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Public attitudes to a wealth tax: the importance of 'capacity to pay'

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Abstract

In this paper, we present findings from the first ever study, to our knowledge, to focus in detail on public attitudes to an annual wealth tax. We start with a brief review of relevant recent studies before outlining the mixed methods used, which involved a nationally representative survey of 2,243 members of the general public and four focus groups conducted during the summer of 2020. The study aimed to measure, explore and explain the overall levels of support for a wealth tax compared with other taxes, the 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 wealth tax compared with other taxes, and support for the base of the tax to include financial investments and property wealth (after excluding the main home). The most popular rate/threshold combination is for the tax to be levied at a rate of at least 1 per cent over £500,000. Support for the tax appears to be driven by a combination of rational self-interest and beliefs about fairness but, in particular, the public are keen for the tax to be focused on those with capacity to contribute the most.

KEYWORDS

public attitudes, tax attitudes, wealth taxation, wealth taxes

JEL CLASSIFICATION

D31, H24

1 | INTRODUCTION

The case for increasing the level of wealth taxation in the UK has grown considerably in recent years due to high levels of wealth inequality alongside clear inefficiencies in the tax system. And with the massive increase in both public debt and public service need following the COVID-19 pandemic, the case may now be indisputable.[1] However, the particular form of wealth taxation is still open to debate, requiring the input of tax experts but also, crucially, the general public. This is something that was acknowledged by Mirrlees et al. (2011, p. 503) who concluded, after more than 500 pages of expert analysis of the UK tax system, that the implementation of a better tax system 'will take a government willing to be honest with the electorate, willing to understand and explain the arguments, willing to listen to and to consult experts and public alike, and willing to put long-term strategy ahead of short-term tactics'.

A clear understanding of what the public currently think about taxes, and options for reform, is therefore vital. And, as Mirrlees et al. (2011) suggested, governments may either attempt to *lead* public opinion by setting out to persuade the public of the reasons for, and benefits of, a particular tax reform or seek to *follow* public opinion by listening to their views based on evidence from opinion polls and focus groups.[2] 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 with Margaret Thatcher's demise closely connected to public opposition to the 'poll tax'. Tax policy is clearly treacherous territory for politicians, suggesting, again, that a better understanding of public opinion is crucial.

Such research is not simple, however, and, as Stancheva (2020, p. 4) has commented, economists in particular 'tend to trust more methods based on "revealed preferences" from observed behavior' than opinion surveys that are subject to various response biases. Nevertheless, some preferences cannot be measured from observed behaviour and so, as Stancheva has argued, we need surveys that are well-designed, carefully calibrated, and deployed on appropriate samples. To our knowledge, there have been no studies of people's detailed views about a tax on the stock of personal wealth (wealth tax). This study therefore fills that gap. But it does so in the context of some previous research on broader attitudes to taxes including different types of wealth taxes. For example, a number of studies in the UK have found that inheritance tax is a particularly unpopular tax, with around half the population supporting its abolition.[3] More recently, in the UK, YouGov (2020) found that 41 per cent of people in February 2020 said that they would like to see inheritance tax cut and only 15 per cent wanted it increased, with 31 per cent supporting the status quo. More recent, broader research on tax attitudes carried out a survey in March 2020, just after the first British lockdown, found that nearly three-quarters (74 per cent) of the public wanted to see the wealthy paying more tax, and there was 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.[4] Finally, a report by Glover and Seaford (2020) found that 63 per cent of the public in July/August 2020 supported a one-off 10 per cent tax on wealth over £2 million, excluding main homes and pension funds, with 11 per cent 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 wealth tax in terms of preferences for different tax bases, tax units, thresholds, rates, and so on. Given potential interest in such a tax in light of public debt, public service need, high levels of wealth inequality and inefficiencies in the tax system,[5] our study used a mixed-methods approach to measure, explore and explain the overall levels of support for an annual wealth tax compared with other taxes, the arguments for and against such a tax, and the opinions on the particular design of such a tax. This paper presents key findings from the research, which sought not only to measure and explore attitudes in detail but also to explain the drivers of such attitudes. In the next section of the paper, therefore, we outline current thinking about these drivers, before providing details of the methods of research and then our key findings.

[1] Advani, Chamberlain and Summers, 2020.

[2] See also Hills (2002).

[3] Hedges and Bromley, 2001; Rowlingson and McKay, 2005; Prabhakar, Lymer and Rowlingson, 2017.

[4] Tax Justice UK, 2020.

[5] Advani et al., 2020.

2 | DRIVERS OF ATTITUDES TO TAXATION

As well as measuring people's attitudes, we also seek to explore and explain *why* people hold particular attitudes, drawing on various theories and previous studies.[6] Rational choice theory is one of the main approaches used within mainstream economics to explain individual decisions and behaviour.[7] This theory assumes that people are rational, self-interested, utility maximisers who make consistent choices that 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 others 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 be able 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.

Perhaps the issue here, however, is not that people are 'irrational' but that they are simply unaware of how the tax operates and believe, incorrectly, that they will have to pay it (or not). There is certainly evidence of low awareness of the rates and thresholds of inheritance/estate tax.[8] 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 subsample of respondents 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 that wealth was more unequal than assumed) actually *reduced* support for inheritance tax compared with the prior average position (see the discussion below of 'resistance theory' as a possible explanation). 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.[9]

If rational choice theory does not fully or simply explain attitudes to taxation, there are other approaches that stress the role of values, beliefs and emotions. Beckert (2000), for example, has argued that views about inheritance/estate tax bring together a range of moral principles, such as family support, equal opportunity, justice and the community. In their study of the estate tax in the United States, 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' who wanted to provide for their children. In a similar vein, Sachweh and Eicher (2020) found that 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. These views about the relative 'deservingness' of the rich are also linked to broader beliefs about the existence of meritocracy.[10]

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. For example, Löfgren and Nordblom

[6] See also Stancheva (2020) and Prabhakar et al. (2017).

[7] Gemmel, Morrisey and Pinar, 2004; Slemrod, 2006; Hammar, Jagers and Nordblom, 2008.

[8] See Gemmell et al. (2004) and Rowlingson and McKay (2005). 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.

