ECONOMICS AND TAXATION OF WEALTH
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Abstract. The purpose of the paper is to study current issues of wealth, which is due to current sustainable trends in wealth growth and increasing the number of wealthy individuals. The aim is to determine the essence, prerequisites for the emergence and development of wealth, as well as to reflect the historical aspects of the evolution of wealth and its current state. The topic of the article is caused by the need to reveal the modern social stratification of population by the level of wealth, the formation of a wealthy class of society and its growth, the processes of creating and increasing wealth. At the same time, the purpose of the article is to study wealth as an object of taxation. In this regard, an economical essence of the wealth tax and its introduction preconditions are considered, the specificity of functioning of wealth tax in a market economy, the most important features of wealth tax functioning are determined. Methodology. Proper analysis of the social structure of society in terms of material wealth allows to evaluate the efficiency of the economy and the quality of public policy in the system of creating and distributing public revenues, public goods and wealth. Fatal mistakes in choosing the state priorities of socio-economic policies and making the best decisions in the financial sphere appear without the results of these calculations. The survey is based on a comparison of data of wealth tax in different countries. Results. The question and the modern specifics of wealth are investigated. The value of wealth for society and the state is determined. The wealth tax is an effective fiscal tool of the state in the distribution of public revenues. The wealth tax exists in many countries in various forms. Practical implications. The possibilities of improving well-being and increasing wealth are explored. Adequate assessment of the level of well-being and wealth would enable the state to carry out a balanced and effective socio-economic and financial policy to stabilize society and adopt a stable public order. The financial essence of the wealth tax and its introduction preconditions are investigated. The specificity of functioning of wealth tax in a social market economy is considered. Value/originality. It has been found that wealth is a comprehensive, multi-faceted category, which can be characterized as a specific feature of the socio-economic structure of society, which determines its condition, results, dynamics and development tendencies. Wealth characterizes the ability to achieve a positive result (effect) in market conditions of managing and using the existing social and economic potential in the community, as evidenced by its level of civilization development. The peculiarities of the functioning of the wealth tax in different countries of the world are considered. The using of the wealth tax as a fiscal instrument in the state tax system is suggested.

Key words: wealth, taxation, economy, property, enrichment, well-being, consumption, wealth tax.

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1. Introduction

“Society of wealth” can be the most appropriate definition for the current economic state of individuals in the social hierarchy. The socio-economic structure of society is always divided into stratum. The upper ranks are occupied by individuals with a high level of well-being. Wealthy individuals are at the highest level of the public economic pyramid.

Economy is the foundation of every society. This refers to a productive purposeful economic activity focused on creating a variety of goods to satisfy the specific needs of individuals. The main aim of the economy is to constantly create such benefits that are necessary for human life and the gradual increase in his or her well-being. The main reason for the extraordinary complexity of economics is that it must serve the interests of individuals. The economy cannot be constructed in spite of a human.

Society and economy are inextricably linked institutions. The existence of a modern society is impossible without a certain economic system of market relations. The modern market economy allows individuals to provide and increase the level of well-being, accumulate property and enrich themselves.
The role of the economy in society is to meet the needs of people. Some individuals have higher economic needs and economic interests than others. We can also include the desire and ability to obtain additional economic benefits, which subsequently leads to enrichment.

A person is interested in receiving economic benefits in greater quantity and of a higher quality. There is no other option for behaviour in market conditions. Otherwise, it will indicate a primitive lifestyle. Wanting to provide himself or herself with everything necessary for a comfortable life, a person seeks to obtain certain economic benefits. The economy and development of society have led to the modernization and improvement of economic benefits, almost to infinity. Compared to the old days, now there are cars, luxury mansions, jewellery made of precious stones and materials, and so on. The nature of the phenomenon has remained essentially the same: a person seeks to visualize his or her status in society and thereby show his or her superiority. Only the attributes have changed.

Wealth is a phenomenon of socio-economic nature, which is inherent in every society during the existence and development of civilization. Wealth testifies to the existence of a wealthy strata of the population, which is a direct consequence of the radical stratification in terms of wealth. The economic condition of individuals has always differed in society throughout the historical development of mankind. Wealth is a direct logical result in differences in the material position of individuals, and therefore has always existed and exists in all societies. At the same time, the more economically developed and progressive society is, the more obvious is the presence of the affluent population, there are more rich individuals, the more significant is the material stratification and economic inequality of society.

