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New survey research on public attitudes to wealth taxes

Karen Rowlingson, Andy Lymer and Rajiv Prabhakar

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With the 2015 General Election on the horizon, public attitudes to taxation are of increasing importance. And while a combination of economic recession and government austerity packages are reducing the incomes of millions in the UK (Rowlingson and McKay 2014) the continuing concentration of great wealth among a small minority (Piketty 2014) shines the spotlight still further onto wealth taxes. We already know that Labour and the Liberal Democrats support the introduction of a 'mansion tax' while David Cameron, on the other hand, announced, in October 2014, that he had 'ambitions' to cut inheritance tax so that only the 'very wealthy' would pay it. So what do the public think about wealth taxes?

This CHASM briefing produces some initial results from a survey of 2,019 adults aged 16 plus in Great Britain carried out in July 2014 by TNS (Taylor Nelson Sofres). The survey began by asking respondents about four different possible tax changes: the introduction of a mansion tax; reforms to council tax; reforms to capital gains tax; and the re-introduction of a 50% top rate of income tax. The precise question wording for each was as shown in box 1.

Box 1: Questions on tax changes

Thinking about the gap in wealth between those with high levels of wealth and those with no wealth, how far do you support or oppose the following policies? STRONGLY SUPPORT, TEND TO SUPPORT, TEND TO OPPOSE, STRONGLY OPPOSE

- Introduce an annual tax of 1% on properties worth more than £2 million This would mean that a property worth £2 million would pay an annual tax of £20,000 (MANSION TAX)
- Change Council Tax so that all properties pay an annual 0.6% tax on the value of the

property. The average house price in the UK is £250,000[1] and so 0.6% tax would mean an annual tax of £1,500 for the average house price (0.6% COUNCIL TAX)

- Increase the tax on the profits made on the sale of their assets from 28% to 45% (INCREASE CAPITAL GAINS TAX (CGT) TO 45%)
- Reintroduce the 50% top rate of income tax rate to replace the current 45% top rate of income tax on earnings over £150,000 (50% INCOME TAX ON £150,000+)

As we can see from table 1, the mansion tax was the most popular of the four tax reforms suggested. A quarter of the population strongly supported this and a further 28 per cent tended to support it. One in five opposed the policy (with one in ten strongly opposing). Another one in five sat on the fence, neither supporting nor opposing, suggesting that there is still work for the political parties to do in discussing this issue. Interestingly, there was more support for this policy from older people (who are more likely to be home owners) than younger people: 45 per cent of 25-34 year olds supported this policy compared with 57 per cent of 55-64 year olds. Part of the difference, however, is explained by more younger than older people being unsure either way about the policy. The other major variation in attitudes was, as we might expect, between people in different regions. House prices vary considerably in different regions though some of the regions with the highest house prices (such as London) also have the lowest rates of owner occupation, and therefore high rates of inequality. So it is not immediately obvious how attitudes will vary in different regions. Our analysis shows that support for a mansion tax is highest in Scotland, Wales, the North East and Yorkshire/Humberside. At least 60 per cent of the population in these regions supported a mansion tax whereas fewer than half the population in London, the South East and the East of England supported it.

Table 1: Public support/opposition for tax changes, July 2014

Column percentages

	Mansion tax 1% on £2 million properties	0.6% council tax	Increase CGT to 45%	50% income tax on £150,000+
Strongly support	25	12	20	22
Tend to support	28	28	25	22
Neither/nor	21	27	23	19
Tend to oppose	12	16	15	18
Strongly oppose	10	12	11	14

[1] This figure is according to Office for National Statistics mortgage completion statistics in 2014. Other statistics, from Halifax and Nationwide suggest the average house price is much lower at £175,000, http://www.bbc.co.uk/news/business-26239609

Table 1 also shows general public views of reforming council tax such that all properties would pay an annual 0.6% tax on the value of the property. This figure was chosen because, as mentioned above, according to the Office for National Statistics, the average house price in the UK was £250,000 in 2014 and so a 0.6% tax would mean an annual tax of £1,500 for the average house price. Those with homes worth £150,000 would pay £900 and so on. At the moment, the rate of tax on some of the most expensive properties is lower than that levied on less expensive properties. Reform of council tax is an alternative to the mansion tax. The advantages of reforming council tax are that the tax already exists so there is a framework that can be used for it and that it avoids the problem of deciding on which 'threshold' to introduce the mansion tax at. The disadvantages are that reform of local taxation has been highly controversial politically (think poll tax) and everyone pays council tax so might feel concerned, personally, about the impact on them whereas a mansion tax only affects the minority of the population with properties over the threshold. The disadvantages of the council tax appear to outweigh the advantages for many people as it is less popular than the mansion tax though even more people (27 per cent) neither support, nor oppose. Perhaps this group are unsure about the impact on their own position - would the reform make them better or worse off?

