net wealth tax but, if one were to be introduced, the most popular threshold for the tax would be above £500,000 which would affect the top 10% of the population. This was the middle of the three thresholds we provided and it is not uncommon for respondents to pick the 'Goldilocks' option (not too high, not too low) if a range of numerical options are put forward. This option was supported by 36% of the public. The next most popular threshold was the highest one proposed: over £2 million affecting 1% of the population. This was supported by 31% of the public. But nearly one in five (18%) supported a much lower tax threshold of over £250,000, thus affecting a quarter of the population. Once again, there was a minority who said that wealth should not be taxed or they could not pick an option because they did not know which one to choose.

FIGURE 8: PREFERENCES FOR DIFFERENT TAX THRESHOLDS FOR A NET WEALTH TAX



Source: Authors' calculations

As Table 4 shows, support for a lower tax threshold (over £250,000) was higher among social renters (23%) and private renters (21%) compared with outright owners (13%), perhaps reflecting rational self-interest concerns among owners that they might be liable for the new tax if the threshold was relatively low.

TABLE 4: PREFERENCES FOR TAX THRESHOLDS BY HOUSING TENURE

	Total	Tenure				
		Outright owner	Own with mortgage	Private renter	Social renter	Other
Unweighted base	2243	606	576	411	361	302
Weighted base	2243	623	559	413	370	285
£250k+	18	13	19	21	23	15
£500k+	36	37	35	38	30	37
£2m+	31	35	34	26	30	25
No wealth should be taxed	8	10	8	7	4	8
Don't know	8	5	4	7	12	15

Notes: Top segment of table gives counts; bottom segment is percent of those in each column.
Source: Authors' calculations

In line with these findings, those on lower incomes were also more likely to support a lower tax threshold than those on higher incomes with only 14% of those on incomes over £55,000 supporting the £250,000 threshold compared with 21% of those on incomes up to £19,999 (Table 5). Conservative supporters were also less likely to support a £250,000 tax threshold (15% compared with 20% Labour) and more likely than Labour supporters to say that total wealth should not be taxed at all (11% compared with 4%).

Given regional variations in property values (and wealth more generally), we might expect significant variations in views about the threshold by people in the 12 different standard UK regions. Figure 9 shows a relatively complex picture but support for a high (£2 million) threshold was highest among those in parts of the South/Midlands including the East of England (40% support), the South East, London and the West Midlands (each with 34% support) and lower among those in the North East (20%), North West (25%), Scotland (25%) and Northern Ireland (27%).

TABLE 5: PREFERENCES FOR TAX THRESHOLDS BY INCOME AND VOTING INTENTION

	Income				Voting intention	
	Up to £19,999	£20k-£34,999	£35k-£54,999	£55k+	Cons	Labour
Unweighted base	602	590	509	302	672	609
Weighted base	608	605	502	285	680	594
£250k+	21	19	18	14	15	20
£500k+	33	36	40	33	34	42
£2m+	30	33	29	38	34	29
No wealth should be taxed	7	5	7	13	11	4
Don't know	9	6	6	3	6	5

Notes: Top segment of table gives counts; bottom segment is percent of those in each column.
Source: Authors' calculations

In the qualitative discussion groups, participants consistently suggested a threshold above their personal wealth:

> *I have read about the net wealth tax; I would personally struggle with a tax increase but if it hits the wealthier who can afford it that might be okay.*
> (London/South East, Mid-high income, Floating voter.)

The group who supported the lowest threshold were also mid-lower income group in the North/Midlands. They suggested a threshold of assets in excess of £500k though this excluded the main home, cash and pension wealth and was based on net wealth. Higher income groups supported a higher threshold in excess of £2 million because those with this level of wealth were seen as being able to comfortably afford a wealth tax. One participant in the London/South East group was very concerned about the possibility of a relatively low threshold, remarking:

