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## The Economic Consequences of the French Wealth Tax

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### Abstract

Despite attempts to 'unwind' the Impôt de Solidarité sur la Fortune ('Solidarity Wealth Tax,' the French wealth tax) during the last legislature (2002-2007), ISF yields had soared by 2006, jumping from €2.5 billion in 2002 to €3.6 billion. Analysis of the economic consequences of this ISF wealth tax has raised the following conclusions: Tax collection costs remain low (around 1.6% of proceeds); Not raising the threshold in line with inflation between 1998 and 2004 created windfall revenues for the French State of €400 million in FY 2004 alone; ISF fraud mainly involving an under-assessment of property assets has stabilised over time at around 28% of total revenues, equivalent; (had the legal framework remained unchanged) to a shortfall for the State of €700 million in 2004; Capital flight since the ISF wealth tax's creation in 1988 amounts to ca. €200 billion; The ISF causes an annual fiscal shortfall of €7 billion, or about twice what it yields; The ISF wealth tax has probably reduced GDP growth by 0.2% per annum, or around 3.5 billion (roughly the same as it yields); In an open world, the ISF wealth tax impoverishes France, shifting the tax burden from wealthy taxpayers leaving the country onto other taxpayers.

**Keywords:** Wealth tax, Economic consequences of taxation, French taxation, tax competitiveness, fiscal flight**JEL Classification:** H22[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN\\_ID1268381\\_code1100575.pdf?abstractid=1268381&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1268381_code1100575.pdf?abstractid=1268381&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID1268381\\_code1100575.pdf?abstractid=1268381&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1268381_code1100575.pdf?abstractid=1268381&mirid=1&type=2)

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