



## Taxes on wealth

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#### For information

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#### Key Points

- Income refers to the flow of resources, wealth to the holding of these resources as stock. This paper considers the topic of wealth and a wealth tax (a tax on private holdings of net wealth – gross assets minus debt – by the individual or the household).
- Wealth in Ireland is less equally distributed than income but is correlated with income (people in the top 40 per cent of the income distribution hold nearly two thirds of all wealth).
- Age, household composition and tenure status are strong determinants of share of net wealth.
- The rationale for taxing wealth, either by adjusting existing taxes or introducing a new wealth tax, includes a response to widening inequality using the principle of vertical equity, as a means of promoting equality of opportunity, as an economically efficient measure to raise revenue, or as part of an optimal mix of taxes that are consistent with economic growth.
- Consideration is given to the frequency of any such wealth tax, annually recurring or a once-off tax, and the merits of each. Consideration is also given to other known challenges in designing a wealth tax. These include specifying the base, liquidity, and the capacity to divert assets to less heavily taxed forms or to other jurisdictions.

Note: Whilst every effort is made to ensure the accuracy of the information contained in this document, this material is provided as a guide only and is not professional advice, including legal advice. It should not be assumed that the guidance is comprehensive and the authors cannot be held responsible for any errors or omissions.

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## 1. Introduction

The taxation of wealth is addressed in this paper, by consideration of a new tax on net wealth and in a review of existing taxes related to wealth.

The paper outlines some of the aggregate measures of wealth and its distribution among households. This is analogous to the paper considered at Meeting 7 on the distribution of income (both market income and disposable income) and the taxation and welfare measures that create the difference between market income and disposable income. That paper noted the long-term decline in income inequality in Ireland over the past 30 years, something that has not happened with the distribution of wealth.

The paper then outlines the rationale for taxing wealth. After a discussion of the merits of one-off and recurring taxes on wealth and an outline of the challenges of implementation and potential yield, the paper turns to existing taxes on wealth. These include taxes on returns to wealth and on transfers of wealth, as well as a tax on the gross value of what is the main contributor to net wealth for many households, the Local Property Tax (LPT), and the domicile levy.

Following papers on the taxation of earned income, VAT and the treatment of capital, this paper relates to the Commission's remit to consider options for reform on the balance between taxation of earned income, consumption and wealth as well as drawing in previous discussions on the taxation of some components of wealth (for example housing and the special tax treatment of pension provision).<sup>1</sup>

It concludes by inviting members to consider whether a renewed focus on the taxation of wealth, if desired, would be better pursued through a new tax on net wealth or the adjustment of existing taxes.

## 2. Definition and state of knowledge

### 2.1 Wealth: definitions

Wealth is characterised here in contrast to income. In describing control over economic resources, income refers to flows of resources whereas wealth refers to the holding of resources as stock. As they pass from employer to employee, disponent to beneficiary or firm to shareholder, flows such as earned and unearned income, gifts and inheritance, and returns to capital add to the stock of wealth. The ultimate use of wealth also involves a flow (consumption and transfers such as gifts and bequests).

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<sup>1</sup> See also Fiscal sustainability and the balance of taxation, Meeting 8

In addition to flows of income adding to stocks of wealth, the accumulation of wealth can also generate income flows (for example dividends from shares, capital gains, interest from deposits and rental income). Differences in the stock at any one point are due to timing of flows in opposite directions, so a longer delay between the inflow and outflow increases wealth (for example the delay between receiving a sum of money and spending it). To distinguish a tax on wealth from income tax, the former targets the gap between receiving income and spending it (the holding of the stock) rather than the volume of the flow.

Having defined wealth, primarily in opposition to income, there are a number of ways to conceive of a wealth tax. This paper takes as its definition of a wealth tax as a tax on the private holding of net wealth by the individual or household. This is distinct from taxes on returns to wealth (for example Capital Gains Tax (CGT), Deposit Interest Retention Tax (DIRT)) or taxes on transfers of wealth (for example CAT). Definitions of a wealth tax from the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) follow:

1. “Net wealth taxes are typically assessed on the net value of the taxpayer's taxable assets (i.e., value of assets minus any related liability), either sporadically (often known as ‘capital levies’) or on an annual or other periodic basis.”<sup>2</sup>
2. “The taxable base for resident taxpayers is normally the taxpayer's worldwide net worth, i.e. total assets less liabilities along with deductions and exemptions specially allowed by tax laws”<sup>3</sup>

In both cases, the assumption underpinning the definitions is that a tax on wealth would be on the net value of private wealth – the balance of assets once debt has been subtracted. As a starting assumption, the base comprises a broad range of asset classes, including real assets (commercial and residential property) and financial assets (such as savings, investments, and pensions)<sup>4</sup>. As noted in the OECD definition, deductions and exemptions will likely apply to any wealth tax.<sup>5</sup>

## 2.2 What we know about wealth

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<sup>2</sup> <https://www.imf.org/external/pubs/nft/1998/tlaw/eng/ch10.pdf>

<sup>3</sup> OECD Glossary of Tax Terms (wealth tax referred to as “net wealth tax” or “net worth tax”) <https://www.oecd.org/ctp/glossaryoftaxterms.htm#W>

<sup>4</sup> For methods to arrive at the current value of an individual's future DC or DB pension entitlements in a UK context, see Ramm and Eames (2020), [Valuation of pension rights](#), Wealth and Policy, Working Paper 142

<sup>5</sup> An annual wealth tax applied in Ireland from April 1975. The Wealth Tax Act 1975 provided for tax to be charged annually at a rate of 1 per cent on the net market value of the taxable wealth of individuals, discretionary trusts and private non-trading companies. The tax was abolished with effect from April 1978. The Irish wealth tax experience is summarised in McDonnell (2013), [Wealth Tax: Options for its Implementation In the Republic of Ireland](#).

Having contrasted definitions of the stock of assets held (wealth) with the flow of economic resources (income), we now turn to their measurement. What we know about income is far more detailed, comprehensive and reliable than what we know about wealth (see ‘Market income and redistribution by taxation and welfare systems’, Meeting 7, and the appendix to this paper) This is, perhaps, understandable: information about flows are captured as they happen, whereas information about stocks is generally gathered at a ‘point in time’. Arguably, data on wealth would give a more stable and long-term view of the economic resources people can command compared to the snapshot that point-in-time information from income provides.

### 2.2.1 Household wealth

Figure 1 shows the aggregate value of net worth and its components for all households (housing and financial assets, and liabilities) from Ireland’s financial accounts over the past 15 years.