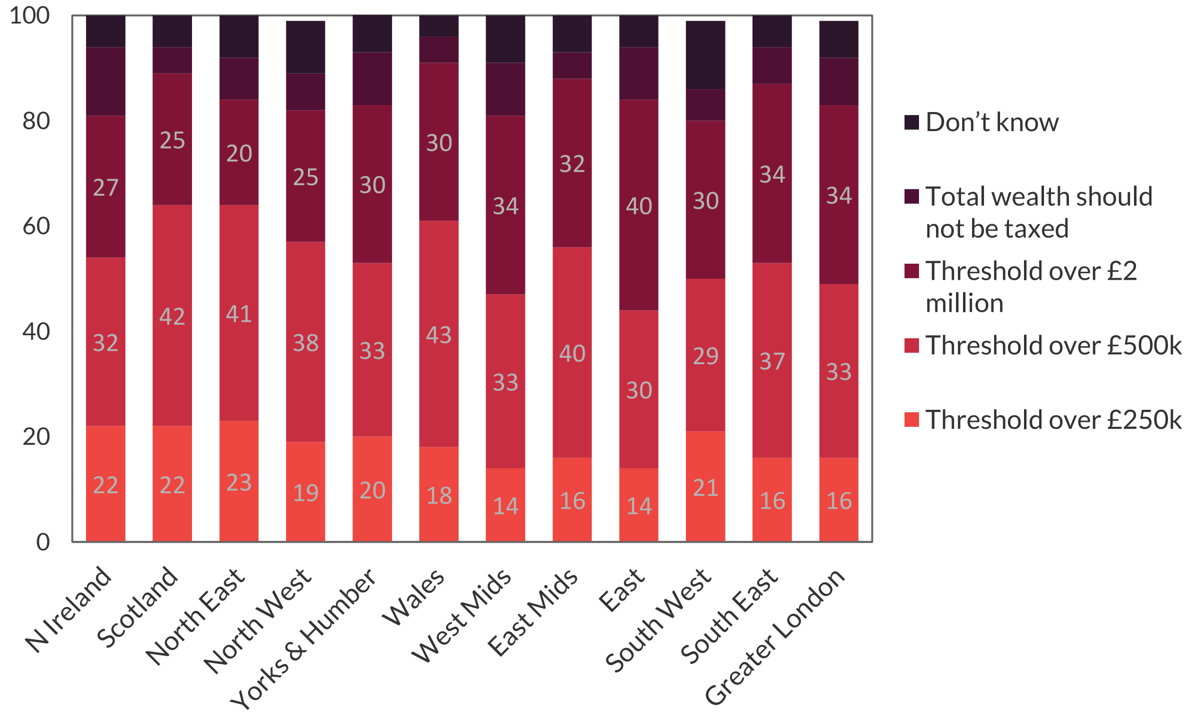
> *In London, a million pound property is nothing*
> (London/SE, High income, Conservative voter.)

Those in the North/Midlands agreed that:

> *You can't just flat rate it across the country – in the North you'd have an entire estate [for £1 million]*
> (North/Midlands, High income, Labour voters.)

Another key parameter for any new wealth tax is the rate of tax. Rather than asking about this in a completely abstract way, we linked this to the preferences people had just given in relation to a particular threshold for the tax. In question 7 about tax rates, therefore, we excluded those who had said that 'wealth should not be taxed' at question 6. The remaining respondents were then presented with information about different tax rates relating to their preferred threshold at question 6 to highlight how much tax people with different levels of wealth might pay at different tax rates (given that tax would only be levied on wealth *above* their preferred threshold). They were then asked which tax rate they preferred if the government were to introduce a new wealth tax (see appendix for full details of all information provided to respondents). Those who had said 'don't know' to the threshold question were shown the information for the £500k threshold.