[9] Bartels, 2006; Lewis and White, 2006.

[10] Rowlingson and Connor, 2011; Davis et al., 2020.

(2009) found much higher support for environmental taxes if they were referred to as a CO_2 tax rather than a gasoline tax. Also, a study by Stantcheva (2020) 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, Hasseldine and Hite (2008) 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. They drew on 'resistance theory' to explain why people may resist or oppose a 'primed' position.

So far, we have 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 contexts. 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.[11] 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,[12] veto players[13] and electoral systems.[14] This perspective was particularly important for this study given that the UK was experiencing an unprecedented shock in the form of the COVID-19 pandemic, and had already borrowed massively to support various interventions by the time of our fieldwork. We might therefore expect this to shift attitudes to, and policies on, taxation very significantly.

3 | RESEARCH AIMS AND METHODS

The main aims of this research were to measure, explore and explain attitudes to a new annual wealth tax, which we hypothesised, based on the 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.[15]

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 designed 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 were also designed carefully. Also, 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 seen, 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.

A total of 2,243 adults aged 16–75[16] were interviewed in the UK using the Ipsos MORI Online Omnibus between 10 and 13 July 2020; a week after 'Independence Day' when pubs, restaurants

[11] Scheve and Stasavage, 2010, 2012, 2016.

[12] Osterloh and Debus, 2012.

[13] Hallerberg and Basinger, 1998; Swank and Steinmo, 2002.

[14] Hays, 2003.

[15] The fieldwork was funded by the AFSEE COVID-19 response fund at the LSE International Inequalities Institute. Ethical review was also undertaken by the LSE.

[16] 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 per cent of the population aged over 15 so we need to take this into account when interpreting our findings.

TABLE 1 Weighted and unweighted number of interviews and percentages

	Unweighted		Weighted	
Total	2,243	100.00%	2,243	100.00%
Gender				
Male	1,089	48.55%	1,103	49.18%
Female	1,138	50.74%	1,124	50.11%
Age				
16–24	348	15.51%	332	14.80%
25–34	410	18.28%	412	18.37%
35–44	387	17.25%	381	16.99%
45–54	433	19.30%	412	18.37%
55–75	665	29.65%	705	31.43%
Social grade				
AB	622	27.73%	598	26.66%
C1	802	35.76%	658	29.34%
C2	326	14.53%	481	21.44%
DE	493	21.98%	506	22.56%
Region				
North East	92	4.10%	89	3.97%
North West	250	11.15%	249	11.10%
Yorkshire and the Humber	188	8.38%	184	8.20%
West Midlands	198	8.83%	195	8.69%
East Midlands	163	7.27%	162	7.22%
East of England	208	9.27%	209	9.32%
South West	189	8.43%	189	8.43%
South East	308	13.73%	305	13.60%
Greater London	305	13.60%	306	13.64%
Wales	107	4.77%	105	4.68%
Scotland	175	7.80%	187	8.34%
Northern Ireland	60	2.67%	62	2.76%
Employment status				
Working	1,423	63.44%	1,422	63.40%
Not working	820	36.56%	821	36.60%

and hairdressers reopened following lockdown due to the COVID-19 pandemic. Quotas were set to achieve a representative sample by age, gender, social class, work status and region. Minor differences between the achieved sample and quotas were corrected by weighting. Table 1 shows the weighted and unweighted number of interviews and percentages.

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 as outlined in Advani et al. (2020). 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 (savings, property and pensions) 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 was not possible 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, owners with a mortgage, private tenants and social tenants. We also had data on income levels, which will be 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 expected Conservative voters to hold ideological preferences for a low tax/small state compared with Labour voters. Another limitation to survey research on this topic is that (very) wealthy people do not generally take part in surveys and certainly not in sufficient numbers to draw reliable conclusions.

The statistical analysis in this paper is largely descriptive given that there have been no previous studies of public attitudes to the details of a wealth tax that we are aware of. 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 online focus group discussions, which took into consideration subgroups[17] of interest identified in the online survey as follows.

- Group 1: London/SE, mid/high income,[18] 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+.

Focus group participants were recruited by re-contacting participants from the online survey who had consented take part in further research on the topic. Survey responses were analysed to identify potential participants for each group, and individuals' suitability to take part was confirmed using a recruitment screening questionnaire, administered to potential participants by phone. 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. The questions covered in the focus groups mirrored those in the quantitative survey but were adapted to enable an open-ended response and to encourage discussion and debate. Topics covered included general preferences

[17] Additionally, age, gender and ethnicity were monitored to ensure a good mix across the research

[18] Higher income = £55,000+ individual income, no restriction on household earnings; mid income = £35,000–55,000 individual income, no one in household earning above £55,000; lower income = below £35,000 individual income of highest household earner.

between different forms of tax increase, and went on to explore preferences surrounding a proposed wealth tax, including the tax base, tax levels, taxation thresholds including upper and lower limits, and potential exemptions. 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 affect an individual, based on their level of wealth and the form in which it is held.

4 | FINDINGS

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

4.1 | Support for tax increases or cuts to public services

The first question in our survey sought to place attitudes to wealth taxation in a broader context by asking people for their preference for either tax increases or public service cuts. The question made it clear that any tax increases might fall on them personally rather than asking them about their support for tax increases generally – which might then be paid by others. We did not specify whether any increase or decrease in public spending would directly affect them personally, however.

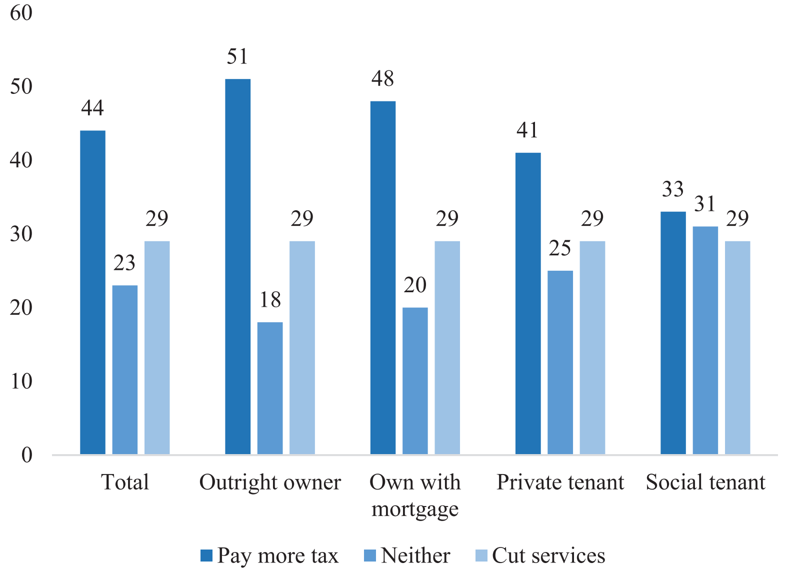
Q1. The current COVID-19 pandemic has required high levels of government spending. Which of these statements do you agree with the most?

