

Giulia Varaschin, Quentin Parrinello and Gabriel Zucman

Wealth taxes and high-net-worth individuals in Europe

Five Lessons for the Twenty-First Century

Abstract

What is the best way to tax high-net-worth individuals (HNWI) in Europe effectively? Their wealth has grown over recent decades, but they are subject to lower effective tax rates than the average citizen. This brief reviews the history of net wealth taxes and comes up with five lessons for modern approaches to effectively taxing high-net-worth individuals. It shows that earlier wealth taxes raised limited revenue and failed to tax these individuals because of the narrow tax bases and low thresholds, not because of large-scale mobility. Modern systems should adopt broad tax bases without carveouts, target extreme wealth with high thresholds, use minimum-tax top-up mechanisms, include credible anti-exile rules, and leverage today's transparency tools to tax high-net-worth individuals effectively.

1. Introduction

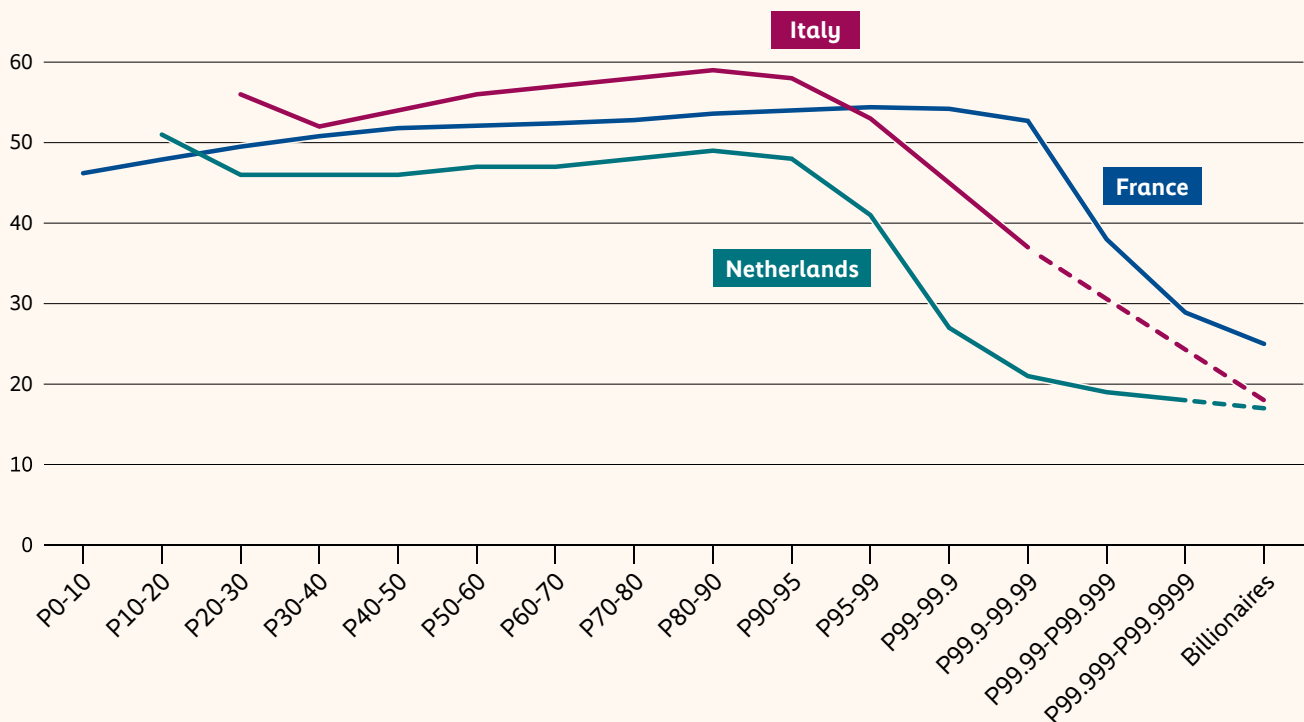
Extreme wealth has grown dramatically in Europe over recent decades. According to estimates from the World Inequality Database, whereas in 1985 the richest 0.1 per cent of Europeans owned approximately 8.5 per cent of Europe's total wealth, by 2025 the figure was approximately 11 per cent, almost four times as much wealth as the poorest 50 per cent.¹ At the same time, new evidence shows that high-net-worth households often face substantially lower effective tax rates than the general population (Zucman 2024).