FIGURE 9: PREFERENCES FOR TAX THRESHOLDS BY SELECTED REGIONS

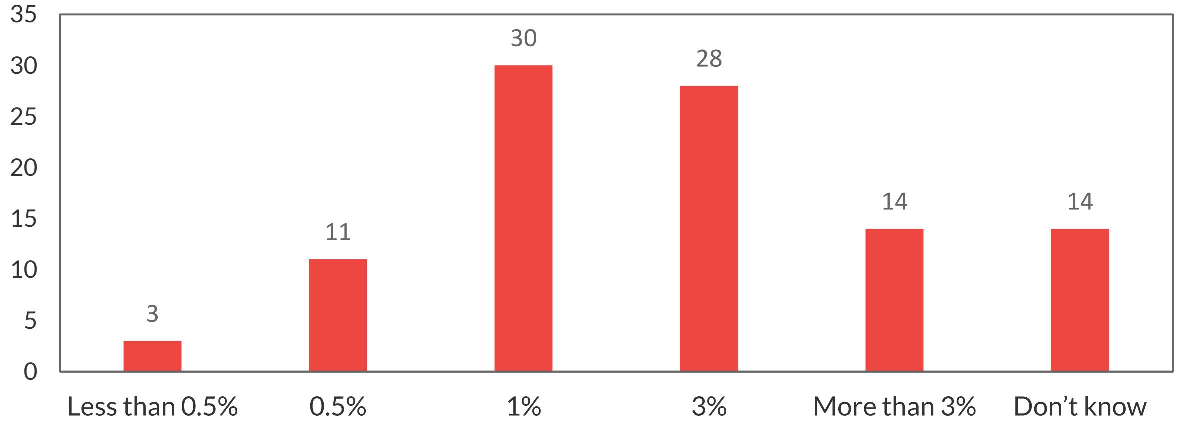


Source: Authors' calculations

Q7 And what percentage of tax would you support …	Example of information given for those who had selected £250k threshold at Q6
Less than 0.5%	
0.5% rate	Someone with £250,000 wealth would pay nothing at all. Someone with total wealth of £1 million would pay £3,750 per year. Someone with £5 million would pay £23,750 tax per year.
1% rate	Someone with £250,000 wealth would pay nothing at all. Someone with £1 million wealth would pay £7,500 per year. Someone with £5 million would pay £47,500 per year.
3% rate	Someone with £250,000 wealth would pay nothing at all. Someone with £1 million wealth would pay £22,500 per year. Someone with £5 million would pay £142,500 per year.
More than 3%	
Don't know	

The most popular rate chosen was 1%, selected by 30% of the public but a rate of 3% was not far behind, chosen by 28%. More than one in ten (14%) wanted the rate to be even higher than 3% and a further 14% wanted the rate to be less than 1%. We might, perhaps, have expected another Goldilocks effect, with respondents choosing the middle two rates but there was a clear tendency towards the higher rate options (Fig. 10). A significant minority of the population (14%) said they did not know which rate to select, once again highlighting the complexity and lack of understanding of these issues.

FIGURE 10: TAX RATE PREFERENCES



Source: Authors' calculations

Surprisingly, perhaps, there were relatively few differences relating to housing tenure. But, as we might suspect, those on lower incomes were more likely to support the highest (more than 3%) rate – see Table 6. And Labour supporters were also much more likely than Conservatives to support higher rates. As many as 30% of Labour supporters supported a tax rate of 3% and a further 19% wanted a tax rate above 3%. Conservative supporters were less likely to favour higher rates but still one in ten (9%) said they wanted a tax rate higher than 3%.

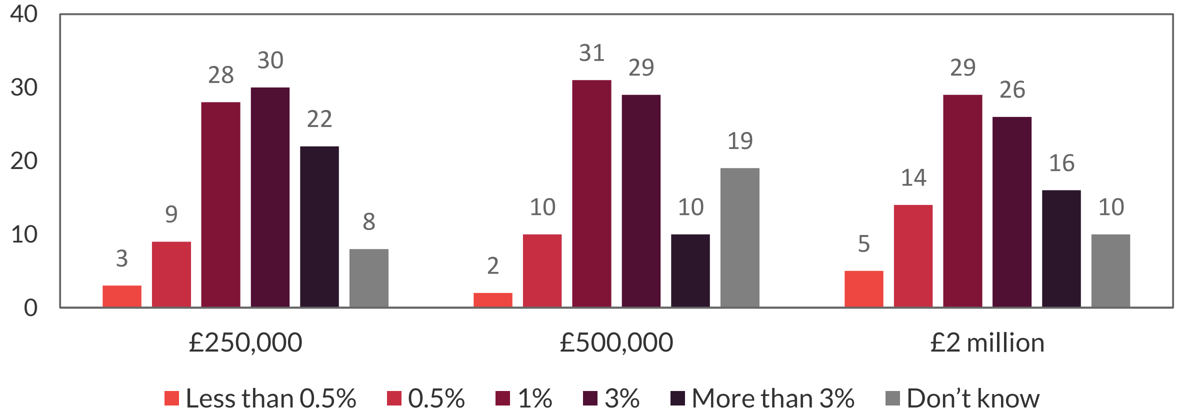
TABLE 6: PREFERENCE FOR TAX RATE BY INCOME AND VOTING INTENTION

	Income				Voting intention	
	Up to £19,999	£20k-£34,999	£35k-£54,999	£55k+	Cons	Labour
Unweighted base	557	558	475	261	598	584
Weighted base	564	572	467	247	607	569
Less than 0.5%	4	3	1	6	4	2
0.5%	10	12	12	9	13	8
1%	27	30	33	36	35	29
3%	27	30	29	28	27	30
More than 3%	16	16	11	4	9	19
Don’t know	15	13	11	6	12	11