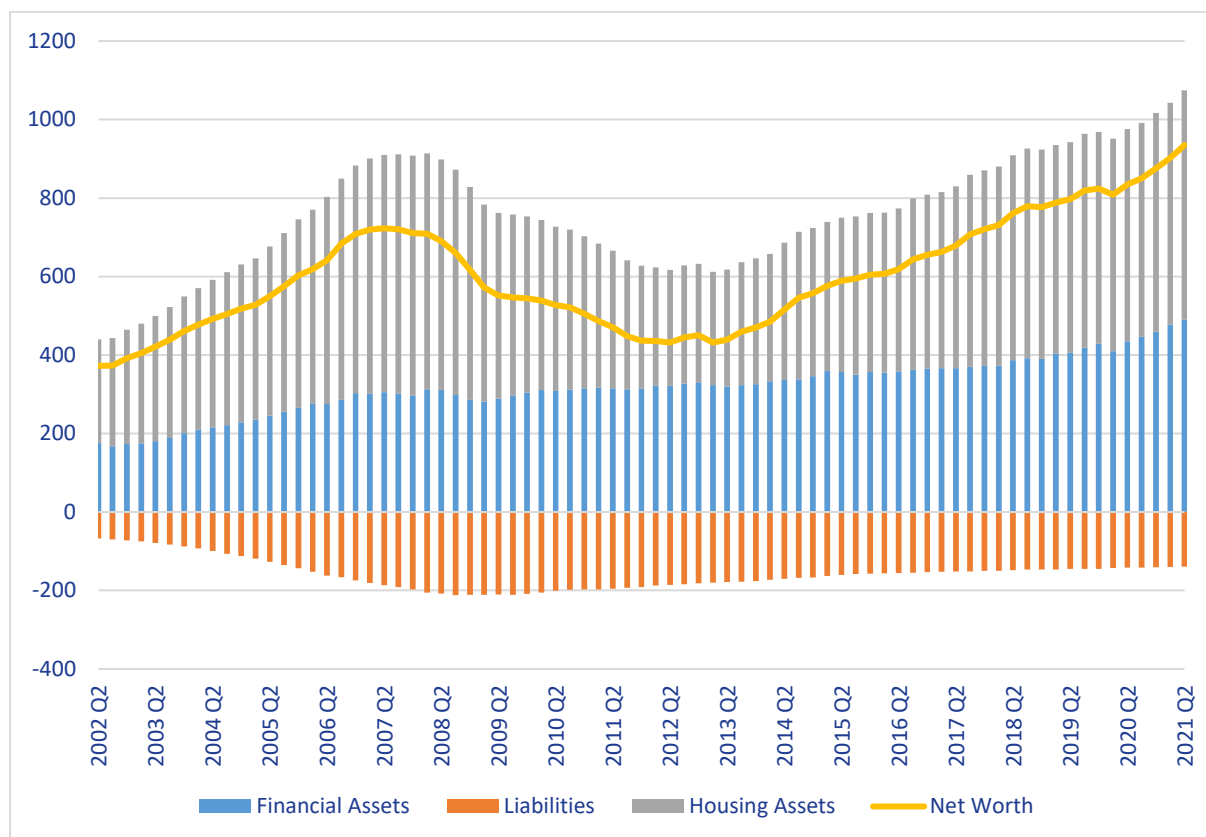
Another perspective on increases in household wealth over time is the Household Finance and Consumption Survey (HFCS) measure of average net wealth. This is an estimate of household wealth from a sample of households, extrapolated to the population. Table 1 shows the median and mean net wealth of households in 2013 and 2018, the only available years. Where the mean value is higher than the median value (positively skewed), wealth is concentrated among a small group.

**Table 1: Households Net Wealth (€ 000s)**

	2013	2018
<b>Median net wealth</b>	€103	€178
<b>Mean net wealth</b>	€219	€357

Source: [CSO.ie](https://www.cso.ie/), Households Gross and Net Wealth, HFC36

**Figure 1: Household assets, liabilities and net worth, 2002-2021**



Source: Central Bank, [Quarterly Financial Accounts](#)

### 2.2.2 Components of wealth

Table 2 shows the composition of household real assets, with the importance of the household's main residence standing out.

**Table 2: Share of Total Household Real Assets (%) by type of Asset, 2013-2018**

Share of total real assets	2013	2018
Household Main Residence (HMR)	53.3	60.5
Other Real Estate Property	14.4	15.5
Land	21.4	14.4
Self-Employment Business Wealth	6.1	4.2
Valuables	2	2.7
Vehicles	2.9	2.6

Source: CSO.ie, [Household Finance and Consumption Survey 2018](#)

## 3. Distribution

While aggregate wealth measures show movements over time, they provide little information about the central concern for taxation and welfare – its distribution. As is the case with most countries, the distribution of wealth in Ireland is less equal than the distribution of income – the Gini coefficient for net wealth in 2018 was 0.67 (see appendix for more).<sup>6</sup> Although there is no time series on the distribution of wealth in Ireland, an estimate based on a 1987 survey suggested the bottom 70 per cent of households held 28 per cent of total wealth, the next 20 per cent held 12 per cent, and the top decile by wealth held 42 per cent of all reported wealth.

**Table 3: Share of total net wealth (%)**

Percentile of Household Income	1987	2013	2018
<b>Top 1%</b>	10.0%	12.1%	14.9%
<b>Top 5%</b>	29.0%	36.0%	36.0%
<b>Top 10%</b>	42.3%	53.0%	50.4%
<b>Top 30%</b>	71.5%	82.9%	79.3%
<b>Bottom 70%</b>	28.5%	17.1%	20.7%
<b>Bottom 50%</b>	12.2%	4.5%	6.8%

Source: [Horan et al \(2020\)](#), drawing on CSO HFCS and Nolan

As noted in the paper discussing the market and disposable income distributions at meeting 7, the distribution of wealth is, however, correlated with the distribution of income. Table 4 illustrates the correlation between equivalised gross income and net wealth (where equivalisation is used to account for differences in household size and composition). This shows the concentration of wealth among those with higher income, with the top 40 per cent holding nearly two thirds of all wealth.

**Table 4: Share of total net wealth (%) by income percentile, 2013-2018**

<sup>6</sup> Income inequality, as measured by the Gini coefficient, was much lower at 29.7 (for disposable household income) and 0.44 (for gross household income) in 2018. See CSO [SILC](#) and [HCFS](#).



Percentile of Household Income	2013	2018
Less than 20 (or bottom fifth of income holders)	11.3	9.9
20-39	12.6	12.1
40-59	15.9	15
60-79	20.9	20.6
80-100 (top fifth)	39.3	42.5

Source: CSO.ie, [Household Finance and Consumption Survey 2018](#)

Similarly, Table 5 (below) shows strong correlation between the distribution of income and wealth. It shows that the bottom fifth of the income distribution have lower levels of net wealth than the highest income quintile (8 per cent of those in the lowest wealth quintile are among the lowest earners, compared to just 0.6 per cent of the highest earners in the same wealth quintile). The highest fifth of income earners have higher levels of net wealth: 8.1 per cent of those in the top wealth quintile are also in top income quintile, whereas just 1.7 per cent of the highest wealth quintile are in the lowest fifth as measured by income (see also Table 11 in the appendix, which shows increasing values for net wealth as income increases).