- 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'

Figure 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 per cent versus 29 per cent) though nearly a quarter did not support either statement. Views varied between different groups of people, however. Those with property wealth (outright owners and those with mortgages) were more likely to support tax increases than private renters and social renters (51 per cent and 48 per cent, versus 41 per cent and 33 per cent), perhaps suggesting that owner-occupiers felt they had more capacity to pay tax than renters. In contrast, social renters were the most likely of all tenure groups to support neither statement. They clearly did not wish to see services cut but nor did they feel willing or able to pay higher taxes personally. Those on higher incomes were also more likely to agree with tax rises than other groups. For example, 49 per cent of those on incomes over £55,000 supported tax rises compared to 37 per cent of those on incomes up to £20,000. 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 per cent versus 43 per cent).

The findings from this question go to the heart of the debate about the drivers of attitudes. Property owners and those with higher incomes were actually more likely to support tax increases on themselves than other groups, perhaps reflecting a greater recognition of capacity to pay increased taxes than other groups. These groups may also have been motivated by valuing public services highly – particularly given the context of the pandemic. Those on lower incomes may simply have had less (perceived) capacity to pay extra taxes even though they also valued public services and so would not support cutting services. This suggests that when people argue that others should pay higher taxes, this attitude

FIGURE 1 Preferences for tax increases or public service cuts by housing tenure



may not (only) be driven by self-interest in a narrow sense but from an inability to afford to pay more, particularly when compared with the (perceived) capacity of others.

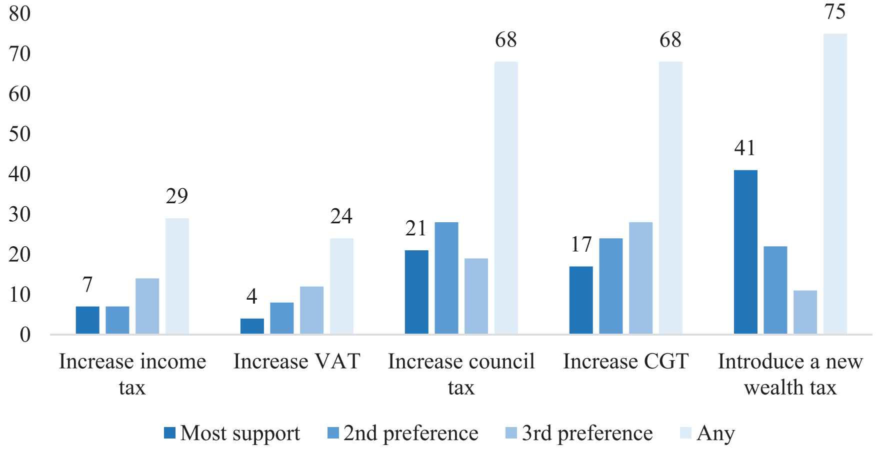
The next question asked respondents which tax increases they would most support if the government decided to raise taxes. This question therefore included the premise that the government had decided to raise taxes and so the answers cannot be taken as indicating a simple level of support for raising 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 as a result of the question framing. We gave respondents five options to choose from: income tax, value added tax (VAT), capital gains tax (CGT), council tax and a new wealth 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 tax was not, therefore, the only type of wealth tax provided as an option given that CGT was also included in the list – and council tax (which is related to property values if not a simple tax on wealth ownership).

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 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 tax, should the government decide to raise taxes. Two in five (41 per cent) said it was their most preferred option, with an increase in council tax the next most popular, mentioned by 21 per cent as their main preference (see Figure 2). Three-quarters of the public supported the wealth/fortune tax

FIGURE 2 Preferences for particular taxes if an increase were to take place



either as a first, second or third preference. Council tax and CGT increases were next most popular, each supported by 68 per cent.

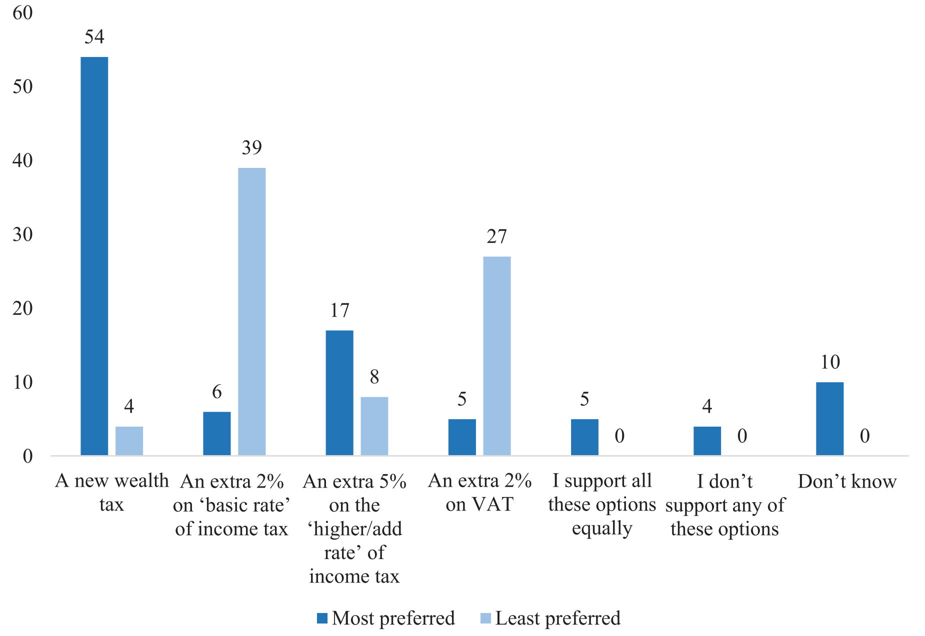
A small group (6 per cent of the public) said that they did not support raising any of these taxes. This could be because they would prefer other taxes to be raised that were not mentioned here (e.g. taxes on tobacco/alcohol or fuel/carbon) or that they would not support any tax increases and so were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

Surprisingly again, perhaps, the wealth tax was more popular among owners with a mortgage (45 per cent) compared with the average. Outright owners were less keen but 36 per cent 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. 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 per cent 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 per cent compared to 34 per cent).