The question of the presence of wealthy individuals and the formation of appropriate elite groups is one of the most relevant in the modern socio-economic structure of society. Wealth is characterized by a significant accumulation of property, greater consumption of public goods, easy access to resources and services, a high standard of living, etc. Welfare has always been a measure of an individual's place in society and has served to confirm social status. The issue of wealth is a rather complex multifaceted social issue; the reasons for its origin are complex and comprehensive, based on economic, social, and other circumstances.

Private property has played a significant role since ancient times. At the same time, from the fiscal point of view, private property ensures the creation of objects of taxation and increase the amount of tax revenues in the state budget. Accumulated property eventually appears in the form of wealth. To this end, there is a special form of taxation of private property in total – the wealth tax. In the process of tax evolution, separate property taxation at the level of individual property items has become increasingly common, which is widely used today. From a fiscal point of view, private property is a necessary and profitable element of a market economy for the state. The very fact of owning a certain property has long been considered a sign of wealth. The presence of certain real estate in the personal possession and disposal of the ancients was an important sign of well-being, luxury and wealth of individuals. For such persons, the application of a stronger tax burden has always been initiated. In every society there is always a category of wealthy people with a significant amount of wealth, able to pay wealth tax. The concept of introduction of the uniform complex tax has found the practical embodiment from the very beginning of emergence of tax business and is successfully realized in modern conditions. The wealth tax fully proves its worth.

2. Economic prerequisites for wealth

Wealth is always of interest in society. Individuals seek to enrich and increase their well-being. This manifests the essence of economic activity of individuals which results in the achieved wealth.

The economy is the largest part of public life (Beinhocker, 2006). A part of the individuals’ life is in the economic sphere, regardless of any conditions and circumstances, whether it happens consciously or subconsciously, whether there is employment in the real economic sphere of entrepreneurship or not. Individuals constantly receive certain income and expenditure, which is always focused on one thing – improving their own well-being. Individuals are interested in obtaining the highest possible income or acquiring a certain property, in the costs of various acquisitions, which can improve their well-being. The purpose of such psychological attitudes and actions of individuals is to acquire personal property, create their own wealth, achieve a more affluent level of material prosperity and ensure a higher standard of living. Welfare and wealth act as a specific target of the working life of individuals, constituting its main content and financial and economic interest.

Since its inception, economics as a specific form of social consciousness as a whole has emerged as the science of wealth (Mackay, 1931). This hypothesis was started by ancient Greek philosophers. Gradually, in the process of real economic activity, it became a reality. Economic activity in the context of social progress is aimed not only at the formal reflection of the reproduction process; creation of an additional product and production of various public goods are focused on increasing the welfare of individuals, increasing their wealth. This applies to all individuals and social groups. Wealthy individuals with available wealth try to make it
even bigger, rich individuals try to become even richer (Hay, Beaverstock, 2016). This is quite logical and natural.

Against the general background, the social structure of society is reflected by social strata that are in different economic situations, have different levels of material security, income and wealth. The category of wealthy people is one of the social strata, whose well-being is defined as wealth, characterized by an inflated level of acquired wealth and accumulated property, obtaining a significant amount of income. In view of this, the phenomenon of wealth of wealthy individuals, its content, as well as social value and purpose is of relevant interest (Carter, 1968).

Some economic considerations in favour of wealth.

History shows that there is only one civilized path to enrichment: the embodiment of economic interests. The pursuit of greater prosperity drives people to economic action. Humanity was forced to build an economy so that it encourages people to economic activity. That is, a person can achieve an increase in his or her well-being through taking efforts only.

Features of human nature had an extremely strong impact on the economic mechanisms of civilization. And without realizing this circumstance, it is extremely difficult to understand why the economy is arranged this way and not otherwise. Without pretending to be the ultimate truth, we can nevertheless say that in the structure of economic life, some human traits are especially clearly traced. It was not the economy that created the person, but the person creates the economy, welfare, wealth.

First of all, this is the desire for the growth of well-being as the main factor in the economic development of mankind. After all, a person (in any case, most people) is designed in such a way that he or she always wants to live even better, even more comfortable, even more interesting. Climbing the steps of economic, cultural and moral development, people have acquired many diverse needs and have come up with a lot of ways to satisfy them.

