TAXATION OF INCOME FROM LABOUR AND CAPITAL IN FINLAND – TOWARDS GREATER OR LESSER EQUALITY

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Towards Greater or Lesser Equality?

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Abstract

The structure and reforms of the direct tax system over the last two decades is summarized, emphasizing the tax base broadening implemented with dual income taxation and contrasting it to the tax system of the 1980’s. Different categories of capital income are still taxed at rates that are far from uniform. On average labour income is less heavily taxed in Finland than income from capital. There is scope for flattening the progressive tax rate schedule on earned income to prevent high opportunity wage professionals to transform labour income into double-taxed realized capital gains.

JEL code: H20

Keywords: dual income tax, flat tax, concept of income
1. Introduction
The question concerns dual income taxation (DIT), taxation of capital income and labour income separately, and its relation to the so-called flat tax. DIT divides personal income into capital and earned income (labour income, pensions and social benefits). Earned income is taxed at a progressive rate schedule while income from capital at a proportional rate. DIT is often associated with the income shifting problem –taxpayers’ ability to transfer labour income into the tax base of capital income.

Rental income, realization gains on real estate, realized capital gains and dividends from listed companies are always treated as income from capital. Income of an entrepreneur represents partly return on capital invested and partly compensation for her entrepreneurial effort and ability. Therefore incomes from unincorporated businesses and dividends from non-listed companies, with no distinction between active and passive owners in Finland, are split into income from capital and earned income. The role of the split rule is to prevent income shifting by using a presumptive rate of return on net business assets. It defines the maximum that is capital income for tax purposes and ensures that an entrepreneur’s capital income is taxed similarly as a passive household investor’s.

The core problem would involve a deeper inquiry into the proper economic concept of taxable income from capital in respect of its legal definition to draw any firm conclusion about the concurrent tendency in taxation of the two kinds of income. Such a task is far beyond my resources arising from the economic concept of income. It is well known that Hicks (1946, 172) associated income with the maximum amount which a taxpayer can consume during a year (week in Hicks' terminology) without impoverishing herself and that he had three ex ante and three corresponding ex post approximations to his concept of income. Economic decisions and conduct are forward looking. Therefore the ex ante concept, though not observable, is used in economic theory.

Hicks did especially not address the issue of taxable economic income, but regarded his ex post concept as "almost completely objective" (p. 179), having its place in economic history. He is also clear that realized capital gains are not part of a period's income; "if they occur, they have to be thought of as raising income for future weeks (by the interest on them) rather than as entering into any effective sort of income for the current week” (p. 179). "The calculation of income consists in finding some sort of standard stream of values" with the same present capitalized value as the actual expected receipts.
(Hicks 1946, 184-185). If some future receipts are expected to rise, the present value of a prospect will be raised. Therefore "it will be necessary to raise the standard stream ... throughout. Income will thus be increased". Hence Hicks’s definition of income coincides with permanent consumption, i.e., income is the maximum amount which a taxpayer can permanently consume during a year without impoverishing herself.

One hundred years ago Irving Fisher reasoned that if the running yield of an asset already is comprehensively taxed, a realized capital gain is not to be included in taxable income because doing so would break neutrality of a comprehensive income tax at a proportional rate (Ball 1984, Officer 1982). Sefton and Weale (2006) also suggest inappropriate to regard capital gains as income because they reflect changes in the future factor rewards. Neither do international conventions to compile income distribution statistics contain realized capital gains as part of income. Taxes on realized capital gains are not immensely unpopular,¹ far less so than inheritance or property taxes, the latter being taxes on illiquid assets at the time of tax payment. That is why I shall mostly make no difference with the legal and economic concepts of taxable income in what follows. My time span is about two decades to discern the trends in the relative tax burden of labour and capital income.