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 per cent) supported a new wealth/fortune tax (see Figure 2). This was slightly lower among Conservative supporters (67 per cent) and those on high incomes (69 per cent) but still a clear majority of these groups supported the wealth tax.

Perhaps levels of support were high because people knew very little about how such a tax might work and they expected that others would pay it. So the survey then focused on a number of specific questions about the design of a new wealth tax (see detailed findings on these questions in Section 4.2). This gave respondents more time to become acquainted with the idea. We then asked about preferences between different kinds of taxes, including the wealth tax, if the government wished to raise £10 billion in tax. The use of this specific choice scenario also enabled us to give some very clear parameters for different kinds of taxes rather than the broad options we had presented in question 2. 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.

FIGURE 3 Preference for different kinds of taxes to raise £10 billion



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 respondent's preferred rate/threshold as selected 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 (see Figure 3). More than half (54 per cent) 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 per cent, was to raise the higher/additional rate of income tax by 5 per cent. There was very little support for increasing VAT (5 per cent support) or increasing the basic rate of income tax by 2 per cent (6 per cent support).

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 per cent of those on incomes below £20,000 saying a new wealth tax would be their preferred option compared to 56 per cent of those on more than £55,000. Those on the lowest incomes were more likely than average to support higher income tax on high earners and all options equally. Renters were also slightly less likely to support the new wealth tax than owner-occupiers (51 per cent compared to 56 per cent) even though renters would be much less likely to pay it. This again suggests that a simple rational self-interest explanation for attitudes is insufficient.

In the focus groups, participants also preferred a wealth tax over other options for increasing taxes, partly 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: '[a]t 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'.

4.2 | Preferences for specific design features of a wealth tax

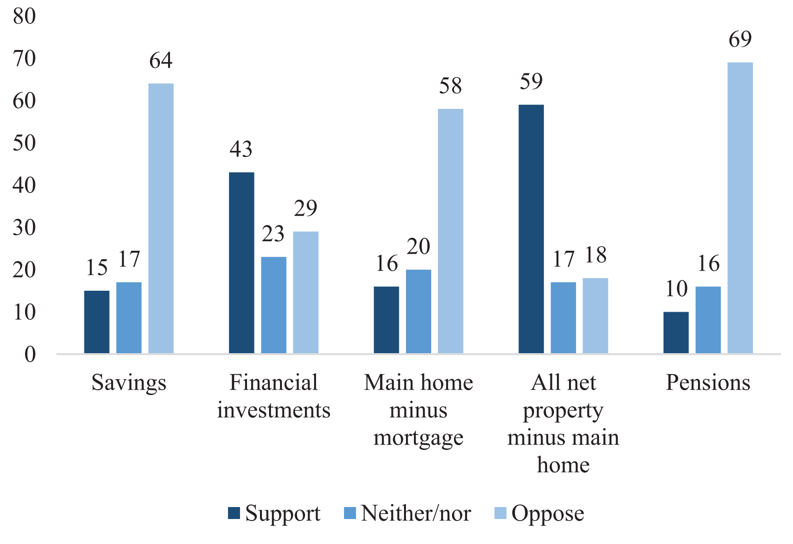
Having assessed broad levels of support for a new wealth, the survey asked respondents for their views on particular aspects of the *design* of the tax. The first question here was in relation to views about which assets might be included in a new wealth tax. Once again, the question presumes that the 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, given that, once again, people may not have been familiar with these.

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 (see Figure 4) 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 per cent and 43 per cent of the public, respectively. A further

FIGURE 4 Preferences for tax base for new wealth tax



17 per cent and 23 per cent, respectively, were neutral about their inclusion. There was much less support for taxing the equity in the main home (opposed by 58 per cent) or savings (opposed by 64 per cent) or pension wealth (opposed by 69 per cent).

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, which people had worked hard for and saved for, not a financial asset. Therefore, taxing this was seen as charging people for engaging in what was deemed to be socially responsible behaviour. In addition, any wealth in a main home was seen to be illiquid, so the owner's capacity to pay was limited. Furthermore, the owner was not seen to be responsible for any gains made and it felt unfair to tax them on something that 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 3 million it just so happens that the house is worth 3 million.' (North/Midlands, low/mid income, floating voter)

In contrast, second homes were seen as an asset that 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 rich, as well as asset rich. As one participant said: '[s]econd homes are the most liquid of all the assets, people that would be taxed that way can most afford it'. 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 that 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 might 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.

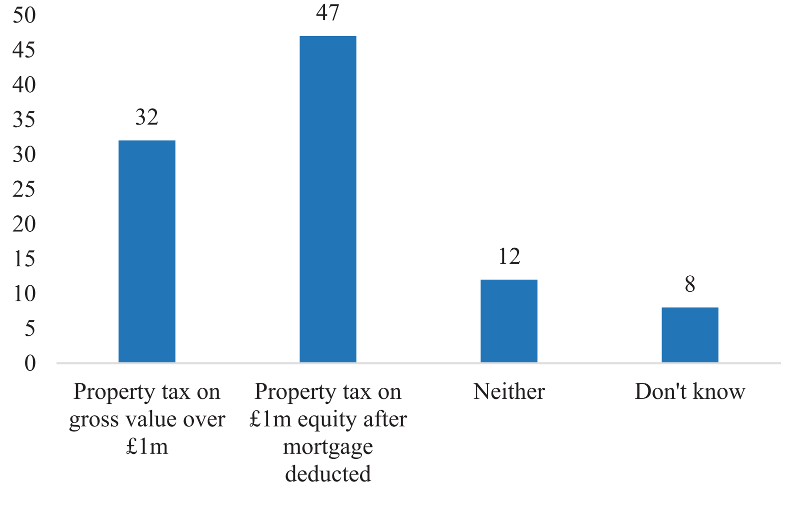
Q4. We are now going to ask you what you think about certain proposals for new forms of taxation. We realise that you may not have come across these proposals before, and may be unsure what they would mean in practice. But we are interested in finding out your immediate reactions to them, whether they 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 regardless of the value of any outstanding mortgage
- A property tax paid by those who have over £1 million saved in property or properties after any mortgage borrowing has been deducted
- Neither
- Don't know