Once again, there are regional differences in views here with people in Wales and Scotland being particularly likely to support this policy (56 per cent and 59 per cent respectively). This is particularly interesting given that Wales had a council tax revaluation in 2005 which introduced a new higher band to make the tax fairer compared to the continuing situation in the rest of the UK. Scotland has recently been actively debating other land and property taxes (particularly the replacing of Stamp Duty Land Tax in Scotland with Land and Buildings Transaction tax) with changes to these taxes being applied in 2015. People in Scotland and Wales were also much more likely to give a view, one way or the other, than people in other regions suggesting, again, that the recent reform has highlighted and educated the population in those regions. People in London were least likely to support this reform (only 30 per cent did so).

Whereas the mansion tax and the council tax are relatively widely discussed, capital gains tax, while well established, having been applied in the UK since 1965, is much less well known as relatively few people ever pay it (in 2011-12 for example only 146,000 people paid CGT representing a falling trend in those who pay this tax – from a peak of 250,000 in 2007-8) Because of this we avoided using the term in our question but, instead, asked people for their views about increasing the tax on the profits made on the sale of assets from 28% to 45%. Overall, just under half the population supported this (45%) with a quarter (26%) opposing and the rest either neutral or unsure. Once again, people in Scotland and Wales were more in favour of this policy than people in other regions suggesting a greater appetite more generally for increasing wealth taxes in those areas.

All of the questions, so far, related to different wealth taxes but we then asked about re-introducing a 50% rate of income taxes for earnings above £150,000 – as a proxy for a wealth tax on the basis that those on the highest incomes are typically those who make up the majority of those with the highest wealth in the UK. There were mixed views on this with a fifth of the population strongly supporting it, a further fifth tending to support and about a third opposing either strongly or somewhat. Older, working age people were more likely to support this than younger (and much older) people. And, once again, the Scots and Welsh were particularly supportive of this tax change.

Respondents were then asked their views about inheritance tax. Hedges and Bromley (2001) carried out a survey of public attitudes to taxation for the Fabian Society Commission on Taxation and Citizenship in the summer of 2000. They found that 51 per cent of respondents thought that inheritance tax should be abolished, while around 20 per cent thought that the threshold at which inheritance tax starts should be raised from its then level of £250,000 to at least £500,000. The remainder believed that the current level should be kept or reduced, with a mere 2 per cent thinking
that all inheritances should be taxed. Our survey, carried out in 2014, shows that attitudes have not changed much at all since the year 2000.

It is surprising, perhaps, that people over 65 were much less likely to say that 'no inheritances should be taxed (41%).

Table 2: Using this card, please say how you think inheritances should be taxed

	Percentage
No inheritances should be taxed	52
Only inheritances over £1 million should be taxed	18
Only inheritances over £500,000 should be taxed	12
Only inheritances over £250,000 should be taxed	6
Only inheritances over £125,000 should be taxed	1
Only inheritances over £50,000 should be taxed	1
All inheritances should be taxed	2
Refused	*
Don’t know	7

Perhaps part of the explanation for the dislike of inheritance tax is the common misconception that inheritance tax is paid by many more people than it actually is. A quarter of the survey respondents thought that between 25-49 % of estates paid inheritance tax last year, a fifth thought that 21% of estates paid it and 7% thought that more than 75% of estates paid it. In actual fact only around 4% of estates pay this tax currently. In our survey only 11% suggested a number between 2%-6% as about the right amount (i.e. +/- 2%).

Table 3: Public views about what percentage (%) of estates in the UK paid inheritance tax last year

	Percentage
1-24	39
25-49	26
50-74	21
75-100	7

Views on wealth taxes are also, presumably, influenced to some extent by knowledge about wealth inequality. Rowlingson and McKay (2013) previously surveyed the public and to ask what they thought the ideal distribution of wealth should be and, on average, people agreed that
some degree of wealth inequality was desirable. They said that the top 20 per cent of the population should have about a third of the wealth, with the bottom 20 per cent having about 13 per cent. When asked what they thought the actual distribution of wealth was and the public thought it was probably more unequal than their ideal. They thought that the top 20 per cent of the population
probably owned 39 per cent of wealth and the bottom 20 per cent about 10 per cent. But the actual distribution is far more unequal than this – with the top 20 per cent owning 62 per cent and the bottom 20 per cent owning less than one per cent

In 2014, we asked the public what percentage of all wealth (including housing wealth, savings, private pensions and personal possessions) they thought was owned by the wealthiest 10% of the UK population. The right answer here is about half but as shown in table 4, a quarter of the population think that the top 10 per cent own less than a quarter of all wealth. And a further quarter think it is less than half. Having said that, one in five of the population think that the distribution of wealth is more unequal than it is, with one in five believing that the top 10% own more than three quarters of all wealth.

Table 4: Public views about what percentage (%) of all wealth (including housing wealth, savings, private pensions and personal possessions) is owned by the wealthiest 10% of the UK population

	Percentage
1-24	25
25-49	24
50-74	28
75-100	19

In our 2014 survey, we went on to tell some of the respondents about the actual distribution of wealth and the actual percentage of estates that pay inheritance tax. We then repeated some of the questions on policy options to see if this knowledge made a difference. We will be reporting on the findings from this research in forthcoming publications.

The views expressed in this briefing are the views of the author(s) and do not necessarily represent the views of CHASM as an organisation or other CHASM members.

References

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