The tax system of the first half of 1980’s had generous capital allowances in business income taxation and an allowance for capital income in personal taxation which contributed to relatively modest average rates, but high marginal tax rates on income from capital. The calculations in Ylä-Liedenpohja (1987a) resulted in the following conclusions:
- the total average tax rate, personal and corporate, on corporate equity income, taking into account the economy-wide shares of distributed and undistributed profits, did not deviate significantly from the tax burden of an average income earner
- the average total tax rate on income from corporate capital, debt and equity, was remarkably less than the average tax rate on ordinary income
- though the average tax rates on both equity and total capital showed a declining trend since 1960, the marginal tax rates on investment² were rapidly increasing due to, among others, the introduction of a partial tax on realized capital gains tax and the rising financing share of taxable money-market loans

¹The public outcry concerns only taxation of purely inflation-induced gains of real estate, confiscatory by nature.
²This is defined by the total of personal and corporate taxes as a percentage of the pre-tax return on marginal investment, i.e. as a percentage tax wedge of a zero net present value project.
the last conclusion did not disappear even if the corporate sector was thought to be in the state of permanent tax-exhaustion, i.e. facing effectively a zero rate of corporation tax, if tax depreciation allowances were sold to leasing companies in the financial sector with heavy tax liabilities.

Ylä-Liedenpohja (1987b) provided additional evidence on the dispersion of the marginal tax rates on investment by asset type, source of finance and ownership category. The King-Fullerton type calculations were redone by Ilvonen (1990) to take into account the reduction of the corporation tax rate since 1985 and the introduction of the imputation system (avoir fiscal) in 1990. He concluded that, compared to the year of 1987, the 1990 reforms did not reduce the dispersion of project specific marginal tax rates, but slightly increased their overall level and more substantially so if a positive effective tax rate on capital gains was assumed.

The plan of the article is the following. Next section reviews tax revenue consequences of the tax base broadening of income from capital together with the reduction of the tax rates when DIT was introduced in 1993 and partial double taxation of dividends since 2005. Section 3 compares the current tax rates on different categories of income from capital to the 2007 effective progressive tax rate schedule on earned income and summarizes the main argument why, to a large extent, the transformation of labour income into taxable capital income is blocked in the Finnish system. Section 4 reviews research on behavioural effects of DIT on nonquoted companies. Section 5 concludes.

2. Tax base reforms of income from capital

Finland joined the international wave of tax reforms by broadening the tax base and reducing the tax rates on income from capital in particular. The statutory rate of corporation tax on undistributed profits was more than halved from 60-62 per cent in the first half of the 1980's to 25 per cent in 1993. But, revenue from corporation tax as a ratio to the GDP more than doubled in two decades; cf. Table 1. The biggest reforms were the imputation system in 1990 and DIT in 1993. DIT eliminated accelerated tax

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3 The rate combines municipal and state income taxes on undistributed profit. Because of partial deductibility of dividends, distributed profits had a lower effective tax rate which Ylä-Liedenpohja (1987a, Table 1) estimated to have been 26 per cent for distributions on newly raised outside equity in the beginning of the 1980's and 24 per cent for 1986.

4 Taking the transfer to investment funds into account, the effective corporation tax rate on undistributed profits in 1987 was 42-43 per cent by Ilvonen's (1990, appendix) calculations. Thus the effective rate of corporation tax has been cut only by one third.
depreciation charges, transfers to investment funds which effectively allowed to expense assets before actual investments were made, write-downs of inventories and made nominal realized gains on all fixed and movable assets fully taxable in corporate taxation, including holding gains on controlled companies.\(^5\)

In the household sphere, capital income allowance was eliminated. It had either totally exempted or taxed dividends, rental income and realization gains at a half rate up to a certain limit. Instead, nominal realization gains on all assets were included into the tax base of income from capital, with a taper relief for holding periods exceeding 10 years. Since 1991 interest income on bank deposits and quoted bonds has been subject to a source tax without declaring it in tax returns. Nominal interest is taxed at the proportional rate on capital income, annually raising revenue of 100-200 million euros during this decade, i.e. about 0.1 per cent of the GDP. Similarly, interest expenses on owner-occupied housing and student loans earn tax credit at the rate on capital income and no longer at the progressive rates of ordinary income. The allowed nominal maximum of tax credit has increased less than inflation since 1993. Tax revenue loss from interest deductibility has decreased quite remarkably in twenty years; cf. Table 1. Interest deductions were also limited before DIT, but could contain interest on pure consumption loans.

The tax treatment of voluntary pension savings has also changed. In new insurance contracts the tax credit will be earned at the tax rate on capital income, such pensions being taxed as capital income. Previously the tax rate on such pensions could be less than the one against which savings were deducted, offering an intertemporal subsidy. Life assurance contracts with savings are taxed as other categories of income from capital. Compensations based on death without any savings are tax-exempt, but subject to inheritance tax above a certain threshold.