**Table 5: Joint distribution of equivalised net wealth and gross income (% share of individuals), 2018**

Income quintile	Wealth quintile					Total
	1	2	3	4	5	
<b>1 (lowest)</b>	8.0	4.6	3.0	2.9	1.7	20.0
<b>2</b>	6.5	4.3	3.5	3.4	2.2	20.0
<b>3</b>	3.3	4.6	5.0	3.7	3.4	20.0
<b>4</b>	1.6	3.9	5.3	4.6	4.6	20.0
<b>5 (highest)</b>	0.6	2.6	3.1	5.5	8.1	20.0
<b>Total</b>	20.0	20.0	20.0	20.0	20.0	100.0

Source: CSO.ie, [Household Finance and Consumption Survey 2018](#)

Note: if income and wealth were perfectly correlated, the diagonal cells would have exactly 20 per cent and all other cells would have zero.

Despite the data constraints that limit our knowledge of wealth, the direction of travel on net wealth is towards increased concentration among high income households – the share of net wealth has increased for the highest income quintile between 2013 and 2018; for every other quintile, it has decreased.

### 3.1 Characteristics of the distribution of wealth

Table 6 outlines various characteristics associated with wealth. Assessing the share of total net wealth by household type, we see that households with two or more adults hold a greater share of wealth than one-adult households.

There is also a strong correlation between age and share of total net wealth. Households where the reference person (usually referred to as head of household) was aged 35 or under had a small share of total net wealth at just 3.8 per cent. This gradually increased across higher age groups, peaking at 29.2 per cent of total net wealth held by households headed by persons aged 65 or older.

Although not directly comparable, the 1987 survey on households shows this association holds over time, with mean wealth rising sharply with the age of the household head, peaking in the groups aged between 45 and 64, and declining sharply thereafter. Households headed by someone aged between 45 and 74 years have 60 per cent of reported wealth while they account for half of all households<sup>7</sup>.

Those who live in owner-occupied homes hold 95.8 per cent of total net wealth, compared to just 4.2 per cent of people in rented or rent free housing. Given that net wealth is being estimated, those who have an outstanding debt on an owner-occupied house are represented as having lower net wealth. With the correlation between age and debt-free owner-occupied housing, older households have higher net wealth.

Table 6 appends the at-risk-of-poverty (income poverty) rates in 2018 to the share of net wealth to demonstrate the link between income and wealth for different household types, age groups and tenures. For example, lone parent-headed households, over one third of whom are at risk of poverty, own 1 per cent of net wealth; people living in rented or rent-free accommodation, own just over 4 per cent of wealth and face an at-risk-of-poverty rate of 25.5 per cent.

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<sup>7</sup> Nolan (1999), Survey Information on Household Assets: Some Irish Lessons; The Geneva Papers on Risk and Insurance Vol. 24 No. 1

**Table 6: Characteristics of the distribution of wealth, 2018**

Household characteristics	Share of total net wealth, 2013 (%)	Share of total net wealth, 2018 (%)	At-Risk-of-Poverty rate, 2018 (%)
<i>Household composition:</i>			
1 adult aged 65+	9	11.4	19.7
1 adult aged <65	6.6	8.5	34.0
2 adults, at least 1 aged 65+	18.5	17.2	6.9
2 adults, both aged <65	14.4	13.5	14.5
3 or more adults	23.4	15.7	7.5
1 adult with children aged under 18	0.8	1.0	33.5
2 adults with 1-3 children aged under 18	16	18.4	9.9
Other households with children aged under 18	11.3	14.3	15.5
<i>Age of household head</i>			
Under 35	3.5	3.8	13.8
35-44	13.3	15.2	12.8
45-54	25.1	23.5	13.8
55-64	25.7	28.3	18.8
65+	32.5	29.2	11.4
<i>Tenure status:</i>			
Owner-occupied	95.7	95.8	9.1
Rented or rent free	4.3	4.2	25.5

Source: CSO.ie, [Household Finance and Consumption Survey](#) and CSO SILC data

One further aspect worth highlighting for its contribution to determining a household position on the wealth distribution is the fact of having received an inheritance, which moves a household up the wealth distribution by 15.4 percentiles relative to households at the same income level that did not receive an inheritance.<sup>8</sup> The asset types of wealth transfers that households report receiving also varies substantially by current wealth, with 40 per cent of households in the top wealth decile having received an inheritance of a business (including farms). In contrast, none of the lowest wealth decile have received an inheritance of a business/farm (even though 13 per cent of households in that decile received some gift or inheritance).

<sup>8</sup> Gifts and inheritances in Ireland (2017), Martina Lawless and Donal Lynch, Working Paper No. 579.

Inheriting a business (including farms) moves the household up in the wealth distribution, by almost 26 percentiles, relative to what would be expected on the basis of household income. This suggests taxes associated with inheritance could have a strong influence on the distribution of wealth.

### **3.1.1 Intergenerational aspects of the distribution of wealth**

The importance of inheritance outlined above, along with the interaction between age and housing on net wealth values, and the associated question of debt levels, raises a concern about intergenerational equity in light of the sharp decline in home ownership rates among recent generations. Analysis of the proportion of people born in each decade since the 1960s who own the home they live in shows a changing trend. Over 60 per cent of those born in the 1960s lived in a home they or their partner owned by the age of 30, whereas the comparable figure for those born in the 1970s was 39 per cent and, for those born in the early 1980s, 32 per cent.<sup>9</sup>

Other factors that exacerbate intergenerational inequality are tax treatments that promote public policy objectives. Incentivising pension provision through the taxation system under an ‘exempt-exempt-tax’ approach may be a reason not to tax the flow of income at the contributions stage (exempt as it enters a fund) or the fund’s investment income and capital gains (also exempt) and to tax income at drawdown. Given the correlation between wealth and age, a range of simultaneous policy objectives must be balanced in considering the intergenerational aspects of the current and future distribution of wealth (as well as the impact of a tax on net wealth).

In any event, the existing balance between income, consumption and wealth has a particular generational distributional impact as youth and old age are periods when consumption is high relative to income. A wealth tax provides another lever but these aspects can also be addressed in the absence of one.

### **3.1.2 International comparisons on the distribution of wealth**

An international comparison on the share of wealth held by the lowest and highest wealth deciles is provided in Table 12 (see appendix), covering EU member states for which data are available. The share of net wealth held by the top decile ranges from 40.5 per cent in Slovakia to three quarters in Spain, with Ireland ninth highest of the member states with data available. The lowest wealth decile

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<sup>9</sup> Roantree et al (2021), [‘Poverty, income inequality and living standards in Ireland’](#). Two aspects may influence this trend: later labour market entry and changes in patterns of family formation. However, as noted in the paper, rates of home ownership have tended to level off by age 45 for previous cohorts, with each successive generation less likely to live in owner-occupied housing than the last.

held -3.1 per cent of net wealth (i.e. households were in net debt). This ranks ahead of only the Netherlands at -3.5 per cent. Slovakia recorded zero per cent of net wealth held by the first decile, while Malta was the only member state to provide data where the lowest decile were not in net debt (0.1 per cent). Table 7 lists the countries that have introduced, and in some cases abolished, wealth taxes and the years in operation.