This widening gap, combined with rising public investment needs and heightened public scrutiny of visible billionaire wealth, has renewed calls across Europe for wealth taxation. However, Europe has implemented net-wealth taxes before, and many were subsequently repealed. Understanding how these earlier systems functioned, and where they failed, is essential to informing today's debate on designing effective taxes on high-net-worth individuals (HNWIs).

¹ Calculation based on data from the World Inequality Database.

Average tax rates by income group and for billionaires

Percentage of pre-tax income



Source: EU Tax Observatory (2025) Resources for a Safe and Resilient Europe: The Case for Minimum Taxation of Ultra-High-Net-Worth Individuals in the EU.

2. Net-wealth taxation in Europe: an overview

Between the 1950s and 1980s, many European countries adopted annual taxes on individual net assets, known as net-wealth taxes, to complement the progressive income tax systems. A number of European states had even introduced wealth taxes as early as the late nineteenth century. At their peak, countries including Denmark, Finland, France, Germany, Luxembourg, Norway, Spain, Sweden and Switzerland levied recurrent taxes on household net wealth. By the 2010s, however, most had been repealed due to concerns about inefficiency and low revenues (OECD 2018). Designing efficient policies capable of addressing today's regressivity gap thus requires a clear understanding of the features and shortfalls of earlier wealth taxes.²

2.1 Low thresholds created liquidity pressures and prompted carveouts

Historically, European wealth taxes were applied at levels far below those at which we see tax progressivity fail today. In Finland, Norway and Sweden, liability often began between roughly €150,000 and €250,000, bringing into

their scope small businesses and households whose wealth was held primarily in housing (Du Rietz/Henrekson 2015). France's wealth tax applied from around €1.3 million, a threshold still low enough to affect small and medium-sized enterprises (Bach et al. 2021). This design led to liquidity pressures for taxpayers who held wealth primarily in housing or family firms, without corresponding cash flow to satisfy recurring tax payments (OECD 2018). In response, governments repeatedly introduced carveouts, such as special valuation rules for business assets (for example, book-valuation for unlisted assets, discounted valuation rates, and so on), exclusions for business shares held by managers, or exemptions for unlisted equity.

The example of France shows how broad business-asset exemptions gradually hollowed out wealth-tax bases, excluding most corporate holdings from taxation, a pattern also seen in other countries. Sweden fully exempted unlisted shares and major shareholders in listed firms, while other countries granted preferential valuation rules, the exemption of a proportion of assets or a lower tax rate (for example, Germany and Norway).

² For the purpose of this report, we are taking into account only net-wealth taxes. Therefore, forms of asset-specific wealth taxation (for example, Belgium, France, Italy and the Netherlands have taxes on selected assets) are not included in the analysis.