The measures helped to remove subsidy elements and to raise the average effective tax rate on capital income, increasing progressivity of the whole tax system.\(^6\) Marginal tax rates on most categories of capital income were reduced, improving efficiency, i.e. reducing the dispersion of marginal tax rates of

\(^5\) More details of the tax base broadening of income from capital are given in Ylä-Liedenpohja (2007b, 2008), both on the introduction of the imputation system and DIT. Especially the latter paper analyses both phases from a perspective of improved efficiency in contrast to the tax system of the 1980’s.

\(^6\) Finland has thus implemented the argument of the US “flat tax” supporters. Because interest expenses and pension savings are deductible at the flat rate of capital income such schemes no longer benefit high-income earners.
investment projects. This was perhaps most visible in case of private rental housing, the supply of which increased, the other contributing factor being the lifting of rent control since 1994. Rental income was no longer added to other ordinary income and taxed marginally at over 60 per cent but at the tax rate on capital income. The distortions caused by inflation remained, and the effective tax rate on real interest income can be high as the cell on money-market funds in Table 2 indicates. But, general public tolerates it, perhaps because it is a tax on liquid proceeds unlike the increasing unpopularity of tax on real estate which taxes implicit return on housing and raised 790 million euros in 2006, 0.5 per cent of the GDP.

Table 1. Revenue from corporation tax, value added tax (VAT), tax on earned income, taxes on income from capital and loss of tax revenue from deductibility of interest on housing and non-business loans as a percentage of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Corporate</th>
<th>VAT</th>
<th>Earned</th>
<th>Capital</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>1.5</td>
<td>8.7</td>
<td>17.4</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>1995</td>
<td>2.2</td>
<td>7.3</td>
<td>16.6</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>2000</td>
<td>5.9</td>
<td>8.4</td>
<td>14.4</td>
<td>1.3</td>
<td>0.3</td>
</tr>
<tr>
<td>2004</td>
<td>3.5</td>
<td>8.9</td>
<td>13.3</td>
<td>1.2</td>
<td>0.2</td>
</tr>
<tr>
<td>2005</td>
<td>3.3</td>
<td>9.1</td>
<td>13.4</td>
<td>1.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: own calculations, Statistics on income and property and Statistical Yearbook of Statistics Finland.
Legend: the development of the tax burden of earned income vis-à-vis capital income since 1987 when the government announced its intention to reform direct taxation. In 1987 the VAT base included gross investments in non-manufacturing sectors and VAT revenue consists also of pharmacy fees and tax on insurance premia. In 1995 interest deductibility was in a transitional phase, interest on the end-of-1992 housing debt being deducted against earned income tax. Tax on capital income includes wealth tax and in 1987 the income tax paid by partnerships and limited liability partnerships to attain comparability with the DIT era.

Contrast the year of 2005 to 1987 in Table 1 and add the source tax on interest income and the real estate tax to taxes on capital income and corporations. The GDP share of tax revenue from capital, net of revenue loss from interest deductions, was in 2005 three and half times the 1987 share. Tax revenue from inheritance and gift tax in relation to the GDP grew only mildly from 1987 to 2006 because in 1987 the so-called side inheritances were subject to the municipal income tax.
While adopting DIT, Finland maintained the imputation system which fully credited the corporation tax to the tax-paying recipients of dividends in Finland. The system was the target of the media as soon as the enterprise sector started to recover from the 1991-1993 deep depression because dividends were seen non-taxed and not to have been paid out of pre-corporation tax income.\(^7\) The 2005 reform had three rationales: (i) to maximize tax revenues and the size of welfare state by (ii) pragmatically responding to toughening tax competition and by (iii) encouraging entrepreneurship. Consequently, the imputation credits of dividends were lifted since 2005. The tax rate on capital income was lowered to 28 per cent and the corporation tax rate to 26 per cent, motivated by the tax systems of the EU enlargement countries. Part of the package was that dividends from listed companies were made 70 per cent taxable for the households and the rudimentary annual wealth tax was eliminated. The latter was justified by its small revenue of 110-120 million.