Natural egoism is the cause of many difficulties of mankind, including in the sphere of economics. Passive selfishness is the cause of many difficulties of humanity. Conversely, active egoism is a motivational force for a person, a prerequisite for economic activity in the implementation of intentions to increase the degree of well-being. It is the mechanism of the market economy that has become the main means of fighting against passive human egoism. Economically, the market does not allow human nature to atrophy. Self-care forces the individual to satisfy his or her needs, compels him or her to take economic action, thereby increasing the level of well-being and thus creating wealth.

The spirit of competition serves as an auxiliary engine for development in the economy. Confrontation with other market entities provokes economic activity. And only the final result will show who was able to achieve great success, surpass competitors, create and grow wealth.

Striving for excellence is one of the best traits of human nature. This is noticeably manifested in the economic sphere as well. People strive to become the owners of more and more convenient, comfortable, useful and simply beautiful things. This pushes them to continuous development and improvement of their economic needs, as well as to search for effective ways to satisfy them as a way to achieve victory in the competitive struggle and gain economic benefits, raise welfare, and enlarge wealth.

The sense of ownership is one of the main foundations of the economy. Throughout history, mankind has tried many different forms of property but individual property turned out to be the most rational. Private property has the most powerful effect on the economic behavior of an individual. It is private property that reveals and enhances the economic interest of the individual in creating his or her own wealth. The possibility of creating and building up property stimulates human economic activity. The acquisition and accumulation of property becomes the meaning and purpose of the economic activity of people.

The thirst for justice is a purely human desire, which has left a powerful imprint on the entire history of mankind. The desire to achieve justice gave rise to various events. At the same time, the thirst for justice sometimes dictated to people too distorted ideas about what this justice consists of. Such an ugly brainchild of the human mind became, for example, the idea that justice was the same level and way of life for all citizens. However, this is essentially impossible. Thus, the essence of justice does not consist in the need to ensure the same degree of well-being for all people, but in providing the market with equal economic opportunities for each individual. The market provides the same conditions and opportunities for all individuals. Therefore, the concept of justice is subjective. Its essence lies in the extent to which a person realizes his or her economic potential in the market in order to achieve wealth. Consequently, justice is ambiguous and even deceiving. In his reflections, Adam Smith (Smith, 1836) eventually came to the conclusion that social justice is the right of everyone to freely compete their skills and capital with the skills and capital of another person or group of persons. As a result, everyone reaches their own level of well-being and gets their level of wealth. In particular, the desire for justice is one of the foundations for the construction of such important economic mechanisms as wages, revenues and taxation. Taxation applies to all individuals without exception. All elements owned by an individual, income and estate, fall into the area of taxation.
Property can be subject to both different taxes on various elements of the estate, and one tax on its entire composition as a whole. This is the wealth tax.

The distribution of wealth is uneven in society (Bulmer, 1990). Therefore, against the general economic background of society, only a certain part of individuals becomes rich. This is explained by the fact that in the process of distribution of additional product and public goods, individuals receive their unequal share (Davies, 2013). The distribution does not have uniform and equivalent proportions of their appropriation, direction and placement (Schneider, 2004).

Modern science defines wealth as a certain level of provision and support of a way of life that is much higher than the social average in society and is characterized by the importance of money and property (Gonzalez, 2011). Due to the excess of material wealth, the affluent sections of the population are able to provide themselves with a way of life that far exceeds the level of minimum necessity or average socially established standards. Consumption of economic goods ultimately forms private wealth. W. Rostow noted the last stage of social civilization as mass consumption (Rostow, 1960). Wealth as an economic phenomenon has existed for a long time, having undergone a significant evolutionary path, conceptual and structural changes. At each stage of transformational development, wealth is characterized by appropriate specific properties that reflect its formal and meaningful essence. Modern forms of wealth are very diverse.

Wealth is a multifaceted concept. The scope of its functional use is quite wide, including at the level of citizens. The personal wealth of an individual consists of property in total. In this situation, wealth loses its abstract character and acquires a clear personalized form, which makes it possible to define it as an object of taxation. This allows us to state the wealth tax as an independent fiscal category.

3. Taxation of wealth

An effective property tax system has long been formed and operates in the world. In each country it has its own specifics. Usually, the basis of property taxation is the real estate taxes as the basis of private property of citizens. Among the total set of private property – movables and immovable – there may be luxury articles, i.e. individual objects for which special fiscal requirements and special taxes are imposed. However, the system of property taxation in terms of collecting certain types of taxes is wrongly identified with the wealth tax. Because there may be a housing tax, a system of property taxes on various real estate, land tax etc., as well as luxury taxes, and, especially, a wealth tax. That is, depending on their qualifications, there are appropriate types of taxes for all objects of taxation.