Notes: Top segment of table gives counts; bottom segment is percent of those in each column.
Source: Authors' calculations

It might be the case that those who had selected a low threshold also chose a high rate of tax in a desire to raise more from a wealth tax overall. Or they might want to have a wide base and a low rate to share the tax contribution more broadly. Equally, those who had chosen a high threshold might have also chosen a low rate of tax to keep the wealth tax fairly small in amount raised. Or they may have thought that the very richest would have deep pockets and so could contribute a high rate of tax. Figure 11 therefore explores views about the tax rate by views about the tax threshold, and we see similar patterns of support for tax rates with 1% and 3% rates being the most popular at each level of threshold chosen.

FIGURE 11: PREFERENCES FOR TAX RATES BY TAX THRESHOLDS



Source: Authors' calculations

In the focus groups, participants generally favoured a rate of around 1% but, perhaps more interestingly, some participants, completely spontaneously, expressed a preference for a progressive approach with a series of thresholds with lower rates at the bottom and higher rates at the top.

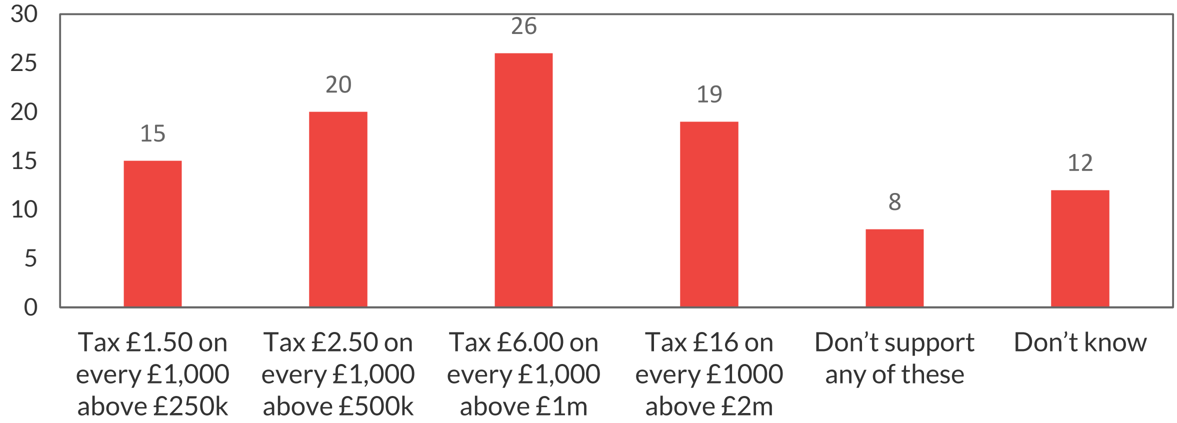
In order to explore the interplay between thresholds and rates further, we asked respondents about a scenario in which the government decided it needed to raise £10 billion in taxes and whether respondents preferred that they do this by taxing a larger group of people with a relatively low tax rate or a smaller group of wealthier people with a relatively high tax rate.

Q8. Suppose the government needs to raise about £10 billion in taxes. It can do this by charging a higher rate of tax on a smaller, wealthier group of people or charge a lower rate of tax on a larger group of relatively less wealthy people. Which of the following options do you most strongly support, if any?

- 25% of people have over £250,000 in wealth. Tax them £1.50 for every £1,000 above £250,000
- 10% of people have over £500,000 in wealth. Tax them £2.50 for every £1,000 above £500,000
- 5% of people have over £1 million in wealth. Tax them £6.00 for every £1,000 above £1 million.
- 1% of people have over £2 million in wealth. Tax them £16 for every £1000 above £2 million.
- Don't support any of these.
- Don't know

There was no particular consensus on this issue but a tendency towards a higher threshold with a higher rate (Fig. 12). The most common view, held by 26%, was to tax those with over £1 million at a rate of £6 per £1,000. But 20% of the public supported taxing those with wealth over £500,000 at a lower rate (£2.50 per £1,000) to raise the same amount. This question was asked of all respondents and just under one in ten (8%) said that they did not support any of these options. A further 12% said that they could not choose between the options.