**Table 7: Historic summary of countries with wealth taxes**

Country	Years in existence
Switzerland	1840 to date
Norway	1892 to date
Denmark	1903-97
Finland	1919-2006
Luxembourg	1934-2006
France	1945; 1982-86; 1989-2017
Sweden	1947-2007
Germany	1952-97
Austria	1954-94
Netherlands	1965-2001
Ireland	1975-78
Italy	1992

Sources: [UK Wealth Tax Commission](#), [OECD](#), sorted by start year of earliest implementation of a wealth tax

### 3.2 Some international experiences of wealth taxes

In Norway, where a wealth tax has been in place for over a century, a rate of 0.15 per cent is payable to the state and 0.7 per cent payable to the municipality. In 2019, Norway's wealth tax generated 1.1 per cent of revenue. Most assets owned by Norwegian tax residents are taxed, regardless of the type of asset or its location.

Residential property is taxed at a discounted value; companies are not liable to pay wealth tax but their shareholders are, based on the value of their holdings. Non-resident persons are required to pay on the value of their real estate in Norway. Exemptions apply to pensions, equity capital, and rights to creative works or patents. Typically, the owner of a trust is subject to wealth tax, but not the beneficiary. To overcome liquidity issues, the Norwegian wealth tax includes several valuation

discounts, including on shares and property. This wealth tax previously operated alongside taxes on gifts and inheritance, but these were abolished in 2014.

Between 1988 and 2017, France operated a tax on wealth, which funded a social benefit that guaranteed a minimum level of resources. This tax was significantly reformed and its base narrowed in 2018 and now applies only to real estate. Austria fully repealed its wealth tax almost 20 years ago, citing high administrative costs and the economic burden placed on enterprise. The abolition of the Dutch wealth tax in 2001 coincided with wider reforms on income tax; the German wealth tax was ruled unconstitutional on the basis that taxation of property and assets was against the fiscal principle of tax equality.<sup>10</sup>

## 4. Rationale for a tax on wealth

The rationale for taxing wealth, either by adjusting existing taxes on wealth or introducing a wealth tax, is addressed in this section. As the rationale for a wealth tax differs between recurring and once-off levies, the question of frequency is given consideration in the next section.

The arguments for taxing wealth range from a broad consideration of equity or a narrower principled assessment of the most economically efficient measure to raise revenue. The distribution of wealth – less equal than income – may be, for some, a justification in itself to redistribute. The principle of vertical equity suggests those with an ability to pay should do so and the declining marginal utility of wealth implies transfers from rich to poor will increase utility in the aggregate. Even if this argument alone is persuasive, the extent to which people with wealth already do pay, and the extent to which wealth corresponds to ability to pay, must be considered (see section 6).

The principle of vertical equity may also be informed by concerns about recent global trends, with a wealth tax proposed as a measure to counter the increase in wealth inequality. This argument sees a wealth tax as a means to counter the outstripping of the rate of economic growth by the return to capital. It can also be argued that holding wealth confers advantages (such as security, choice and access to credit) above and beyond the consumption it permits and that a wealth tax is appropriate so that the people who benefit from these advantages pay more tax than others with the same lifetime income and consumption.

Taking a broader interpretation of equity, a wealth tax could serve to make a more equal field by focussing taxation measures more on the advantages people start with and less on how people receive

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<sup>10</sup> [Wealth and Inheritance Taxation: An Overview and Country Comparison](#)

returns to effort. Analogously to the imposition of some degree of equality of outcome by the taxation and welfare systems' income redistribution function, a wealth tax may be seen as promoting equality of opportunity (in concert with measures that provide public services in the domain of, for example, education, early years child care, housing etc.). This aspect is directly relevant to the transmission of wealth across generations, specifically through gifts and inheritance. Of course, economic advantage is transferred across generations in many different ways, and the transmission of property and financial assets etc. is only one channel.

Finally, taxation and welfare system design questions often centre on the optimal mix of taxation categories and taxing economic activity in a way that leads to the least behavioural change. In striking the balance between designing a mix of taxes that provide a stable base for public finances and minimising any negative impact on economic growth, different tax categories can be considered as conducive or detrimental to growth. In the case of minimising behavioural change, wealth is, to varying degrees, an accumulation of windfall gains. Perhaps the most striking example of windfall gains are due to the rezoning of land but mundane and widespread examples include asset price increases due to long periods of low interest rates and, particularly in recent decades, housing price increases due to demand for housing outstripping supply. Taxation should, in theory, target windfall gains rather than, for example, earnings from employment as taxing windfall gains does not distort future decisions and would not discourage employment or investment. However, the contribution of windfall gains to wealth varies widely and it may be difficult to achieve consensus on the matter. Of course, how taxes are designed, as well as a range of other institutional factors, are also important considerations for how taxation systems can be consistent with economic growth.

#### **4.1 Other considerations – interactions with other taxes and tax treatments**

One other consideration is whether the consideration of introducing a new wealth tax should be premised on retaining all existing taxes. The diversification of revenue sources that follows the introduction of a new tax is an advantage but brings additional cost and administrative effort both for the taxpayer and the State, as well as the compliance burdens and complexity in determining the prospective tax base (even if it would, as a by-product, provide much useful information for policy makers).

In this regard, a recurring wealth tax could, in theory, bring some stability of revenue relative to a more volatile tax head such as, for example, capital gains tax. Such a move would mirror the improvement in property-related taxes where the LPT provides a more stable stream of revenue than volatile stamp duties on transfers.

Given the similarity between taxing the return on an asset that generates a return and taxing the net value of it, the choice may be between the two, rather than taxing net wealth in addition to the capital gains generated by an asset. While the wealth tax approach has a broader base as it includes assets that do not generate a return, however, the difference between the two bases is largely the very assets that pose the greatest valuation challenges (see section 6.1)

## **5. Frequency**

### **5.1 Recurring or once-off**

When discussing the merits of a wealth tax, one critical factor is its frequency – whether once off or recurring. A recurring wealth tax is, for example, an annual tax. A once off wealth tax, by contrast, is an exceptional measure, usually in response to a particular crisis. The table below outlines the advantages of each approach. This is not just a question of implementation – the two measures have different arguments in favour of them.