Comparative overview of selected European models

Country	Status	Threshold (in EUR)	Rate	Key design limitations (non-exhaustive) ³
France	Abolished 2017, substituted by a real-estate only tax active	€1.3m	0.5–1.5%	Valuation discounts on selected business assets ⁴ Partial/full exemption for business assets Income-based liability caps
Spain IP (Wealth Tax) + ISFG (Solidarity Tax on Large Estates)	Active	IP: decided regionally (with state thresholds + rates in absence) ISGF: €3m	0.3–3.5%	Income-based liability caps Valuation discounts on selected business assets Partial/full exemption for business assets
Switzerland (Cantonal)	Active	~€85k (with cantonal variation)	0.1–1% (cantonal variation)	Valuation discounts on selected business assets
Norway	Active, combines municipal and state components	~€150,000	1.1%	Valuation discounts on selected business assets
Sweden	Abolished 2007	~€150k	1.5%	Income-based liability caps Valuation discounts on selected business assets Partial/full exemption for business assets
Finland	Abolished 2006	~€250k	0.9%	Valuation discounts on selected business assets
Germany	Suspended 1997	~€61k	~1%	Valuation discounts on selected business assets
Denmark	Abolished 1997	Varied every year, set at around the 98th percentile	2.2% (reduced to 1% in 1996)	Preferential taxation of business assets
Austria	Abolished 1994	No threshold, allowance up to €11k	1%	No exemptions
Luxembourg	Abolished 2006	No threshold	0.5%	Valuation discounts on selected business assets
Netherlands	Abolished in 2001, substituted by presumptive capital income taxation	~€90k	0.8%	Valuation discounts on selected business assets

³ Non-exhaustive list of base-narrowing design features; others include exemptions for pension funds, preferential regimes for primary housing, or exemptions for artworks and/or antiques.

⁴ Preferential valuation rules for specific asset categories can include valuation discounts, using book value instead of market value, or liquidity-based exemptions.

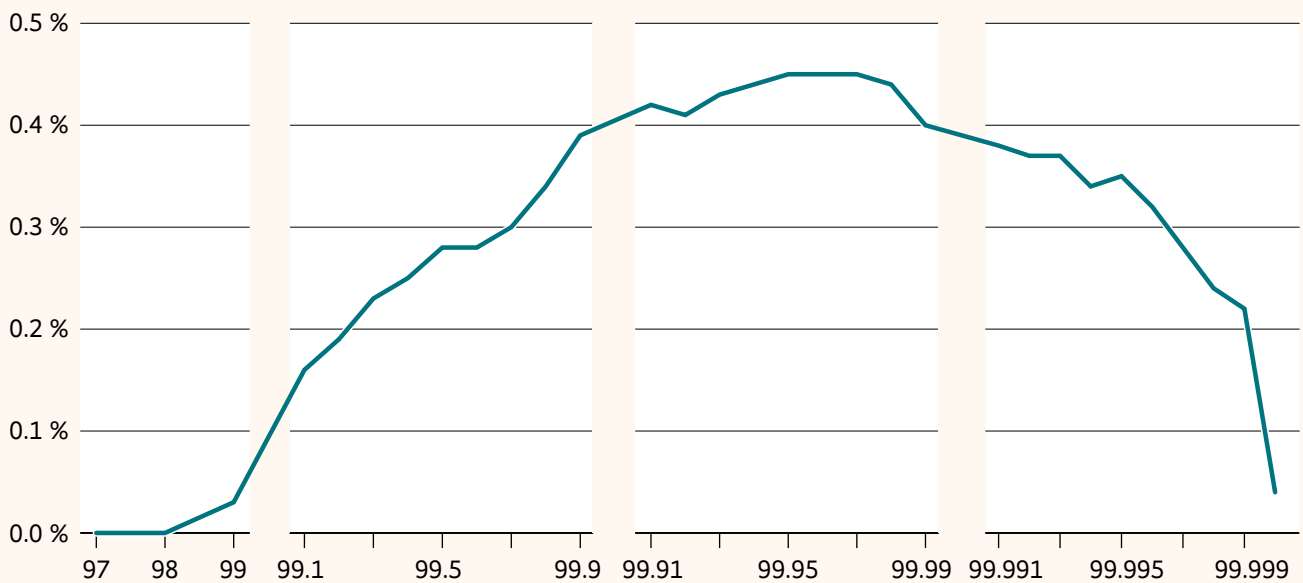
2.2 Exemptions removed high-net-worth individuals' wealth from the tax base and emptied revenues

Carveouts created opportunities to structure financial wealth in ways that avoided taxation. This design particularly benefited high-net-worth individuals whose wealth is predominantly held in corporate equity and diversified financial assets, meaning they were largely excluded from

the tax base. This led to regressivity and revenue losses. Empirical evidence confirms the scale of such erosion. A 2021 study by the Institut des politiques publiques (IPP) finds that France's wealthiest households faced sharply reduced effective rates (Bach et al. 2021).