The most important change concerning the corporate tax base was no longer to tax realized holding gains of controlled companies (CC) neither deduct realized holding losses against business income. Finland perhaps was a dumping place of loss-making CC's, an indication of which may be that the stock of deductible tax losses carried forward started to decrease in 2004 as soon as the reform was announced and made immediately effective. This is the most likely explanation why the GDP percentage of tax revenue from corporation tax did not decrease in 2005, but grew to 3.7 per cent in 2006. The other important change was to include dividends on long-term investments of insurance companies and banks to the tax base. Similarly, dividends from listed companies received by non-listed companies became partially taxable to effectuate an identical tax rate on dividends as if the listed shares were directly owned by individuals. Dividends flowing within the non-listed sector remained non-taxed.

The post 2005 personal tax rate on dividends of listed companies is thus 0.70 times 28 per cent, i.e. 19.6 per cent, and the total tax rate on distributed corporate profits is 40.5 per cent. The instantaneous total tax rate on double-taxed undistributed corporate profits is 46.7 per cent without considering the effects of inflation and taper relief of long-term holding gains.

\(^7\) Neither did the populist view ever recognize that dividends from non-listed companies were partially taxed as earned income at a high average rate of about 52 per cent.
The current presumptive rate of return is 9 per cent for non-listed companies, applied to the year-opening value of net assets since 2006 while in 1993-2005 the split based on the year-end values. Because the presumptive rate is a nominal post-corporation tax concept, it corresponds to the Dimson-Marsh-Staunton (2002) average real rate of return on international equities plus the equilibrium rate of inflation and guarantees that on average the reward for an entrepreneur's risk-taking will be taxed similarly as households' passive investments in listed companies. 70 per cent of any dividends exceeding the 9 per cent maximum of capital income are taxed as earned income.

The first 90000 euros of dividends from non-listed companies classified as income from capital will be non-taxed. The limit is individual specific. Any exceeding amount will be taxed as dividend income from listed companies. However 42.4 per cent of dividend receipts from non-listed companies and 21.9 per cent of total dividends (even a higher proportion of 29.5 per cent in 2004) were taxed as earned income in 2005 because those dividends were distributed on the basis of the 2004 accounting profits, the last year when the companies could utilize their tax surpluses, past corporation taxes on undistributed profits, without paying equalization tax. In earlier years about 15-18 per cent of all dividend receipts by households were taxed as earned income. In 2006 the fraction of earned income dividends from non-quoted companies declined to 22.4 per cent (14.8 per cent of all dividend receipts).

In conclusion, the reduction of the corporation tax rate also reduced the pre-tax cost of capital for investments. Small portfolio investors experienced their tax rate on dividends to increase, but the wealthier owners were approximately compensated for by the elimination of wealth tax. In the aggregate, tax incentives for savings and share ownership diminished, but the relative attractiveness of Finland as a residence of the wealthy did not change.

3. Taxation of earned income
The reforms to broaden the tax base took place in 1989-1991 and with DIT. The principles and details of the first phase are described in Ylä-Liedenpohja (1991). The broadening measures included the elimination of "unwarranted deductions" with a "compensation principle" in the progressive tax rate schedule without distributional consequences.8 To a large extent, the reformers regarded "unwarranted"

8 Using a static general equilibrium model, Heinonen and Ylä-Liedenpohja (1992) calculated that the 1989-1990 phase of
not only deductions as medical expenses and life assurance premia, but also allowances that either
differentiated the ability to pay among different kinds of households. These were compensated by
raising the income threshold at the start of the tax rate schedule. But, all taxpayers benefit equally from
a universal threshold. Thus the changes were against the modern version of the principle of horizontal
equity - equal treatment of equals, unequals accordingly (King 1983).

In the end, the government recognized the force of the latter half of horizontal equity and therefore
reintroduced some of the old allowances with a new name. The most important is an allowance for
earned income, an encouragement to participate in labour force, which is most generous for those
earning 14000 euros in 2007. Another is a deduction for work expenses paid by a household to
outsiders. It has encouraged to establishing small enterprises in renovation, cleaning and old people's
care business, increased employment and reduced tax evasion.