Figure 5 shows that nearly half the public (47 per cent) preferred a net property tax (i.e. one that is based on the equity in the property after the mortgage is deducted from the value) than a gross property tax (i.e. 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.

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 with a single person), which might have made an important difference to views on this question.

FIGURE 5 Preference for gross or net basis for wealth tax



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?

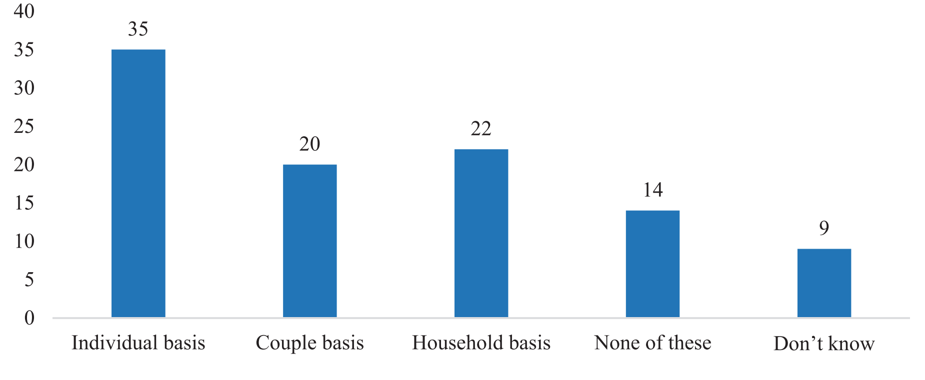
- The tax should be based on how much each person owns *individually*, ignoring the wealth of their partner or anyone else in their household
- The tax should be based on how much *a couple* who live together owns between them, ignoring the wealth of anyone else in their household
- The tax should be 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 6 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 per cent) but 20 per cent preferring the couple as the unit and 22 per cent preferring the household. Once again, more than one in ten (14 per cent) said they did not support any of these options and 9 per cent said they could not give an answer as they did not know which to choose.

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 more likely to prefer an individual basis for taxation compared with semi-skilled or unskilled manual workers/unemployed (social class DE): 40 per cent for those on higher incomes, 38 per cent for the AB social class and 30 per cent for the DE social class. 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 per cent versus 32 per cent).

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 that illustrated to participants how complex it could be to introduce this tax. On the one hand, the individual basis was seen as the simplest to levy. On the other hand, 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 also seen as potentially penalising adult children living at home to save for a deposit for a mortgage.

FIGURE 6 Preference for the tax unit for a new wealth tax



> '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.[19] 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 7 shows that there were mixed views on the threshold for a new 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 per cent 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 per cent of the public. The next most popular threshold was the highest one proposed: over £2 million, affecting 1 per cent of the population. This was supported by 31 per cent of the public. But nearly one in five (18 per cent) 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.

Support for a lower tax threshold (over £250,000) was higher among social renters (23 per cent) and private renters (21 per cent) compared with outright owners (13 per cent), perhaps reflecting rational self-interest concerns among owners that they might be liable for the new tax if the threshold was relatively low. 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 per cent of those on incomes over £55,000 supporting the £250,000 threshold compared to 21 per cent of those on incomes up to £19,999.

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 8 shows a relatively complex picture, but support for a high threshold (£2 million) was highest among those in parts of the South/Midlands including the East of England (40 per cent support), the South East, London and the West Midlands (each with 34 per cent support) and lower among those

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[19] Rowlingson and McKay, 2013.

FIGURE 7 Preferences for different tax thresholds for a wealth tax

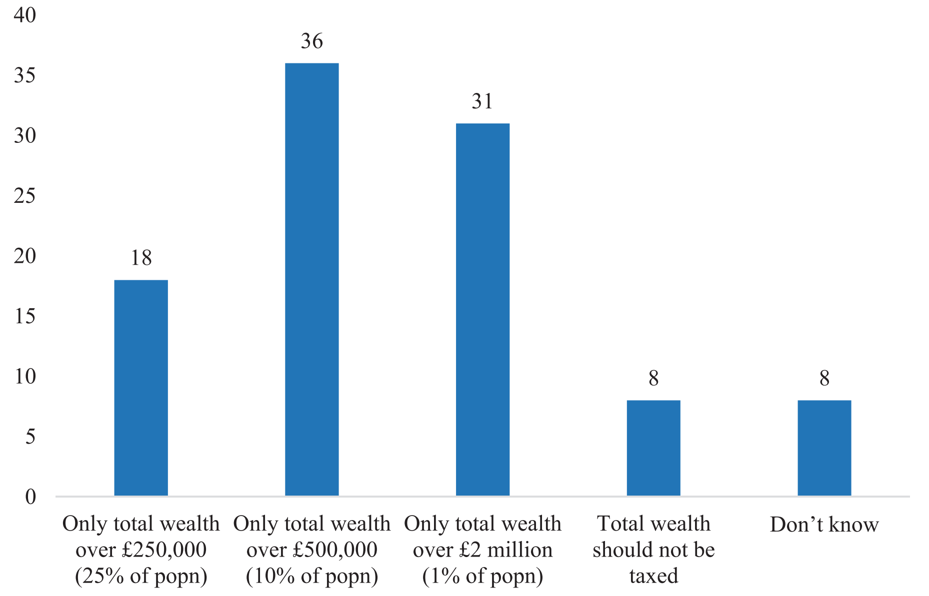
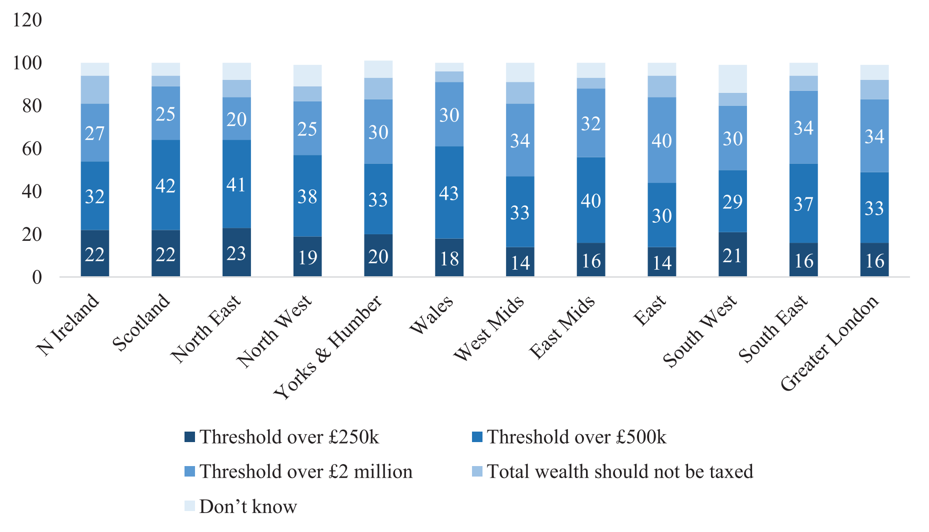