As a consequence, wealth taxes produced only modest revenues. In France, wealth tax revenues were roughly

Effective wealth tax rates of the top wealth percentile under the French wealth tax, as percentage total wealth



Source: Bach, L., Bozio, A., Guillozouic, A. and Malgouyres, C. (2021) Évaluer les effets de l'impôt sur la fortune et de sa suppression sur le tissu productif. Institut des politiques publiques.

€5.1 billion in 2016, less than 0.2% of GDP (Saez/Zucman 2022). With the switch in 2018 to a narrower version limited to real estate, revenues in France were reduced even further, with an estimated €3.4 billion annual shortfall in public revenues (Paquie/Sicsic 2022). OECD comparative analysis likewise shows that tax revenues were modest across countries, ranging from 0.5 per cent of total tax revenues in France to 3.7 per cent in Switzerland. Strikingly, revenues did not rise in these countries despite significant increases in household wealth over the same period (OECD 2018).

2.3 Limited behavioural and relocation effects

Political narratives around wealth taxation frequently warn that taxing large fortunes may trigger mass taxpayer flight, eroding revenue and harming domestic investment. Empirical evidence from European countries consistently contradicts this claim, however: there are relocation responses, but they remain quantitatively small, highly concentrated among a minority of highly mobile households, and have negligible economic effects.

In France, outward mobility following changes to the *Impôt de solidarité sur la fortune* (ISF) was extremely limited. Estimates from the Conseil d'analyse économique (CAE), based on administrative data, show that an increase of 1 percentage point on the taxation of large wealth would entail a yearly decrease in the number of wealthy taxpayers between 0.003 and 0.03 per cent, with minimal economic impact in terms of investment, employ-

ment and economic value added (Bach et al. 2025). In Scandinavia, recent work confirms that mobility exists but is modest. Studies looking at Denmark and Sweden find that macroeconomic effects were also minimal: in the long run, a 1 percentage point increase in the top wealth tax rate reduced the domestic stock of wealthy taxpayers by less than 2 per cent, leading to a reduction of 0.02 per cent in aggregate employment, 0.07 per cent in aggregate investment, and 0.1 per cent in aggregate value added (Jakobsen et al. 2024).

Similarly, new evidence from the United Kingdom, focusing on the removal of preferential tax treatment for long-term foreign-domiciled residents (so-called «non-doms»), finds that long-run effects were small: a 1 per cent decline in the net-of-tax rate reduced the number of resident super-rich individuals by just 0.26 per cent. Crucially, over half of those who left continued to report taxable UK income three years later, while those who remained increased reported income and tax payments, driven not by capital flight but by repatriation of income to the domestic tax base (Advani et al. 2025).

Taken together, evidence across different countries demonstrates that relocation responses are real but limited, and their economic effects are small and not large enough to explain the weak performance of historical wealth taxes. The primary drivers of low revenue were narrow bases, exemptions and valuation rules, structural choices that enabled high-net-worth individuals to avoid taxation.

Alternatives to direct wealth taxation: why do they fall short?

Debates on taxing extreme wealth often emphasise alternatives to wealth taxation, such as stricter income tax enforcement or regulating holding structures. While these measures are important, they remain insufficient on their own to tax centimillionaires and billionaires effectively.

Income taxation is structurally limited at the top of the wealth distribution

Higher capital income taxes could increase taxation at the top of the distribution only marginally. People at the top of the distribution tend to report higher shares of capital income out of their total economic income. But evidence shows that the most important part of their economic income is actually retained earnings, and therefore not subject to income tax (Bruil et al 2022). Ultra-wealthy individuals can legally manipulate their wealth to keep taxable income close to zero, for example, by retaining earnings in holding companies or avoiding dividend distribution altogether.