In general, the wealth tax is a part of the general system of personal taxation and takes the form of a logical continuation of income and property taxation (Johnston, 1976). Therefore, in no way can the wealth tax be equated to both personal income tax and property tax; property (movable and immovable) is only part of the formation of the tax base for wealth tax. Thus, the wealth tax is a separate element of the tax system. Its introduction has its own specific preconditions, justifications and goals. The mechanism of functioning of the wealth tax has its own characteristics, which distinguishes it from other similar taxes in the group of property taxes. The category of property taxes is quite significant.

Wealth tax is levied on property of citizens. The economic content of the wealth tax implies not so much a high level of income of the individual, as based on the possession of a significant amount of various property (property – movable or immovable, investment – real, intangible, etc.); comprehensively it acquires a monetary value and becomes an integral object of taxation.

The essence of the wealth tax is revealed by the important fact that an individual reaches a fairly high level of financial and property status, which gives the state the potential to introduce it and mobilize additional funds in the budget. It is obvious that the wealth tax is an additional burden for wealthy citizens in the context of personal income and property taxation. At the same time, citizens’ incomes are indirectly related to wealth tax, as they are not actually part of the object of taxation for the reason that they are not included as a separate element in the tax base of tax assessment, but only as a source of wealth tax financing.

The primary element for initiating the wealth tax is the object of taxation, which is defined as the “net asset value” (total assets less liabilities). That is, to calculate the object of taxation in the tax base is not taken into account individual types of private property, and their total amount (Sandford, Willis, Ironside, 1975).

The tax base for the assessment of wealth tax can be provided only by property (movable and immovable). However, as foreign experience and practice show, financial and monetary investments can also be a significant amount of an individual’s wealth and are a mandatory component of the tax base for calculating the wealth tax.

The wealth tax belongs to the group of property taxes, which are also involved in the mechanism of redistribution of the country’s gross domestic product. The wealth tax is not a large-scale redistributive proportion. Only in some countries its value is more or less significant – Luxembourg, Switzerland (Table 1).

The wealth tax in modern economic conditions is a common form of fiscal influence of the state on society. Wealth tax can be paid by both individuals and legal entities (with a clear predominance of the fiscal burden.
The fiscal efficiency of the wealth tax is realized in its own way. First of all, it should be noted that there are far fewer taxpayers than when paying any other tax. Wealthy taxpayers are only wealthy citizens with a high level of welfare, who own a significant amount of private property. A person becomes a taxpayer of wealth when his or her financial and property status reaches a fairly high division. An important element in this situation is not the high tax rate, but the size of the object of taxation. There may be many components of the wealth tax base, but their value is the main thing. Objectively, there are many people in a wealthy category. Therefore, the effectiveness of the wealth tax from a fiscal standpoint is successfully offset by the large size of the object of taxation instead of a wide range of taxpayers. Also, you can compare the level of efficiency of the wealth tax with property taxes and luxury taxes. Property taxes are the primary form of fiscal levies on the population in favour of the state. Their benefits are significant: a significant number of taxpayers and taxable persons. Appropriate taxes are used for each type of property. The fiscal efficiency of luxury taxes is realized through high rates for some limited type of property (movable and immovable property). Wealth tax rates are low.

The wealth tax is the most volatile in modern tax systems, as it is often subject to various modifications. The changes are mostly not a nominal adjustment of some elements, but the transformation of the tax model itself and the introduction of its new or updated fiscal structure depending on the essence of the concept, which is embedded in the economic meaning of wealth. This explains why in current market conditions there are various models of wealth tax, which are also optimized, modified and maximally adapted to the specific socio-economic situation over time; the wealth tax has a fairly large scale, scope and methods of application (Smith, 1993).

For all its apparent power, the wealth tax is fairly loyal, especially compared to other taxes, and does not place a significant fiscal burden on both the business environment and the well-being of individuals; it does not interfere with the development of economic activity or personal enrichment of wealthy people.

Some practice of collecting wealth tax.