Tax frequency	Pros	Cons
Recurring	<ul style="list-style-type: none"> <li>• A recurring wealth tax may systematically reduce wealth inequality over time.<sup>11</sup></li> <li>• Such a tax may promote a more productive use of assets; e.g. unused land would become taxable, so an owner may be therefore encouraged to develop it to increase its yield, or sell it to someone who will.</li> </ul>	<ul style="list-style-type: none"> <li>• A recurring wealth tax may encourage a behavioural response by wealth owners to reduce liability, relocate assets, exploit exemptions, etc.; all of which act to undermine the wealth tax and reduce yield.</li> <li>• Recurring tax requires frequent valuation of wealth and assets, perhaps on an annual basis. This would be a costly and administratively-demanding exercise (for both the tax payer and tax authorities) that could erode the efficiency of the tax itself (particularly if tax avoidance measures were also occurring).</li> </ul>
Once-off	<ul style="list-style-type: none"> <li>• Once-off wealth taxes are a unique measure in response to unique circumstances in society. Examples of this include Covid-19, the global financial crisis and World Wars.<sup>12</sup> In the current era, it could be a means to recoup some of the sudden and unanticipated increase in expenditure since 2020.</li> <li>• Once-off wealth taxes can promote solidarity and intergenerational equity in times of crisis.<sup>13</sup></li> <li>• A once-off wealth tax may not elicit the same behavioural response as recurring tax in terms of avoidance.</li> <li>• Although a once-off wealth tax reduces a person's wealth at a point in time, it will not significantly curb their future behaviours or decisions to grow their wealth by investing, saving, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• While a once-off wealth tax may reduce wealth inequality at a point in time, it will not systematically reduce this inequality over a prolonged period in the same way that a recurring wealth tax might</li> <li>• Revenue raised by a once-off wealth tax in a post-crisis period may be eroded if inflation rises in the same period.</li> <li>• The credibility of the once-off aspect could be difficult to establish given the impossibility of determining what future policy makers might decide. It is worth noting that the worst of all worlds, therefore, would be to lead people to think their wealth might be taxed in future, but not actually levy that tax, creating all the inefficiencies without raising any of the revenue.<sup>14</sup></li> </ul>

<sup>11</sup> OECD: [The Role and Design of Net Wealth Taxes in the OECD](#)

<sup>12</sup> France and Germany, among other countries, introduced versions of once-off wealth taxes following WW2; Iceland introduced a similar tax in 2009; the UK Wealth Tax Commission has proposed a once-off wealth tax in response to Covid-19.

<sup>13</sup> [IMF proposes 'solidarity' tax on pandemic winners and wealthy](#)

<sup>14</sup> As noted in Adam and Miller (2021) '[The economic arguments for and against a wealth tax](#)', where people expect an annual (or at least recurring) wealth tax, the expectation is the source of the efficiency loss regardless of whether it is implemented.

- Unlike an increase in income tax or VAT, a once-off wealth tax would not discourage a person from working or consuming in future.
- Wealth would only need to be valued once and therefore the administrative costs are lower than those associated with a recurring tax.
- The tax itself could be payable over a number of years, however, to increase fairness and convenience for taxpayer. This would benefit those with lower disposable incomes and also overcome liquidity constraints.

## 6. How would a wealth tax operate and what would it yield?

This section outlines the challenges of a new tax based on wealth and summarises efforts to estimate the potential yield. The distributional impact and the revenue raised are largely a function of the threshold and rate - for a given yield, very different designs could apply broadly or narrowly. This paper focuses primarily on the principled appeal or otherwise of a wealth tax rather than considering whether it would be broad with low rates or narrower with higher rates. Nevertheless, it is worth noting some challenges that would arise.

### 6.1 Known challenges

In designing a wealth tax, the precise specification of the tax base will be a challenge, as persuasive arguments could be made for keeping the most valuable assets outside of the base. In the case of a once-off or recurring tax, assessment (and possibly reassessment every year) is required, with attendant administrative costs and behavioural responses.

While some assets are easily valued, there is greater difficulty in valuing assets like non-traded companies, defined benefit pensions, works of art or non-fungible tokens. One administratively tempting remedy to the valuation challenge is to remove assets that are difficult to value from the base, in which case these assets become more attractive due to their tax exempt status. Furthermore, removing them from the base would contravene horizontal equity by having people of similar net wealth subject to differing levies based on how they hold their wealth.

The capacity to divert assets or economic activity through less heavily taxed forms, or to other jurisdictions, will be available to some of those who hold assets considered part of the base.<sup>15</sup> The need to ensure off-shore assets are accurately reported creates a dependency on other jurisdictions or on the enforcement of international agreements. This applies not only to current forms of wealth but to forms that will be developed – cryptocurrency, for example, has emerged in recent years as a means to hold wealth.

Liquidity is another potential challenge to overcome. The potential difficulty of people whose placement on the distribution of wealth does not correspond to their place in the distribution of income is often cited as an insurmountable obstacle to a wealth tax.

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<sup>15</sup> There is, of course, a need to balance moving assets offshore to evade a wealth tax with the right to free movement of capital.

## 6.2 Recent considerations of yield and distributional impact

A recent examination of a wealth tax in Ireland varies the three components that determine the base and yield for a wealth tax (threshold, rate and exemptions). Table 8, below, summarises some of the options. The paper notes that varying the level of the threshold is the key determinant of the number of households in scope, with the treatment of the main residence – the largest asset for almost all households – the critical factor in the level of average tax payment and total revenues.<sup>16</sup>

It also examines wealth tax liability as a proportion of gross income by income decile. This highlights the oft-cited cases that occur in discussions on wealth taxes, where income and net wealth are not aligned, namely those with high wealth but low income, particularly where assets have been acquired through inheritance and it is mortgage free and no debt is subtracted to get to the net wealth value and calculate the liability.

**Table 8: Tax Base, Household Liability and Revenue**

Share of total real assets	Tax base (€ millions)	% wealth liable	Liable households ('000)	% liable households	Revenue (€ millions)
High threshold – large exemptions	5,297	1.4%	4	0.25%	53
No threshold – large exemptions	82,257	22%	1,075	64%	823
High threshold – no exemptions	24,753	6%	26	1.5%	248
Middle threshold – no exemptions	62,178	16%	95	6%	622
Low threshold – 50% deduction	87,151	23%	296	18%	872
No threshold – Household's Main Residence exempt	204,099	54%	1,140	67%	2,041
Low threshold – large exemptions	32,968	9%	96	6%	329
Low threshold – no exemptions	205,429	54%	548	32%	2,054
1% tax on all net assets	378,120	100%	1,459	86%	3,781

Source: Lawless and Lynch (2018), *Scenarios and Distributional Implications of a Household Wealth Tax in Ireland*; ifo Institute, Munich; [ifo DICE Report 16 \(2\), 27-31](#).

<sup>16</sup> Lawless and Lynch (2018), *Scenarios and Distributional Implications of a Household Wealth Tax in Ireland*; ifo Institute, Munich; [ifo DICE Report 16 \(2\), 27-31](#).

It should be noted that in this conception of net wealth in the table above, the debt associated with any exempted assets is still deducted to arrive at net wealth. In other words, when the household main residence is exempted from liability to wealth tax, mortgage debt associated with the household main residence is still deducted from the remaining gross assets to arrive at net wealth.

McDonnell (2013) also provides a range of indicative effective wealth tax rates and wealth tax liabilities based on a set of assumptions on how human capital, personal property and business assets should be treated to get to an illustrative annual yield of €150 million in 2013.

