The Wealth tax:

A powerful symbol generating hysteria among the French political class

With plans to transform the wealth tax (ISF) into a property wealth tax (IFI) soon to be discussed in French parliament, Eric PICHET, KEDGE professor and specialist in fiscal economics (1), shares his analysis of the planned reforms.

In Eric Pichet’s view: “The symbolic power of the wealth tax, a tax which brought in approximately €5 billion for the state in 2017 while at the same time depriving it of €7.5 billion due to the resulting expatriation of the ultra-wealthy (2), is indisputable.”

To make the country more economically attractive, following on from French President Emmanuel Macron’s election campaign, Edouard Philippe’s government has proposed exempting securities from the wealth tax (ISF) and limiting this tax to only real estate assets by re-branding it as the property wealth tax (IFI). In doing so, the yield from the ISF should fall, dropping to around €2.4 billion with the number of taxpayers subject to the tax dropping from 350,000 to roughly 150,000.

By maintaining an annual tax on property ownership, France will remain the OECD country in which real estate is most heavily taxed (2.17% of GDP compared to 2.17% for Belgium and 2.08% for the United Kingdom, these being respectively the second and third placed nations among the 35 richest)(3).

As Eric Pichet points out: “By excluding ostentatious assets, the government has initiated a debate which has quickly turned hysterical among the political class, and one which is even a source of division among his own parliamentary majority, some of whom are now claiming that yachts, luxury cars, ingots or even artwork should be subject to the new wealth tax, although these have traditionally been excluded. Over and above the symbolic nature of the wealth tax, we find the traditional trade-off between economic efficiency, which is put forward as an argument for the removal of this tax to make the country more attractive, to protect high added value job creating sectors such as boating and above to provide taxpayers with a simple, easy to understand tax system on the one hand, and on the other the need to maintain social cohesion at a time when it has become imperative to cut the public deficit and to demand sacrifices of all households (4).”

Eric Pichet is at your disposal for any requests for reports or interviews concerning this news item.

More about Eric Pichet:
Eric Pichet, Professor, Director of the Specialised Masters Programme in Wealth Management & Real Estate Management (IMPI) has a doctorate and an HDR (Research Authorisation) in Management Sciences (2008, Université du Littoral Côte d’Opale) and a doctorate in law from Panthéon-ASSAS. His teaching and his research chiefly concern the global macroeconomic environment, monetary policy, alternative assets (including real estate) corporate governance, private taxation, public finances and fiscal economics. Among other things, he has published a methodological guide, L’Art de l’HDR, intended for doctors in social sciences, La Théorie actionnariale éclairée (Enlightened Shareholders Theory: whose Interest Should be Served by the Supporters of Corporate Governance) and in 2016, La Théorie générale des dépenses socio-fiscales.
Reference information for studies published by Eric Pichet:
(2) E. PICHET, Pour une réforme de l’ISF et de la fiscalité patrimoniale française, La revue fiscale du Patrimoine, no.4, April 2016, page 23
(3) E. PICHET, Pour une réforme de l’ISF et de la fiscalité patrimoniale française, La revue fiscale du Patrimoine, no.4, April 2016, page 22

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