FIGURE 12: PREFERENCE FOR LOW THRESHOLD/HIGH RATE OR HIGH THRESHOLD/LOW RATE



Source: Authors' calculations

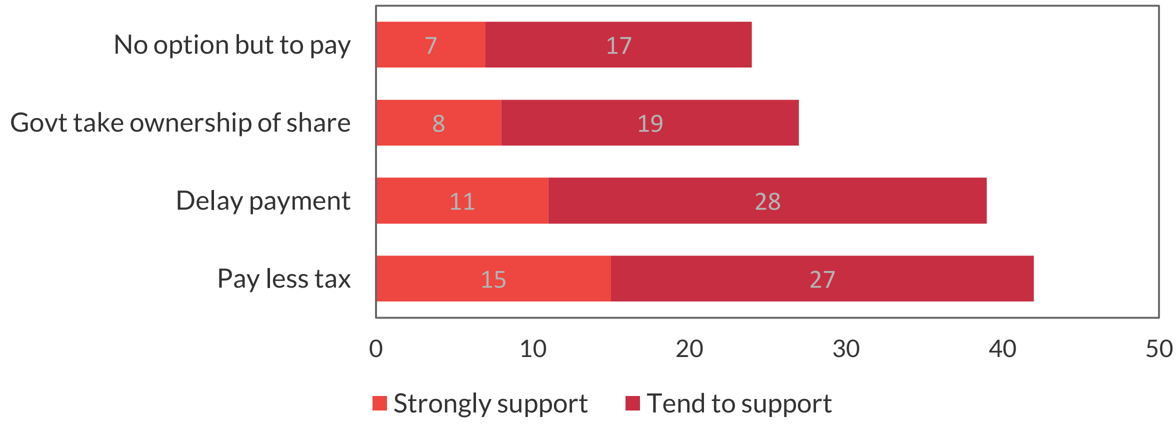
We know from previous discussions about a possible mansion tax, that one of the concerns often put forward for such a tax is that some people might be 'asset rich but cash poor' and so have difficulty paying the tax (Cook, 2012). While research suggests that this problem may be much overstated (Orton, 2006; Sodha, 2005), we nevertheless wanted to get people's views about the various options should this particular issue arise. We therefore designed a question with a particular scenario in which someone with an income of £30,000 owns a house worth £2 million and so might have difficulties paying a wealth tax (depending on the threshold and rate). We gave four options for respondents to choose in this scenario from allowing the person to pay less tax to forcing them to find the money somehow, even if it meant mortgaging or selling the house. Other options included delaying payment or the government taking a charge on the property.

Q10. If the government introduces a new yearly tax based on the value of people's wealth, some people might have difficulty paying it. For example, imagine that a person owns a house worth £2 million (with no mortgage) and they have an income of £30,000. If this person owed £20,000 in wealth tax, they might not be able to afford to pay the tax out of their income. In these circumstances, how strongly do you support or oppose each option?

- They should be allowed to pay less of the new wealth tax if they can't afford it
- They should be allowed to delay payment of the new wealth tax until they can afford to pay it
- The government should take ownership of an equivalent share (1%) of their house if they can't afford to pay the new wealth tax
- They should be made to find the money somehow even if it means mortgaging or selling their house to pay the new wealth tax

There was little consensus on this but, as we can see in Figure 13, the most common answer given, from the four presented, was to allow those on low incomes to pay less tax (42% supported this option). The next most popular answer was to allow people more time to pay (39%). More than a quarter (27%) supported the government taking a share of the wealth and a further 24% said that people should have no option but to pay even if this meant re-mortgaging or selling a property to do so.

FIGURE 13: PREFERENCES FOR OPTIONS FOR 'ASSET RICH, CASH POOR' TAX PAYERS



Source: Authors' calculations

The qualitative research found that support for people unable to pay the wealth tax was linked to perceptions of fairness around the asset base for a wealth tax including the main home. Because this was seen as unfair, participants then believed it was appropriate to exempt people from paying the wealth tax if they could not afford it. There was also perceived unfairness relating to people who had bought their homes many years ago and so were, in effect, the 'victims' of asset inflation, particularly in London. In addition, participants felt it would be unreasonable for people to be asked to sell their main home to pay a wealth tax and there was universal opposition to the government taking part ownership of someone's home.