In the UK, a Wealth Tax Commission was established in April 2020 to assess whether a wealth tax would be desirable and deliverable in that jurisdiction, prompted by the exceptional circumstances of Covid-19. It recommended a one-off wealth tax in the scenario where the UK government chose to increase taxes as a result of the pandemic, and in preference to increasing taxes on work or consumption. It also recommended structural reforms of existing taxes on wealth but specifically did not endorse an annual wealth tax, which it adjudged more difficult to deliver effectively than a one-off wealth tax. As well as considering the merit of a wealth tax in the UK, the practical aspects (practical aspects of valuation, behavioural response, public attitudes etc.) are subject to detailed consideration by the UK Wealth Tax Commission, some of which is at least partly applicable to Ireland.

## **7. Current taxation measures affecting wealth**

### **7.1 What existing aspects of the tax code are relevant?**

Given the key impact of two factors on wealth – namely a household’s main residence and inheritance – the next step is to consider the existing aspects of the taxation system that have an influence on these factors. Four taxes are considered here: Capital Acquisitions Tax (CAT), Capital Gains Tax (CGT), the Local Property Tax (LPT) and the domicile levy. A number of other taxes are also relevant to wealth but are noted without further discussion:

- DIRT on savings, and investment account taxes were considered in paper ‘Horizontal equity in the taxation of income and capital’
- Stamp duties are levied on transfers of ownership of residential property, with formal incidence on the purchaser, and on stock market share transfers and many insurance policies. Assets passing on death are also subject to stamp duty (except interspousal asset transfers).

#### **7.1.1 Capital taxes**

The two main capital taxes that shape wealth are CGT and CAT. CGT is charged on the gain arising from the disposal or deemed disposal of an asset.<sup>17</sup> The operation of CGT was outlined in ‘Horizontal equity in the taxation of income and capital’, Meeting 12.

CAT is charged on the increase in wealth arising from lifetime transfers i.e. gifts, or transfers on death i.e. inheritance. It is an accessions tax as the liability is on the beneficiary rather than on the estate or donor. The 2009 Commission on Taxation noted the role of CAT as promoting a wider distribution of wealth and preventing undue accumulations of wealth.

The lifetime transfers can include cash, houses or lands, stocks and shares and arises where:

- the donor (person giving the gift or inheritance) is Irish domiciled/resident
- the gift is of an Irish situate asset (certain property and land)
- the beneficiary (person receiving the gift or inheritance) is Irish domiciled/resident.

One of the distinguishing features of CAT is that the liability to the tax depends on the relationship between the donor and the beneficiary.<sup>18</sup> Different tax free thresholds (see Table 9) apply to different group relationships<sup>19</sup>.

**Table 9: Tax-free thresholds**

Applies from	Group A	Group B	Group C
October 2019	€335,000	€32,500	€16,250

Sources: Source: Revenue, [Capital Acquisitions Tax groups and thresholds](#)

In brief, Group A is children, Group B is parents, siblings, nieces/nephews, grandparents and grandchildren, and Group C is all those not covered by A or B (more detail at link above). The date refers to date of death in the case of inheritance and date of receipt in the case of gifts.

Once the lifetime sum of gifts and inheritances in the same group surpasses the relevant threshold, CAT is levied on the beneficiary on the balance at a rate of 33 per cent, with a number of important exemptions.<sup>20</sup> These exemptions include:

- Gifts or inheritances from a spouse or civil partner.
- The inheritance, or gift in the case of a dependent relative, of a dwelling house (subject to certain [conditions](#)).

<sup>17</sup> Gifts or transfers at less than market value are examples deemed disposals (at market value) for CGT purposes.

<sup>18</sup> CAT is not charged where the gift or inheritance is from a spouse or civil partner or where a gift has a value of €3,000 or less from any one person in any one calendar year.

<sup>19</sup> See appendix for historical thresholds

<sup>20</sup> The focus hereafter is on inheritance rather than on gifts. Note that gifts become inheritances if the donor dies within two years of giving the gift.

- Gifts with a value of €3,000 or less from any one person in any one calendar year.

There are also some significant reliefs which apply in the case of the gift or inheritance of [agricultural property](#) or a [business](#). These reliefs, subject to conditions, reduce the taxable value of the business or land by 90 per cent. Other reliefs, which were also outlined in ‘Policy objectives for supporting SMEs and Entrepreneurship, Meeting 8, include ‘Favourite Niece or Nephew relief’ and ‘Foster Child relief’.<sup>21</sup>

### 7.1.2 Interaction between CAT and CGT

In the case of gifts, in certain circumstances, CGT and CAT may be due on the **same event**. For example, if A (disponer) gifts a house to B (beneficiary) then A is deemed to have disposed of the house for CGT purposes and is subject to CGT as normal. B is also subject to CAT on the same event, on the market value of the house. The CAT due will depend on the relationship between A and B and prior gifts received.

In such instances and in order to avoid double taxation of the same event, the CGT paid by the disponer (A) can be credited against the CAT due by the beneficiary (B). The CAT due may be more or less than the CGT due depending on the circumstances. However, in any case the credit cannot be greater than the amount of CAT due.

### 7.1.3 Yield from capital taxes on inheritances and gifts

Table 10 below shows receipts from CAT from 2007 to 2020. Note this table only shows the tax paid, rather than the value of the assets transferred. As noted above, as well as facilitating the transfer of certain assets tax free, CAT provides for a threshold, beneath which there is no liability, based on certain types of relationships and these transfers are not recorded under CAT receipts. Lawless and Lynch (2018) note that the channels where CAT is relaxed from a full accessions tax are the channels that conduit the bulk of wealth transfers.<sup>22</sup>

Kakoulidou and Roantree (2021) estimate the concentration of CAT receipts – they are primarily paid by a small number of individuals receiving large bequests or gifts, with far less than half of deaths associated with an inheritance that leads to a CAT liability.<sup>23</sup> Attempts to provide analysis to the

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<sup>21</sup> See also ‘Tax changes since 2009’, Meeting 2.

<sup>22</sup> Parents are the primary source of gifts and inheritances for most households and the high proportion of households in the upper wealth deciles who report receiving a gift or inheritance is driven by wealth transfers originating from parent. See Lawless and Lynch (2017), Gifts and inheritances in Ireland, Working Paper No. 579, ESRI.

<sup>23</sup> Kakoulidou and Roantree (2021), Options for Raising Tax Revenue in Ireland, ESRI.

Commission on Taxation and Welfare, based on administrative data from the Revenue Commissioners, to illustrate the value of assets involved are ongoing.

**Table 10: Capital Acquisitions Tax net receipts, total and by category, 2007-2020, € million, nominal**

Year	Net receipts total	Inheritance Tax	of which, -			Gift Tax	Discretionary Trust Tax
			Category A	Category B	Category C		
2007	390.52	314.46				70.51	4.39
2008	342.77	291.8				46.84	3.28
2009	255.61	201.6				50.51	2.93
2010	236.5	186.18				46.79	3.02
2011	484.21	213.48	50	124	39	27.05	2.41
2012	562.22	254.3	81	129	44	25.83	2.88
2013	555.71	257.53	91	131	35	19.77	1.18
2014	709.11	327.95	125	161	41	25.95	1.96
2015	799.03	365.13	134	180	52	33.02	1.75
2016	827.76	385.39	140	192	55	26.06	3.2
2017	918.04	425.5	141	226	58	32.47	1.96
2018	1041.56	466.45	160.57	236.78	69.1	52.61	3.27
2019	1035.58	455.35	163	230	62	59.14	6.89
2020	1006.24	430.58	156	217	57	71	3.51

Source: Revenue, [Capital Acquisitions Tax receipts](#).