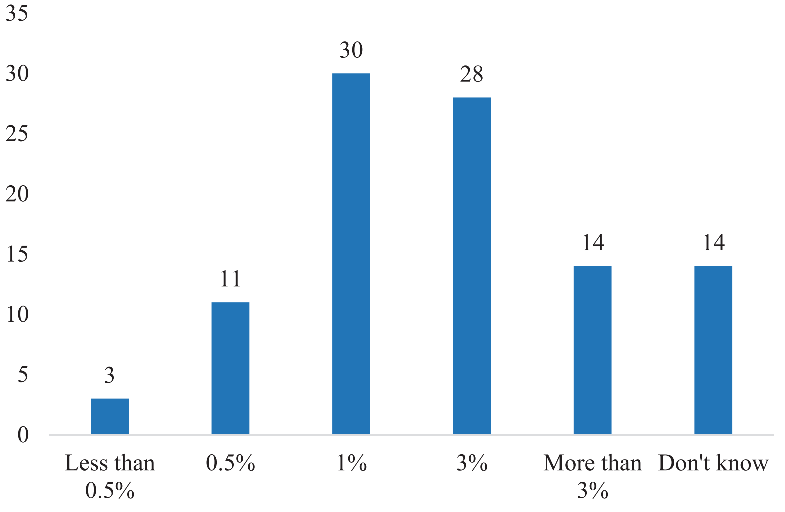
FIGURE 8 Preferences for tax thresholds by selected regions



in the North East (20 per cent), North West (25 per cent), Scotland (25 per cent) and Northern Ireland (27 per cent).

In the qualitative discussion groups, the group that supported the lowest threshold was, perhaps unsurprisingly, the mid-lower income group in the North/Midlands. This group suggested a threshold of assets in excess of £500,000, 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. In the London/South East group of high-income, Conservative voters, one participant was very concerned about the possibility of a relatively low threshold, remarking: '[i]n London, a million pound property is nothing'. Those in the North/Midlands (high-income, Labour voters) generally agreed that 'you can't just flat rate it across the country, in the North you'd have an entire estate [for £1m]'.

FIGURE 9 Tax rate preferences

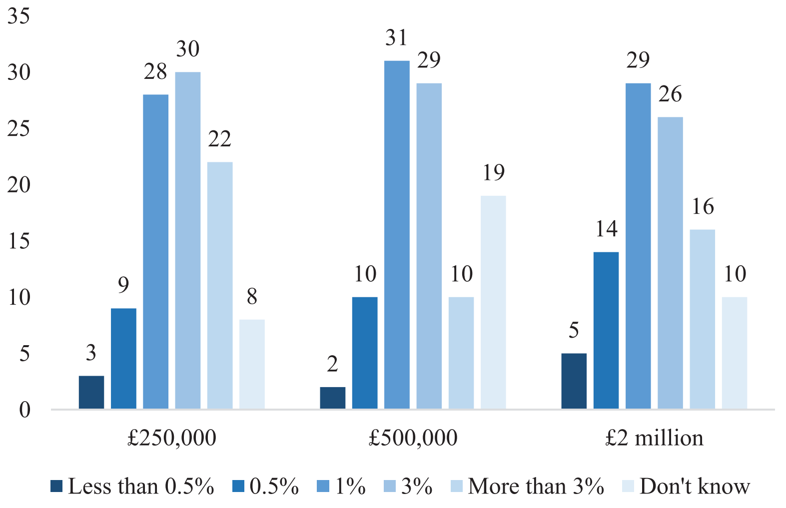


Another key design feature for any new wealth tax is the rate of tax. Rather than asking about this in a completely abstract way, we linked this to the preferences people had just given in relation to a particular threshold for the tax. We therefore excluded (from question 7 about tax rates) those who 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 the 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 Table A1 in the online 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 £500,000 threshold.

Q7. And what percentage of tax would you support …?	Example of information given for those who had selected £250,000 threshold at question 6
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.
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 per cent, selected by 30 per cent of the public, but a rate of 3 per cent was not far behind, chosen by 28 per cent. More than one in ten (14 per cent) wanted the rate to be even higher than 3 per cent and a further 14 per cent wanted the rate to be less than 1 per cent. 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 (see Figure 9). A significant minority of the population (14 per cent) said they did not know which rate to select, once again highlighting the complexity and lack of understanding of these issues.

FIGURE 10 Preferences for tax rates by tax thresholds



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 per cent) rate. Also, Labour supporters were also much more likely than Conservatives to support higher rates. As many as 30 per cent of Labour supporters supported a tax rate of 3 per cent and a further 19 per cent wanted a tax rate above 3 per cent. Conservative supporters were less likely to favour higher rates but still one in ten (9 per cent) said they wanted a tax rate higher than 3 per cent. 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 10 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 per cent and 3 per cent rates being the most popular at each level of threshold chosen.