In Spain, the wealth tax was introduced in 1978. First of all, it was called Impuesto Extraordinario sobre el Patrimonio de las Personas Físicas, and since 1991 – Impuesto sobre el Patrimonio. The property tax threshold before the suspension of the wealth tax in 2007 was not significant and amounted to only 106,000 EUR. The wealth tax in Spain did not function for only three years: in 2008–2010. Since 2011 the wealth tax has become active again with significant modifications. The total amount of tax-free property is 1,000,000 EUR (individual deduction and discount on basic housing). The maximum rate of wealth tax is 2.5%.

In France, the wealth tax – Impôt de solidarité sur la fortune – has existed since 1982. Unlike other countries,
the wealth tax in France is reviewed annually – to adjust rates and objects of taxation. The maximum rate of wealth tax is 1.5%. From 2018 onwards, it has been replaced by a wealth tax on real estate, exonerating all financial assets.

In Norway, the wealth tax has a significant fiscal value – 50% of total property taxes. The tax is levied at a flat rate of 1.1%, but the relatively low level of the non-taxable minimum automatically determines a fairly large number of its payers. The amount of financial and property wealth in Norway is 103,000 EUR.

A specific wealth tax model was introduced in Italy in 2011: one tax, but levied on real estate and financial assets separately. Real estate tax is 0.76% of the market value of the acquisition of property. The tax does not apply to financial assets located in Italy: it applies to Italian residents and is imposed on their financial assets abroad; in 2011–2012, the amount of tax was 0.1%, from 2013 – 0.15%.

As an alternative to the wealth tax, there are also some other forms of taxation on the income and property of wealthy individuals. One of them is a lump sum tax. In modern conditions, this is not a very common but quite effective form of taxation. One-time tax has its own specific features. First of all, its value does not depend on the activities of individuals. Also, its general premise and property is the practical impossibility of tax avoidance. Some countries still use the one-time tax mechanism, quite successfully and effectively.

Taxes in modern social market economies are not paid in vain: the state does a lot of good for the population – in economic and social terms. This is the progress of civilization, which has a price and for which a proper payment should be made. If society experiences a fiscal return from taxation, it will inevitably pay taxes no matter how high they. For example, among the latest innovations there are the following: Luxembourg – introduced free travel on public transport; Switzerland – initiated the payment of money to citizens from the budget (refund as a certain fiscal compensation of previously paid and unused taxes: full provision of the state with financial resources).

4. Conclusions
Wealth cannot be considered evil, enrichment – antisocial, and the growth of prosperity – the robbery of others. Wealth is a normal phenomenon for the economy.

Wealth cannot be considered an unfair economic phenomenon in a society. Individuals cannot be independent of the economy. People are always dependent on their needs. As needs grow and are met through the consumption of economic goods, the well-being of individuals increase. The accumulated amount of economic goods creates wealth. The well-being and wealth of an individual depend on his or her ability to manage wisely.

The distribution of income and wealth in society is permissible and even more necessary, although in this way the rich will not become poorer and the poor will not become richer. It is quite conditional and superficial to achieve economic equality. It is impossible to change, replace or impose anything on the market (at least, it is very difficult). The distribution of wealth is a parameter of the market, so it would be wrong to assume that by changing it, you can get the result without interfering with the market mechanism. This does not mean that the market is created only from shortcomings; it is formed so and the laws laid down in it work correctly. It is only necessary to adapt to market laws to obtain the desired “effect” and achieve “equality” and “justice”, in addition to using different levers of redistribution of wealth (Wallace, Wakeham, 1968).

Taxes on wealth and income to a small extent create a situation of a certain social justice. The fiscal mechanism of redistribution of income and wealth involves the provision of public goods, rather than specific material support for individuals; thus the state seeks to establish the general welfare of society.

Wealth embodies a very original object of taxation. since ancient times the state has been effectively practicing the taxation of wealth in various forms for certain reasons. The wealth tax has a positive fiscal and socio-economic effect when properly applied. In the general structure of personal income and property taxation, the wealth tax occupies a proper location.

Depending on the specifics and trends of socio-economic development of society and taking into account the dynamics of market transformations, it is necessary to adequately make modifications to the wealth tax, which would stimulate further progress of civilization.

The wealth tax is the time-tested tax with the longest history and practical application. The wealth tax convincingly proves its expediency and confirms market adequacy, social acceptability and fiscal efficiency. The effectiveness of the wealth tax has been tested over time and confirmed in many countries around the world, especially in Western Europe, where it has established itself as a full-fledged fiscal institution of the state.

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