#### 7.1.4 Taxes on immoveable property/Local Property Tax

Previous papers have considered taxes on immoveable property (see ‘Introductory paper on housing’, ‘Site Value Tax’, ‘Recurrent Taxation of Immovable Property’ and ‘Taxation of property – influencing supply and tenure decisions’ papers). Those papers also noted that the family home represents a major source of wealth in Ireland.

The statutory incidence of the LPT falls on the owner rather than the occupier, meaning it most closely resembles a tax on wealth. One distinction to note about the LPT is that it is levied on gross value of the asset (a non income-yielding asset) rather than the net wealth approach discussed so far, where



debt on the asset is subtracted from the gross value.<sup>24</sup> There is, at present, no recurring land tax, which makes up a considerable proportion (21 per cent) of the gross wealth of the highest decile. In contrast to the LPT, the incidence of commercial rates falls on the user rather than the owner.

#### 7.1.5 Domicile levy

The Domicile Levy was intended to ensure that individuals with substantial ties to Ireland by virtue of [domicile](#) make a contribution to the Exchequer, irrespective of their residence status. The purpose of the levy is to ensure those with substantial income and assets located in the State make a contribution to the Exchequer. The levy applies to people who are Irish domiciled and who meet the following criteria:

- worldwide income exceeds €1 million
- Irish property is greater in value than €5 million
- Irish income tax in a year was less than €200,000.

The amount of the levy is €200,000 per year, based on a valuation date of 31 December in the relevant year. The amount of Irish income tax (but not USC) paid can be offset against the domicile levy due for the same year. Before 2012 the levy applied to individuals who were Irish citizens as well as being domiciled in this country – the change broadened the scope of the levy and prevents individuals avoiding the levy by renouncing citizenship. The yield from the levy averages approximately €3 million per year.

## 8. Conclusion

Ireland does not, at present, impose a tax on net wealth on households or individuals. It has a number of taxes that share some of the characteristics of a wealth tax and it has a number of taxes that operate on other aspects of wealth (the transfer of wealth, or returns to wealth).

There are a number of arguments for taxing wealth. The distribution of wealth – less equal than income – suggests its taxation would be consistent with the principle of vertical equity. Similarly, the advantage it confers (beyond the consumption it permits) may also be a justification. Although hampered by measurement challenges and insufficient data, global trends may also inform the argument for a wealth tax as a means to counter increasing inequality. More broadly, a wealth tax

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<sup>24</sup> The LPT can also be conceived of as a tax on the consumption of housing services - this view of the LPT does not preclude the value of the asset being included in the stock of wealth.

may be one measure to promote equality of opportunity, particularly with regard to the concentration of wealth and its transmission across generations and there are also arguments that consider it as an economically efficient measure to raise revenue, with a greater role for wealth contributing to the optimal mix of taxation categories.

Against this, a number of practical difficulties loom large in any discussion on wealth taxes, including the capacity to divert assets or economic activity through less heavily taxed forms, or the incentive to move assets to other jurisdictions. Furthermore, the question of horizontal equity could arise depending on how the base is specified (where people of similar net wealth are subject to differing levies based on how they hold their wealth).

What we know about wealth and its distribution is limited but the importance of the household main residence for net wealth is clear. While the LPT shares some of the characteristics of a wealth tax (although only for residential property, not commercial property or land) there are currently exemptions relating to main residences for both the main tax on returns to wealth (CGT) and on transfers of wealth (CAT). If there were to be a tax on wealth, the question arises as to whether it would share the features of other capital taxes, which is an inclination to exempt main residence. If so, this would have a substantial impact on yield.

In light of the material presented here, Commission members may wish to consider whether a new once-off or recurring wealth tax is appropriate and desirable. The 2009 Commission on Taxation did not recommend an annual wealth tax (but did not consider a once-off tax). If no new tax is required, there remains scope to adjust existing taxes that operate on wealth, particularly where taxes on wealth are preferred to the bases of consumption or earned income (or where the balance could be shifted between these taxes in a way that does not discourage economic growth).

1. Is there a principled view that wealth should be taxed, or that it should be taxed to a greater extent than at present, or in preference to taxes on, for example, income or consumption?
  - a. Do Commission members favour a new *recurring* tax on net private wealth, covering a broad range of asset classes (such as savings, investments, immoveable property and pensions)?
  - b. Do Commission members favour a new *once-off* tax on net private wealth, covering a broad range of asset classes (such as savings, investments, immoveable property and pensions)?
2. Are there adjustments to the current regime of taxation of assets (such as savings, investments, immoveable property and pensions) that would meet whatever objectives of taxing wealth that emerge from the first question?
3. Are there matters outside of those being considered by the sub-group that should be examined further by the secretariat?

## Appendix

### Further reading:

- Fiscal Studies Special Issue on a Wealth Tax: Time for Another Look?; Volume 42, Issue 3-4,

<https://ifs.org.uk/publications/15808>

- UK Wealth Tax Commission

<https://www.ukwealth.tax/evidencepapers>

### Additional tables

**Table 11: Comparison of wealth/income quintiles (% share of individuals), 2018**

Income	Wealth		
	Bottom 20%	Middle 60%	Top 20%
Bottom 20% income (% share of individuals)	8.0	10.5	1.7
Middle 60% income (% share of individuals)	11.5	38.3	10.2
Top 20% income (% share of individuals)	0.6	11.2	8.1

Source: CSO.ie, [Household Finance and Consumption Survey 2018](#)

**Table 12: EU comparison of share of total net wealth held by first and tenth wealth deciles, 2015**

Country	First decile	Tenth decile
Spain	-0.4	75.3
France	-0.2	65.2
Latvia	-2	64.9
Germany	-0.6	60.9
Cyprus	-1.7	57.3
Estonia	-0.2	55
Portugal	-0.4	54.7
Austria	-0.8	51.7
Ireland	-3.1	51.4
Hungary	-0.7	47.6
Finland	-0.7	47.4
Slovenia	-0.2	47.2
Luxembourg	-0.2	46.5
Greece	-0.4	46.1
Malta	0.1	44.1
Poland	-0.1	43
Belgium	-0.2	42.9
Netherlands	-3.5	42
Slovakia	0	40.5

Source: Eurostat, [Share of households and economic resources by income, consumption and wealth quantiles - experimental statistics](#)

Note: Eurostat estimates; data are not available for Bulgaria, Czech Republic, Denmark, Croatia, Italy, Lithuania, Romania, Sweden and United Kingdom.