In the focus groups, participants generally favoured a rate of around 1 per cent 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.

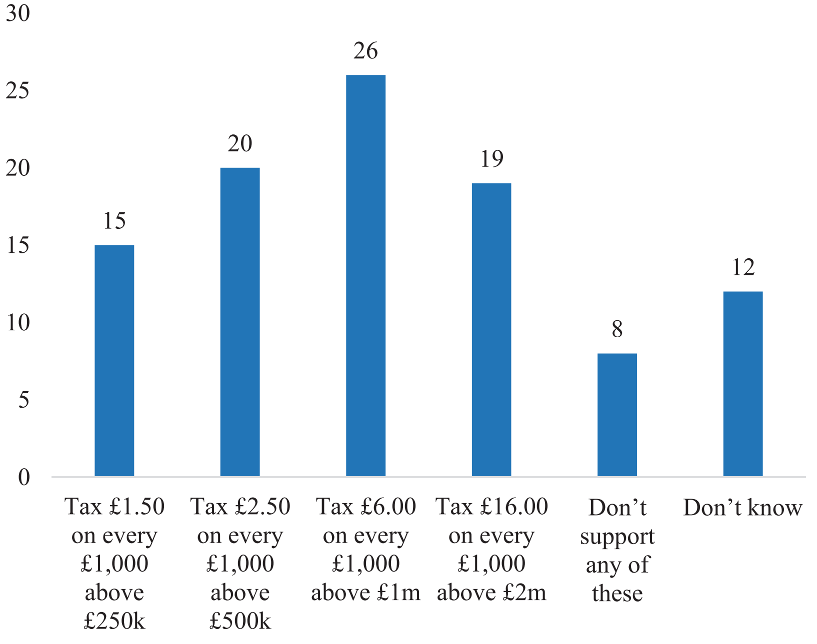
In order to explore the interplay between thresholds and rates further, we asked respondents about a scenario in which the government decided it needed to raise £10 billion in taxes and whether respondents preferred that they do this by taxing a larger group of people with a relatively low tax rate or 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 £16.00 for every £1,000 above £2 million
- Don't support any of these
- Don't know

There was no particular consensus on this issue but there was a tendency towards a higher threshold with a higher rate (see Figure 11). The most common view, held by 26 per cent, was to tax those with

FIGURE 11 Preferences for low threshold/high rate or high threshold/low rate



over £1 million at a rate of £6 per £1,000. But 20 per cent 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 per cent) said that they did not support any of these options. A further 12 per cent said that they could not choose between the options.

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.[20] While research suggests that this problem may be much overstated,[21] 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 from 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

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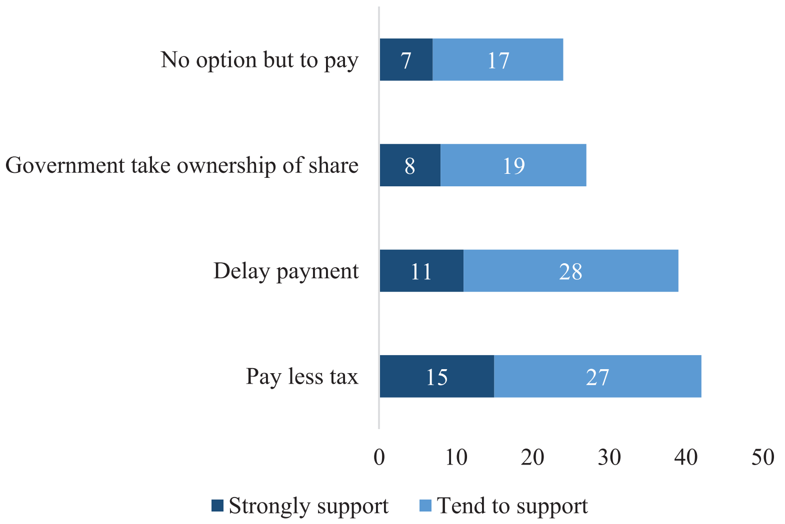
[20] Cook, 2012.

[21] Sodha, 2005; Orton, 2006.

FIGURE 12 Preferences for options for asset-rich, cash-poor taxpayers



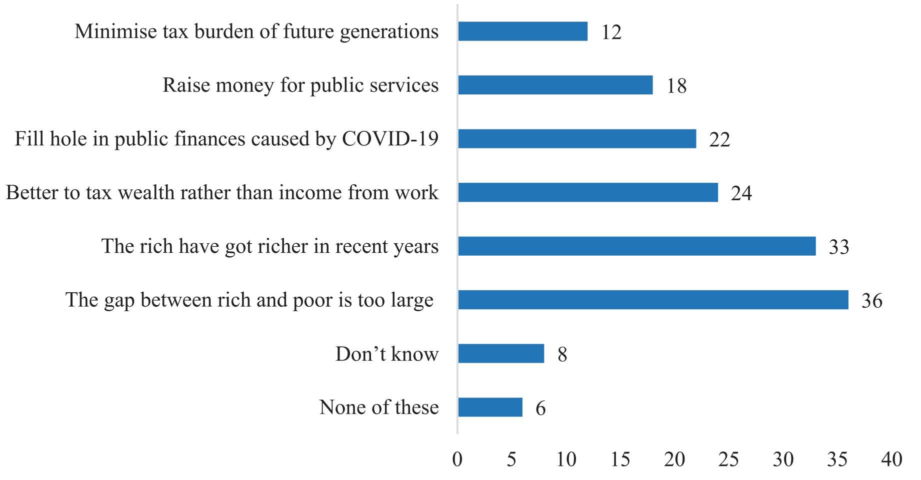
There was little consensus on this but, as we can see in Figure 12, the most common answer given, from the four presented, was to allow those on low incomes to pay less tax (42 per cent supported this option). The next most popular answer was to allow people more time to pay (39 per cent). More than a quarter (27 per cent) supported the government taking a share of the wealth and a further 24 per cent said that people should have no option but to pay even if this meant re-mortgaging or selling a property to do so.