Regulating or taxing holding structures does not solve the problem

The United States has long-standing rules disincentivising the use of closely held entities and pass-through

structures, resulting in higher effective personal income taxes than in Europe. Yet overall effective tax rates for US billionaires remain below those of average taxpayers (Zucman 2024). In fact, even with limited use of holding structures, it is possible for high-net-worth individuals to structure their wealth so that it generates little taxable income, for example by controlling the dividend policy of their companies and paying themselves no taxable dividends, while financing their consumption through tax-free borrowing, allowing their wealth to grow while reported taxable income remains low (Zucman 2024).

Property taxation

While property taxes have significant economic benefits, they are poorly targeted at high-net-worth individuals. Real-estate represents a small fraction of high-net-worth individuals' wealth, which consists mainly of financial and business assets (OECD 2022). A UBS report shows that real estate represents only 11 per cent of their high-net-worth individuals' portfolios (UBS 2025).

3. Design principles for the twenty-first century

3.1 Adopt a broad base with no exemptions

»Traditional« net-wealth taxes had a narrow base, featuring business asset exemptions, valuation discounts and carve-outs for unlisted shares or family firms. These features eroded the base and reduced revenues. At the same time, these exceptions meant that wealth taxes often failed to target high-net-worth individuals, exempting precisely asset categories in which their wealth is concentrated, such as business equity, complex holding structures and off-shore financial assets.

A modern system must adopt a broad base, without exemptions or preferential valuation regimes (for example, use of book value for business assets) to prevent erosion risks. This would make it possible to target high-net-worth individuals and prevent household wealth from being reclassified artificially into exempt categories, which would otherwise lead to regressivity.

3.2 Target only extreme wealth through high thresholds

With a broad based approach, thresholds should be set substantially higher than in historical European wealth taxes (for instance, €100 million in net wealth and above). This would mitigate liquidity concerns: these assets typi-

cally generate higher rates of return than those held by the broader population, making recurring taxation more sustainable.

Moreover, high thresholds ensure that the tax applies only to individuals with extremely large asset holdings, rather than households whose wealth stems from primary residences, small businesses or retirement savings. Comprehensive studies with official tax administration data are not yet available for all European countries, but empirical evidence consistently suggests that tax systems become regressive at the top of the distribution. Therefore this approach would allow policymakers to effectively target high-net-worth individuals who are paying proportionally less in total tax relative to income than middle- and upper-middle-income taxpayers. Targeting only the top tail therefore addresses regressivity gaps, by shifting the focus to a narrow, high-capacity segment of the population.

3.3 Use a minimum-tax approach rather than a standalone net-wealth tax

Traditional net-wealth taxes operate as standalone taxes on the stock of assets, creating a parallel system to income taxation and often triggering concerns about double taxation. A minimum-tax approach avoids these structural weaknesses by setting a floor on total taxes paid relative to wealth, for example, »Total tax paid \geq X% of net wealth«.

If paid taxes (income tax, capital gains, inheritance tax and structural corporate taxation) already exceed the threshold, no additional liability is due. The tax functions as a top-up mechanism, not a parallel tax layer. This design mitigates double-taxation claims because liability accounts for taxes already paid.

3.4 Address mobility by disincentivising it

Mobility responses to wealth taxation do occur, especially among business owners and internationally mobile high-net-worth individuals, but empirical research shows that this is a limited phenomenon and its aggregate macroeconomic effects are limited. This evidence could partly reflect the fact that earlier European wealth taxes had carveouts. If policymakers were to remove these carveouts, mobility pressures could rise, but could be countered with effective policy responses.

The issue is therefore not whether wealthy individuals can relocate, but whether existing rules make relocation an effective strategy to avoid taxation. Modern systems can apply one-off exit taxes, at the moment of emigration, reducing incentives to relocate for tax reasons. Importantly, research shows that the design of exit taxes matters. Numerous countries levy exit taxes (for example, France, Germany, Norway and Spain), but some narrow them by exempting certain asset categories, or offering waivers of the exit tax if assets are held until death or for a certain number of years after the change of tax residence (Hourani/Perret 2025).