**Table 13: OECD comparison of share of total net wealth and income held by tenth deciles, 2019 (or latest year available)**

Country	Share of top 10% of wealth	Share of top 10% of income
United States	79.1	29.3
Netherlands	62.6	24.0
Denmark	62.1	21.7*
Estonia	58.1**	22.2
Chile	56.8**	36.7**
Germany	55.4**	23.2
Portugal	53.9**	24.4
Norway	53.8*	21.2
Spain	52.7*	23.3
Latvia	52.1**	25.7
United Kingdom	52.0**	29.0
Canada	51.4	22.9
Hungary	51.3**	22.7
Ireland	50.4*	23.6*
France	49.2**	24.0
Australia	48.5*	25.5
Lithuania	47.9***	27.0
Japan	47.3	24.3
Slovenia	44.0**	20.3
Italy	43.4***	24.5
Austria	43.2**	21.6
Poland	41.3***	22.2
Greece	41.3*	23.7
Slovak Republic	40.6**	17.8
Luxembourg	38.0*	23.4
Belgium	35.0**	20.9
Finland	32.9***	22.3

Source: [OECD Wealth Distribution Database](#); [OECD Income Distribution Database](#): “Key Indicators”

\* Latest data available from 2018

\*\* Latest data available from 2017

\*\*\* Latest data available from 2016

**Table 14: International comparison of share of total net wealth and income held by top 1%, 2019**

Country	Share of top 1% of pre-tax national income	Share of top 1% of personal net wealth
USA	18.8%	34.9%
Hungary	12.4%	33.5%
Estonia	11.7%	32.7%
Cyprus	11.5%	32.2%
Switzerland	11.5%	30.8%
Austria	10.1%	29.9%
Poland	14.8%	29.8%
Germany	12.9%	29%
Luxembourg	10.4%	28.8%
Latvia	9.1%	28.5%
Sweden	9.5%	26.5%
France	9.9%	26%
Czech Republic	10%	25.9%
Portugal	10.9%	25.6%
Bulgaria	18.2%	24.5%
Japan	13.1%	24.5%
Canada	14.8%	24.3%
Spain	12.7%	24.1%
Ireland	11.8%	23.5%
Greece	10.7%	23.3%
Romania	14.5%	23.3%
Lithuania	10.9%	23.3%
Slovenia	8%	23.2%
Norway	9.3%	23%
Australia	12.9%	22.9%
Iceland	8.8%	22.6%
New Zealand	11.9%	22.5%
Croatia	10.2%	21.9%
Malta	9.4%	21.3%
United Kingdom	12.6%	21.2%
Denmark	12.7%	21.1%
Italy	8.9%	18%
Finland	10.3%	18%
Slovakia	7.4%	17.5%
Netherlands	6.9%	16.2%
Belgium	8.6%	14.9%

Source: [World Inequality Database](#)

**Table 15: Tax-free thresholds, 1984vto date, nominal values**

	Group A	Group B	Group C
<b>On or after 9 October 2019</b>	€335,000	€32,500	€16,250
<b>10 October 2018 - 08 October 2019</b>	€320,000	€32,500	€16,250
<b>12 October 2016 - 09 October 2018</b>	€310,000	€32,500	€16,250
<b>14 October 2015 - 11 October 2016</b>	€280,000	€30,150	€15,075
<b>06 December 2012 - 13 October 2015</b>	€225,000	€30,150	€15,075
<b>07 December 2011 - 05 December 2012</b>	€250,000	€33,500	€16,750
<b>01 January 2011 - 06 December 2011</b>	€332,084	€33,208	€16,604
<b>08 December 2010 - 31 December 2010</b>	€332,084	€33,208	€16,604
<b>01 January 2010 - 07 December 2010</b>	€414,799	€41,481	€20,740
<b>08 April 2009 - 31 December 2009</b>	€434,000	€43,400	€21,700
<b>01 January 2009 - 07 April 2009</b>	€542,544	€54,254	€27,127
<b>2008</b>	€521,208	€52,121	€26,060
<b>2007</b>	€496,824	€49,682	€24,841
<b>2006</b>	€478,155	€47,815	€23,908
<b>2005</b>	€466,725	€46,673	€23,336
<b>2004</b>	€456,438	€45,644	€22,822
<b>2003</b>	€441,198	€44,120	€22,060
<b>2002</b>	€422,148	€42,215	€21,108
<b>2001</b>	€402,253	€40,225	€20,113
<b>2000</b>	€380,921	€38,092	€19,046
<b>1999</b>	€244,932	€32,658	€16,329
<b>1998</b>	€239,219	€31,896	€15,948
<b>1997</b>	€235,600	€31,413	€15,707
<b>1996</b>	€231,791	€30,905	€15,453
<b>1995</b>	€226,267	€30,169	€15,084
<b>1994</b>	€220,934	€29,458	€14,729
<b>1993</b>	€218,078	€29,077	€14,538
<b>1992</b>	€211,221	€28,163	€14,081
<b>1991</b>	€204,936	€27,325	€13,662
<b>1990</b>	€198,079	€26,411	€13,205
<b>1984 - 1989</b>	€190,461	€25,395	€12,697

Source: Revenue, [Capital Acquisitions Tax groups and thresholds](#)

In brief, Group A is children, Group B is parents, siblings, nieces/nephews, grandparents and grandchildren, and Group C is all those not covered by A or B (more detail at link above).



### **Persistent challenges in measuring wealth**

With the measurement of wealth almost universally poor compared to income, as a consequence its distribution is much less analysed than the distribution of income. The acknowledged weaknesses about the distribution of income are primarily at the top end of the distribution (the top 1 per cent or 5 per cent). This is even more so the case for wealth.

The problems with the measurement of wealth relate to survey measurement challenges relating to samples – any small group will be poorly represented in a sample and, given the concentration of wealth, those at the top of the distribution are a small group. Furthermore, non-response and under-reporting are common problems with surveys. The path to improvement involves better survey integration, validating survey data with administrative data, and the use of statistical modelling.

- The HCFS is produced on a five-yearly cycle, and has outputs for Ireland from 2013 and 2018 but it provides no longitudinal dimension
- It is co-ordinated and harmonised across Euro Area countries by the European Central Bank and national statistics institutes.
- To set its findings in some historical context, we have to rely on extrapolations from household surveys that are not part of the same series (see Nolan, 1999)

Recent analysis has underlined these weaknesses by comparing survey data on household wealth with administrative data sources. A study of the Irish Household Finance and Consumption Survey (HFCS) concludes that, like most wealth surveys in other countries, it significantly under-records the total value of deposits held by Irish households (see [Macro and Micro Estimates of Irish Household Wealth](#)). This is not a new development and is also found in the comparison between the reported household savings from the Survey of Income Distribution, Poverty and Usage of State Services in 1987 and the value of financial assets in banks deposit accounts (see Brian Nolan (1999), Survey Information on Household Assets: Some Irish Lessons; The Geneva Papers on Risk and Insurance Vol. 24 No. 1).