The qualitative research found that support for people potentially 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. A typical view, expressed by someone in the North/Midlands, high income, Labour voter group was: '[h]e could be forced to move out of his home…that isn't right…that's not his fault, is it?'

4.3 | 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.

FIGURE 13 Support for arguments in favour of a wealth tax



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? [*please note: the order presented to respondents was randomised*]

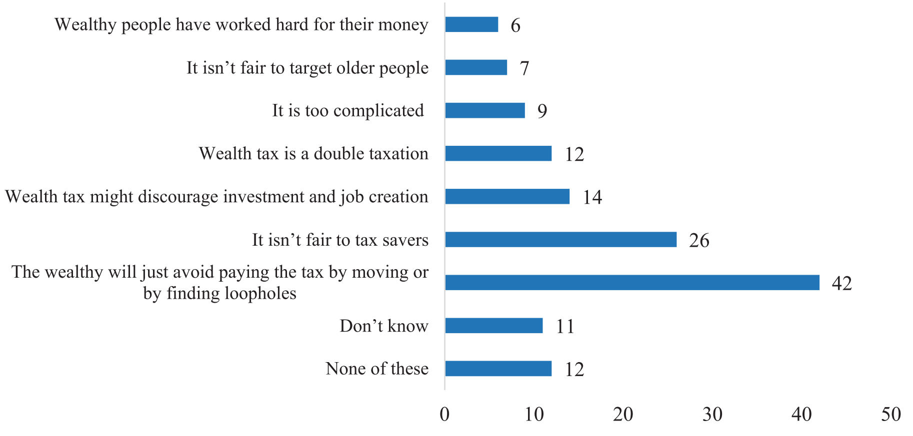
- The gap between rich and poor is too large in the UK and a wealth tax would help to reduce it
- The rich have got richer in recent years; it's time for them to give something back
- If taxes have to increase, it's better to tax wealth rather than people's income from work
- The government needs to 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 per cent support; see Figure 13). There was also concern about the rich getting richer in recent years (33 per cent support). This was, perhaps, a surprising result given that much of the public debate around the time of the survey 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 the COVID-19 pandemic; but these arguments were not supported as much ('only' by 22 per cent and 18 per cent, respectively). Just over one in 20 (6 per cent) 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 per cent compared to 46 per cent). Conservatives were also much less persuaded about the need to raise money for public finances than Labour supporters (28 per cent compared to 19 per cent).

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.

FIGURE 14 Support for arguments against a new wealth tax



Q12. Which one or two, if any, of the following arguments against a net wealth tax do you most strongly support? [*please note: the order presented to respondents was randomised*]

- 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; this was seen as the strongest argument against the tax by 42 per cent (see Figure 14). 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 per cent). Other arguments gained less support but 14 per cent were concerned about possibly of discouraging investment and job creation, and 12 per cent 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 per cent) of Labour supporters declined to pick any of these arguments compared to 7 per cent of Conservatives.

Concerns about tax avoidance (in other words, efficiency considerations) 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 voter). 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 voter). However, overall, participants felt that the broader benefits of introducing a wealth tax outweighed the risk of avoidance by the very wealthy.

5 | DISCUSSION AND CONCLUSION

This paper provides important findings from the first ever empirical study, to our knowledge, focusing on public attitudes to specific design aspects of an annual wealth tax. The key finding is that, in the summer of 2020, there was a high level of support for such a tax, with more than half (54 per cent) of the general public choosing it as their preferred way of raising £10 billion compared with particular proposals to increase either income tax or VAT.

Rational self-interest would suggest that people might have preferred this tax because they assumed that they would not have to pay it personally. We certainly find a preference for specific design features of a wealth tax that would levy the tax on a small group of the most-wealthy people. For example, the public generally preferred the tax to be levied against financial investments and ‘second’ or additional properties, rather than the most widespread forms of wealth (savings, the main home and pension wealth). In terms of the threshold for the tax, the most common preference was £500,000 (supported by 36 per cent) and this was chosen after respondents were informed that this would only include a minority, the wealthiest 10 per cent, of the population. However, the top 10 per cent is a far larger group that the ‘super-rich’ and another one in five (18 per cent) supported a £250,000 threshold, which (they were informed) would include a quarter of the population.

Despite some evidence supporting a rational choice explanation for people’s preferences, there are also indications that other drivers were also important. For example, those least enthusiastic about a new wealth tax included younger people and those on lower incomes who were least likely to pay it. And while it was the case that outright home-owners, those on higher incomes and Conservative supporters were generally less supportive of the tax than average, a majority in each of these groups supported the introduction of some kind of net wealth tax, should the government decide to raise taxes. Views about the tax base also seemed motivated as much by beliefs about fairness as rational self-interest given that the ‘family home’ was seen as much more than a simple financial resource, and it was seen as wrong to ‘punish’ those who had worked and saved hard.

Also, when we asked a more general question about people’s willingness to pay more taxes themselves in order to fund public services, 44 per cent said that they were indeed willing to do so; the numbers were actually higher for property-owners and those on higher incomes, suggesting a recognition of greater capacity to pay. Renters and those on lower incomes were less likely to say they would pay more taxes but nor were they more likely to say that they supported cuts to public services. They supported neither option, suggesting they felt that others should pay higher taxes to fund public services. The qualitative research also suggested that people were influenced strongly by judgements about who could afford to contribute more, given levels of inequality and poverty. For example, the preference for excluding the main home from the tax was partly linked to concern about capacity to pay if money was tied up in the home, whereas second homes could be easily sold to pay the tax if necessary.

Given the context of near-unprecedented levels of government borrowing to pay for interventions to support the country during the COVID-19 pandemic, it was surprising, perhaps, that the strongest arguments for the tax were actually linked to concerns about inequality rather than concerns about supporting public services or repaying public debts. This suggests deep-seated concerns about inequality that perhaps have even been heightened by the unequal impact of the pandemic. The strongest arguments against the tax stemmed largely from practical concerns about tax avoidance rather than any more principled objections. There were some concerns, however, about the impact on savers.

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 therefore be helpful to enable more informed debate about taxation, alongside expert analysis of the various options for tax reform.

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