Additionally, countries could implement trailing-residence rules. Under such systems, taxpayers remain taxable in their country of origin for a number of years after departure. This ensures that wealth accumulated during long-term residence remains taxed, complementing exit taxation and reducing the fiscal advantage of moving to low-tax jurisdictions.

Therefore, well-designed anti-exile measures could substantially reduce the fiscal benefits of strategic exit, aligning incentives more closely with long-term residence and economic engagement.

3.5 Integrate with transparency infrastructure

Earlier wealth taxes operated in a context of far lower financial transparency: cross-border information exchange was limited, and offshore holdings were largely invisible to tax authorities. Today, enforcement takes place in a very different institutional landscape. Automatic exchange of financial account information under the OECD Common Reporting Standard (CRS) now covers more than 100 jurisdictions, increasing the visibility to the authorities of cross-border bank holdings and investment income. In parallel, the expansion of beneficial ownership registries provides a means of linking financial accounts to ultimate owners.

Combined, these tools give tax administrations unprecedented detection capacity when enforcing modern wealth taxes: recent estimates from the EU Tax Observatory's Global Tax Evasion Report suggest that automatic exchange has already reduced offshore evasion by a factor of three (Zucman et al. 2024). Importantly, transparency infrastructure strengthens the enforceability of anti-exile measures as well, such as exit taxes and trailing tax liability. In other words, modern transparency does not eliminate avoidance and relocation strategies, but it reduces their payoff and widens the set of policy tools that can be credibly enforced, conditions that did not exist when earlier European wealth taxes were designed.

4. Conclusion

Rising wealth concentration and growing tax regressivity at the very top have renewed interest in how to tax high-net-worth individuals more effectively. Previous »traditional« European wealth taxes failed to tax high-net-worth individuals because their bases were narrow and thresholds too low, while exemptions became so extensive that the richest households could avoid most liability. Revenues remained small and disconnected from rising wealth holdings, not because wealthy taxpayers fled *en masse*, but because the structure of these taxes left most high-net-worth individuals' assets outside the base. A modern approach must therefore avoid repeating these design flaws.

The evidence points clearly towards five lessons for twenty-first-century policymaking:

1. Wealth taxes should apply to a broad base without carveouts
2. They should target extreme wealth through high thresholds to avoid liquidity pressures
3. They should operate through minimum-tax or top-up mechanisms rather than standalone net-wealth taxes
4. They should incorporate credible anti-exile rules to neutralise relocation incentives
5. They should integrate coherently with existing transparency systems and international cooperation tools

Together, these principles could define a new generation of effective taxes on high-net-worth individuals, more focused, more enforceable and better aligned with today's economic realities. Such an approach could address the regressivity at the top of the wealth distribution, while avoiding the weaknesses that undermined earlier European wealth tax systems. In this way, modern wealth taxes could not only rebalance effective tax burdens, but also provide much needed revenues to meet the major public investment challenges ahead, benefiting both businesses and individuals alike.

References

Advani, A., Burgherr, D. and Summers, A. (2025): Taxation and migration by the super-rich. CESifo Working Paper No. 11870.

Du Rietz, G. and Henrekson, M. (2015): Swedish wealth taxation 1911–2007. IFN Working Paper No. 1062.

EU Tax Observatory (2025): Resources for a Safe and Resilient Europe: The Case for Minimum Taxation of Ultra-High-Net-Worth Individuals in the EU. Available at: https://www.taxobservatory.eu/www-site/uploads/2025/03/Resources-for-a-Safe-and-Resilient-Europe_The-Case-for-Minimum-Taxation-of-Ultra-High-Net-Worth-Individuals-in-the-EU-1.pdf (last accessed on 3.12.2025).

