Debates on SA wealth taxation

Government and civil society

Institute for Economic Justice

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1. Arguments *for* wealth taxation

Position	Evidence	Assessment
A wealth tax would be sustainable as the revenue collected annually would be far less than the annual growth in the net worth of the super-rich [dollar-billionaires] (**AIDC, 2025**)	- a 2% annual net wealth tax on dollar-billionaires would yield an estimated R11 billion, far lower than the growth of R80 billion on their net worth in 2024.	- Revenue estimate does not account for capital flight & evasion. Capital flight & evasion likely to be higher among super-rich as they have more legal and accounting resources. [**Need for capital controls, buy-in, int'l cooperation, etc.?**]
The ultra-rich do not face liquidity constraints (i.e., high wealth, low income / cash flow) and therefore can absorb the higher effective tax rate due to a wealth tax (**AIDC, 2025; SCIS 2021**)	- Global average pre-tax real return on wealth for ultra-rich has been 7.5% for past 40 years. - The top 1% of wealth-holders hold a significant share of their assets in liquid assets (stocks and bonds) that either generate a return or can be easily sold off.	- [**No strong counter-argument**]. - SARS may need to collect statistics on individuals who have high net wealth but *relatively* low income & offer generous payment terms where necessary

1. Arguments *for* wealth taxation

Position	Evidence	Assessment
A wealth tax, if used properly, can support economic growth (**IEJ, 2025, AIDC, 2025**)	- Tax-induced spending on infrastructure, human capital, and social protection can spur economic growth. - Private sector is not good at allocating resources where the private returns (i.e., accrues to one company) are low but where the social returns may be high (i.e., where the benefit will accrue to the whole economy)	- Places considerable weight on government spending effectively and efficiently. - Arguably requires wealth tax revenues to be ring-fenced for expenditures with high multipliers.
A wealth tax can operate as a 'solidarity' tax to assist in compensating for the mass exploitation of African people by large corporations and white-led industries during colonialism and apartheid (**Terreblanche/SCIS, 2018**)	- Some of the biggest companies in the JSE and in Southern Africa (Anglo-American, Sanlam, Old Mutual, De Beers, Naspers, Pepkor) were intimately tied to the colonial & apartheid systems, whose effects are yet to be overturned.	- Would such a tax need to clearly distinguish between those who benefited from apartheid and those with 'new wealth'?

2. Verdict on arguments for wealth taxation

- Are we convinced that a net wealth taxation will support economic growth or greater socioeconomic spending? If not, what is needed to strengthen this perspective? Or should we adopt a different perspective on why wealth taxation could be beneficial for S.A.?
- How should we approach the issue of capital flight and tax evasion? Does it pose a serious threat to the possibility of a wealth tax? Should it be viewed merely as the cost of a new tax proposal? Would greater SARS capacitation and international cooperation be enough?

3. Arguments *against* wealth taxation

Position	Evidence	Assessment
South Africa already has a multitude of instruments that taxes wealth comprehensively through property (asset) taxes (**National Treasury, 2025**)	- Estate duty on all assets (at death) - Donation tax on asset donations - Securities transfer tax on equity transfers - Transfer duty on real estate transfers - Property rates and taxes on real estate - Capital gains tax	- [**Strong counter-argument**]?? - Harmonisation of these wealth taxes under a simple, net wealth tax?
Introducing a wealth tax will generate limited revenue and potentially endanger South Africa's income tax base (**National Treasury, 2025**)	- PIT base is critical for South Africa's fiscal sustainability, a wealth tax may potentially erode it as high-net-worth individuals are internationally mobile - If only 10 percent of this tax base were to change their tax residency, South Africa could lose R49 billion in income tax revenue annually, plus all the other taxes they currently contribute	- No studies are presented to show what the response of high net wealth individuals or corporations would be under different net wealth tax scenarios - Design (one-time / recurrent, percentage levied, assets included, general budget / ring fencing of revenues) matters for capital flight. Big difference between 1% vs 10% capital flight.

3. Arguments *against* wealth taxation

Position	Evidence	Assessment
The tax base of the super wealthy is small and mobile. An additional tax on wealth could spark capital flight and endanger investment flows and jobs (**National Treasury,** 2025)	- 2 850 individuals with net assets above R50 million who have a total of R245 billion in local assets and R150 billion in foreign assets - A 0.5% net wealth tax would at most collect R2 billion in revenue, but that is before any behavioural response. This group pays R7 billion in personal income tax (which is also on returns from foreign assets) and that revenue would be put at risk if they decided to change tax residency	- This is likely true of any tax proposal - Design of tax as well as institutional capacity of tax authorities likely to have a strong influence on rates of capital flight
International examples show that several countries abandoned or significantly reduced the scope of their wealth taxes over the years as they were ineffective. Currently, only four countries have what can be termed wealth taxes. (**National Treasury,** 2025)	- the high cost of collection - administrative complexity - risk of capital flight - limited revenue gained from these taxes	- Cost of collection and administrative complexity could be high in the beginning but likely to fall over time (**Need an assessment for SA**) - Value of most forms of wealth (property, financial assets) are already available - Risk of capital flight will be influenced by design of wealth tax

4. Where does this leave us?

- ❏ Are the arguments for wealth taxation strong enough? If not, what more needs to be done to make the arguments stronger?
- ❏ Do the arguments against wealth taxation make a valid case? What should we take away from these arguments?
- ❏ Tax the rich? or force the rich use their wealth productively?
- ❏ Has the advocacy for wealth taxation been strong enough? If not, practically, how can progressive civil society organisations make the government adopt a wealth tax?
  - ❏ Who must we target?
  - ❏ What strategies and tactics must we use to achieve this goal?
  - ❏ Who must be involved in this cause?



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