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Wealth and tax – Some developments from around the world

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In Canada, as of May 27, 2025, Parliament is in session. King Charles has read the throne speech that set out the Liberal minority government's priorities.

There will be no spring Federal Budget. However, a Notice of Ways and Means Motion (NWMM) was tabled on May 27, 2025 to deliver draft legislation for a previously announced tax cut of 1% to the lowest personal marginal tax rate to be effective July 1, 2025. Also, in the NWMM are changes to the Greenhouse Gas Pollution Pricing Act that implements the cancellation of the consumer carbon tax as of April 1, 2025. GST relief for first-time home buyers is included in the NWMM as well.

We are basking in "tax expenditures". When will the other shoe drop? And what could that shoe look like?

Talk of a wealth tax in Canada?

As far back as 2019 the NDP advocated for the imposition of a "wealth tax" in Canada. And we saw measures introduced by the former Liberal governments that appeared to respond to this call. Such taxes as the luxury tax (on certain vehicles, boats and aircraft) came into effect in January of 2022; the changes implemented to the AMT (Alternative minimum tax – Where are we now? – Tompkins Insurance) in effect since 2024; and, indeed, the failed capital gains inclusion rate change (2024 Federal budget – Reflections on the increase to the capital gains inclusion rate through an insurance lens – Tompkins Insurance) all were framed as taxes targeting the wealthy.

But a "wealth tax" would target net worth, levying a tax at a certain percentage of that value. The last proposal from the NDP from its 2025 election platform called for that rate to be 1% on household net worth between $10 and $50 million; 2% from $50-100 million; and 3% over $100 million. Even with the 2025 election behind us, and the NDP of diminished influence, is something like this a possibility?

International developments

Columbia, France, Norway, Spain and Switzerland currently have a wealth tax. Some countries have

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implemented one-off wealth taxes in response to fiscal challenges in a particular year.

Wealth and income disparity is a topic of concern at the UN. The terms of reference for the UN Framework Convention on International Tax Cooperation were published in June 2024 and called for commitments on, among other things, "effective taxation of high-net worth individuals." It is not yet clear what concrete proposals will arise from this but a recommendation for a global minimum wealth tax may be one of them.

The OECD has, over the last several years, presided over putting forth tax change recommendations (referred to as Base Erosion and Profit Shifting Pillars I and II) to implement a global corporate minimum tax and many other measures. Many of the recent corporate tax measures targeted at multinationals that Canada has implemented involve following these recommendations. The implementation of a global corporate minimum tax has led some to call for a global minimum wealth tax.

Recent talk of unrealized gain taxes in Australia

A new government (as of this month) in Australia is looking to follow through on a bill introduced in 2023 which would annually tax unrealized gains in respect of individuals' superannuation (i.e. retirement savings) plans valued in excess of $3 million. The new government (Labour majority) may well pass this into law. It provides no indexing of the threshold amount. Paying the tax would require cash from other sources. Critics see this as a form of wealth tax. And the fear is that this approach is a template for taxing unrealized gains for other asset classes (real estate, shares of private companies, etc.).

Taking things as they come

At the same time as the NWMM was tabled, the Department of Finance released backgrounders on these tax expenditure measures. Also, the Treasury Board President tabled the government's Main Estimates of planned expenditures for 2025-2026.

We do not know what the government's plans are to bring *in* revenue. Options to address lower tax revenues resulting from tax expenditures include, to cut other government expenditures; increase tax rates elsewhere, for example, by raising the GST; introduce other forms of tax, like a wealth tax; or build an economy that generates significant economic growth. Eventually, the other shoe has to drop. We can only hope that revenue growth will come from economic growth.

FOOTNOTE:

Should you wish to discuss this or any other TOMPKINSights article, please contact florence@tompkinsinsurance.com