The 2007 effective tax rate schedule on earned income contained 16 different income brackets, after
combining the municipal and state income taxes and taking into account the introduction and phasing-
out ranges of all allowances, including allowance for earned income (Ylä-Liedenpohja 2007a, Table 3).
The effective marginal tax rate (MTR) was not always monotonically increasing in respect of taxable
income in the lower income bands. In 2007 about 50 per cent of taxpayers (annual earnings exceeding
21000 euros) faced a MTR of at least 40 per cent on earned income, but the average of taxable earned
income was about 25000 euros. Only 5 per cent of earners faced a MTR over 50 per cent. Table 2
reports the ATRs of certain categories of capital income and the levels of earned income at which its
respective ATR is attained. Table 2 shows quite great a dispersion of the ATR’s of capital incomes.⁹

The republic’s most carefully guarded tax secret no. 1 is that earned income on average is less heavily
taxed as income from capital. In 2000 (2005) the statutory capital income tax rate was 29 (28) per cent
while according to Statistics on income and property the average tax rate on earned income, including

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⁹ The tax system of capital income is in fact regressive up to one million euros of assets, reflected by a move upwards in the
right hand column of Table 2. A low income earner saves in bank deposits and money market funds. A somewhat wealthier
person’s next natural asset purchase is a well-diversified, but double-taxed equity fund, thereafter purchase of listed shares
and finally investments in non-listed companies.
dividends and interest receipts taxed as earned income, was 26.5 (26.0) per cent. *The republic’s most carefully guarded tax secret no. 2* is that an entrepreneur cannot transform her labour income into more leniently taxed income from capital.

Table 2. *Important thresholds of the 2007 tax rate schedule on earned income in respect of the average tax rate (ATR) on certain categories of income from capital in Finland*

<table>
<thead>
<tr>
<th>Annual earned income in euros</th>
<th>ATR per cent</th>
<th>Category of income from capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>33000</td>
<td>26.0</td>
<td>Dividends from non-listed corporations up to 90000 euros</td>
</tr>
<tr>
<td>37000</td>
<td>28.0</td>
<td>Legal tax rate on personal income from capital</td>
</tr>
</tbody>
</table>
| 83600                       | 40.5         | a. capital income dividends from non-listed companies over the 90000 limit  
b. dividends from listed corporations |
| 178000                      | 46.7         | Double tax rate on realized capital gains |
| Never attained, the highest marginal tax rate 53.8% and the highest ATR 52% | 56 | Effective tax rate on realized gains of money market funds: nominal return 4%, inflation 2% |

To understand the impossibility of transforming "heavily" taxed labour income into "leniently" taxed income from capital one needs to understand the intertemporal aspect of the problem: how slowly the maximum dividend taxed as income from capital will grow when an entrepreneur leaves her post-corporation tax wage as undistributed profits in her company, how high is the opportunity cost in the international financial markets of the funds left in the company in comparison to the presumptive rate of return on net assets, and how high is the realistic opportunity wage of an entrepreneur who works for her company.\(^\text{10}\) Ylä-Liedenpohja (2002, Table 1) provides an example of such an impossibility with associated argumentation.

\(^\text{10}\) In the imputation system an equalization tax and an additional legal constraint that the distributing company lost its tax surpluses after 10 years made income transformation even more difficult.
Its core is the following. An entrepreneur pays herself a wage so that the tax rate on the last euro does not exceed the corporation tax rate. The rest of her labour reward is taxed in the corporation so that each pre-tax euro adds to the net assets of her company with 74 eurocents, 9 per cent of which, 6.67 cents, is the next year's additional dividend taxed as income from capital. The same thing will be repeated in the subsequent year. But, the long-term opportunity return in financial markets of the funds in the company is the presumptive post-corporation tax rate of return 9 per cent so that the past undistributed wages do not increase this year's maximum dividend taxed as income from capital.

Ylä-Liedenpohja (2007b) analysed more closely the potential shifting of income from the tax base of labour to the tax base of capital for entrepreneurs operating via non-listed companies under the most recent tax code. He reasoned that the recent trend of piece-meal reductions of the MTRs on earned income already in 2007 had effectuated a situation in which the total of corporate and personal tax rates on earned income dividends was in line with or even higher than the MTR of wages for the most opportunity wages. Therefore entrepreneurial compensations would take more often the form of wages and no longer the form of earned income dividends. Also, entrepreneurs who set up a company to purely transform labour income into taxable capital income would be better off by operating unincorporated businesses.\textsuperscript{11} However high opportunity wage professionals, who belong to the top 5 per cent, have an incentive to use their non-listed companies as piggy banks by accumulating post-corporation tax labour income as undistributed profits to be transformed into capital gains, after dissolving or selling their companies.