> *He could be forced to move out of his home…that isn't right…that's not his fault is it.*
> (North/Midlands, High income, Labour voter.)

4. Conclusion

This paper provides important findings from the first ever empirical study focusing on public attitudes to an annual wealth tax in the UK. The research finds a high level of support for such a tax compared with raising other taxes. In terms of the particular design of such a tax, there was support for including financial investments and property wealth (after excluding the main home) as the base for the tax and much less support for including savings, pension wealth and the main home. But this question was asked without any reference to thresholds for the tax and so people with relatively small amounts of savings and equity in their main home may have been concerned about paying a tax when in fact there is little likelihood that they would be liable. There was some preference for the tax to be based on net rather than gross wealth, and for the unit of taxation to be individuals rather than couples or households. But there was some difficulty for people in understanding these concepts fully. When asked about what threshold and rate they would support if the government decided to introduce a new wealth tax based on savings, investments and property minus the value of any mortgage (and thus *including* main homes), the most popular threshold was £500,000 (supported by 36%), closely followed by £2 million (31% support). The most popular rate was 1% (supported by 30%), closely followed by 3% (28% support). Both self-interest and values/beliefs were important in explaining varying attitudes. Outright home-owners, those on higher incomes and Conservative supporters were generally less supportive of the tax than average. Having said this, a majority in each of these groups supported the introduction of some kind of net wealth tax should the government decide to raise taxes. Further research could usefully explore the drivers of attitudes in greater detail.

The focus groups confirmed the survey findings that people's views on the wealth tax were due to a combination of rational self-interest (a desire for people wealthier than themselves to pay the tax) and values and beliefs about fairness given levels of wealth inequality and the need to raise funds to support public services particularly in light of COVID-19. The strongest arguments against the tax stemmed largely from concerns about tax avoidance and the impact on savers. There was also concern about how those who were 'asset rich, cash poor' might pay the tax. And there was much discussion about whether, and how, regional disparities in property prices might affect the design of the tax. Finally, it is worth noting that members of the focus groups showed great interest in discussing tax policy and while their understanding of taxation was not particularly sophisticated, they demonstrated a desire to learn more and engage with such debates. Further public education, debate and deliberative research would be helpful to enable more informed debate about taxation.

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Appendix A: Details of information given at Question 7

	SHOW THE TEXT BELOW DEPENDING ON RESPONSE AT Q6		
Response options	Q6 = Tax on wealth **over** £250k	Q6 – Tax on wealth **over** £500,000	Q6 – Tax on wealth **over** £2 million
Less than 0.5%			
0.5% rate	Someone with £250,000 wealth would pay nothing at all. Someone with total wealth of £1m would pay £3,750 per year. Someone with £5 million would pay £23,750 tax per year.	Someone with £500,000 wealth would pay nothing at all. Someone with £1m would pay £2,500 per year. Someone with £5 million would pay £22,500 tax per year.	Someone with £2m wealth would pay nothing at all. Someone with £3m would pay £5,000 per year. Someone with £5 million would pay £15,000 tax per year.
1% rate	Someone with **£250,000** wealth would pay nothing at all. Someone with **£1 million** wealth would pay £7,500 per year. Someone with **£5 million** would pay £47,500 per year.	Someone with £500,000 wealth would pay nothing at all. Someone £1 million wealth would pay £5,000 in wealth tax per year. Someone with £2 million would pay £15,000 per year.	Someone with £2m wealth would pay nothing at all. Someone with £3 million would pay £5,000 in wealth tax per year. Someone with £5 million would pay £30,000 per year.
3% rate	Someone with **£250,000** wealth would pay nothing at all. Someone with £1 million wealth would pay £22,500 per year. Someone with £5 million would pay £142,500 per year.	Someone with £500,000 wealth would pay nothing at all. Someone with £1 million wealth would pay £15,000 in wealth tax per year. Someone with £2 million would pay £45,000 per year.	Someone with £2m wealth would pay nothing at all. Someone with a net wealth of £3 million would pay £30,000 in wealth tax per year. Someone with £5 million would pay £90,000 per year.
More than 3%			
Don't know			