Bach, L., Bozio, A., Grimpel, N., Guillouzouic, A., Landais, C. and Malgouyres, C. (2025): Fiscalité du capital: Quels sont les effets de l'exil fiscal sur l'économie? Focus n°118. Conseil d'analyse économique.

Bach, L., Bozio, A., Guillouzouic, A. and Malgouyres, C. (2021): Évaluer les effets de l'impôt sur la fortune et de sa suppression sur le tissu productif. Institut des politiques publiques.

Bruil, A., van Essen, C., Leenders, W., Lejour, A. and Möhlmann, J. (2022): Inequality and redistribution in the Netherlands. HAL. Available at: <https://hal.science/hal-03869680> (last accessed on 3.12.2025).

Hourani, D. and Perret, S. (2025): Taxing capital gains: Country experiences and challenges. OECD Taxation Working Papers No. 72. OECD Publishing.

Jakobsen, K., Kleven, H., Kolsrud, J., Landais, C. and Muñoz, M. (2024): Taxing top wealth: Migration responses and their aggregate economic implications. NBER Working Paper No. 32153.

OECD (2018): The role and design of net wealth taxes. Available at: https://www.oecd.org/en/publications/the-role-and-design-of-net-wealth-taxes-in-the-oecd_9789264290303-en.html (last accessed on 3.12.2025).

OECD (2022): Housing Taxation in OECD Countries. OECD Tax Policy Studies No. 29. OECD Publishing.

Paquie, F. and Sicsic, M. (2022): Effets des réformes 2018 de la fiscalité du capital des ménages sur les inégalités de niveau de vie en France: une évaluation par microsimulation, in: Economie et Statistique / Economics and Statistics, 530(31): 29–44.

Saez, E. and Zucman, G. (2022): Wealth Taxation: Lessons from History and Recent Developments. AEA Papers and Proceedings No. 112, pp. 58–62.

UBS (2025): Global Family Office Report. Available at: <https://www.ubs.com/global/en/wealthmanagement/family-office-uhnw/reports/global-family-office-report.html> (last accessed on 3.12.2025).

World Inequality Database (2025): <https://WID.world> (last accessed on 3.12.2025).

Zucman, G. (2024): A blueprint for a coordinated minimum effective taxation standard for ultra-high-net-worth individuals. EU Tax Observatory, 25 June. Available at: <https://www.taxobservatory.eu/publication/a-blueprint-for-a-coordinated-minimum-effective-taxation-standard-for-ultra-high-net-worth-individuals/> (last accessed on 3.12.2025).

Zucman, G., Wier, L., Johannesen, N., Goupille-Lebret, J. and Le Guern Herry, É. (eds) (2024): Global tax evasion report 2024. EU Tax Observatory. Available at: <https://www.taxobservatory.eu/publication/global-tax-evasion-report-2024/> (last accessed on 3.12.2025).

About the authors

Giulia Varaschin is a Policy Advisor at the EU Tax Observatory, where she works on EU and international tax policy.

Quentin Parrinello is Policy Director of the EU Tax Observatory and leads the organisation's work on tax policy.

Gabriel Zucman is Director of the EU Tax Observatory and Professor of Economics at the Paris School of Economics and UC Berkeley, specialising in the analysis of tax evasion, tax avoidance and the relationship between taxation and inequality.

Imprint

Publisher

Friedrich-Ebert-Stiftung e.V.
Godesberger Allee 149
53175 Bonn
info@fes.de

Publishing department

Abteilung Analyse, Planung und Beratung
www.fes.de/apb

Contact

René Bormann
Rene.Bormann@fes.de

Image credits

picture alliance / Westend61 | George J

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung e.V. (FES). Commercial use of FES publications in any media is not allowed without written permission from the FES. FES publications may not be used for election campaign purposes.

December 2025

© Friedrich-Ebert-Stiftung e.V.

For further publications from the Friedrich-Ebert-Stiftung click here:

➔ www.fes.de/publikationen