\textbf{4. Incentive effects in non-listed companies}

Research on behavioural effects of non-listed companies has been carried out based on Kari’s (1999) approach. He showed the split of dividends in the Finnish dual tax to create an incentive for overinvestment if the company expects permanently to be in the regime of paying dividends taxed as

\textsuperscript{11} In case of unincorporated businesses (sole proprietors and partnership members), the presumptive rate of return is 20 per cent (or 10 per cent if so demanded) and it has always been applied to the year-opening value of net business assets. In addition, such businesses can count 30 per cent of the past year’s wage bill of their employees as part of their net assets. No deductibility of debt interest in unincorporated businesses is allowed on the part of debt that accounts for negative net worth because it reflects personal borrowing from the business sphere. Popular tax debate pays surprisingly little attention to taxation of unincorporated businesses.
earned income. Overinvestment is however eliminated when financial investments are an alternative way of padding the net assets on the basis of which the presumptive taxable income from capital is calculated. He also analysed the increased tax price of start-up equity in such a dividend tax regime for which Lindhe, Södersten and Öberg (2002) also provided numerical simulations. Their conclusion was that the entry cost of capital is three to five times higher than the long-run cost of capital for such non-listed companies. Kanniainen, Kari and Ylä-Liedenpohja (2007) showed that if the presumptive rate of return corresponds to the market rate of interest the split rule does not affect long-run investment, but that in practice it is nearly impossible to attain tax neutrality in respect of entry investment.

Kari (1999) and Lindhe, Södersten and Öberg (2002) assumed the pre-1999 base of net assets that did not include the distributed dividends. As part of net assets in the split, dividends raise the value of the undistributed corporate profits to the owners. Kari and Ylä-Liedenpohja (2005) studied the cost of capital in a foreign subsidiary of a multinational and showed the home country dividend tax rate to affect inversely the foreign long-run cost of capital for retained intra-marginal profit finance. Therefore the foreign cost of capital, both entry investment and steady-state investment, always is the lowest in the multinationals whose parent companies are non-quoted closely-held companies and permanently in the regime of distributing dividends taxed as earned income because of the lowest post-tax value of sacrificed dividends.

5. Conclusion
An enormous shift in the balance of direct taxation has occurred in two decades from labour income towards heavier taxation of capital income as evident from Table 1. This is not only due to a broader tax base of capital income combined with a lower statutory tax rate both on personal capital income and on the corporations, i.e. improved resource allocation because of a more efficient tax system, but also due to the improved efficiency due to greater openness of the economy (Ylä-Liedenpohja 2008). Both factors have increased the factor share of capital in the GDP while the investment ratio has in fact declined. However, different categories of income from capital are taxed at effective rates that are far from uniform as evident from Table 2. Their dispersion in fact grew after the 2005 tax reforms. And all through this decade, income from capital on average has been more heavily taxed than labour income.
That does not answer to the question whether taxpayers are able trade off labour income into taxable capital income. As argued in section 3, dividends from non-listed companies always are genuine income from capital, observing the opportunity return on funds employed in such companies. But, professionals, who clearly have a much higher opportunity wage than an average entrepreneur and therefore face the top marginal tax rate on labour income, have an incentive for using a non-listed company as a piggy bank, i.e. to transform post-corporation tax labour income into realized capital gains, taxed additionally as personal capital income.

I conclude about the flat tax that it is based on flawed economics. The truly top managerial and entrepreneurial compensations are currently so huge that those jobs attract talented candidates without a fear that they would choose careers mimicking a row professor's net income. From a viewpoint of tax economics it is efficient to tax these individuals at the current high marginal tax rates because of their voluntary career choice. But, there is scope, in a revenue neutral way (Ylä-Liedenpohja 2007a), for raising the threshold of earned income above which the top marginal tax rate bites, i.e. to flatten the progression for those who are climbing up their career and income ladder.

References


