

# Taxing the rich

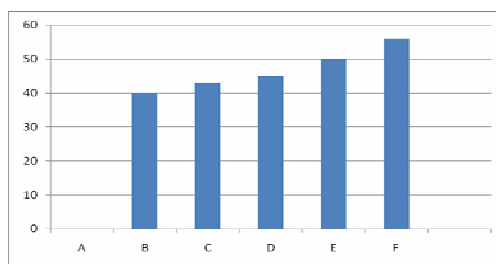
The UK government has recently raised the level of tax on the wealthy. What's the effect of increasing tax on the rich?

1 Mark the words (B) if they go before or (A) if they go after the word: **tax**. Create sentences with these collocations.

avoidance	inheritance	exile	loophole
evasion	relief	income	threshold

2 Study the graph. Add the following countries to the key: Germany, Monaco, Spain, Sweden, the UK. Then scan the article to check your answers.

**Figure:** Highest income tax rates - Europe  
Source: Henley & Partners International  
From: Financial News (May 2009)



**Key:**  
A -  
B - France  
C -  
D -  
E -  
F -

They say two things in life are certain: death and taxes. We work hard all our life to earn money, and the more you earn, the more tax you pay. As the recession continues, it is no surprise that more countries are increasing tax rates. The UK government, in an attempt to raise an additional £7 billion per year, has increased income tax for the wealthiest individuals. Those earning more than £150,000 now pay 50% on any income earned above this threshold. In Europe, only residents of Holland and Sweden pay more tax.

High earners there can expect to kiss goodbye to 43% of their income. Avoid Sweden. Swedes pay the highest tax in Europe at 56%. Just ask Ikea's Ingvar Kamprad, the tax exile. So, there's nothing left but a move to Monaco, whose citizens pay zero income tax. You may even bump into some of the world's wealthiest individuals, like retail tycoon, Sir Philip Green.

The rich could move elsewhere, though maybe not to Germany, which has the second highest rich population in Europe after the UK. The well-off there can expect to pay at 45% on any income above €250,000. Perhaps Spain will attract wealthy foreigners. The so-called 'Beckham's Law' allows non-Spanish citizens to claim Spanish residence and pay no tax on their overseas income. Otherwise high income

High earners can afford to employ the services of an accountant to help them find loopholes and so pay less tax. It's called tax evasion and it is, of course, perfectly legal. Don't go in for tax avoidance, though - that's illegal. You could of course put that extra cash under the bed rather than trusting it to the banking system. Remember one thing though: you cannot take it with you! Mind you, if you want to leave it to the children, don't forget they will have to pay inheritance tax.

3 Read the whole article. What has happened in the UK? How would you describe the tone of the article?

4 Find the odd word out, which does not form a strong collocation with the word at the end of the line.

4.1	(a) abolish	(b) evade	(c) avoid	(d) trust	(e) reduce	<b>TAX</b>
4.2	(a) sales	(b) fire	(c) income	(d) property	(e) corporation	
4.3	<b>TAX</b>	(a) haven	(b) relief	(c) banking	(d) threshold	

5 Discuss the following questions in small groups. Then report your ideas to the rest of the class.

- (a) In the current economic climate, is it a good idea to increase tax on the wealthy? Why / why not?
- (b) Is the tax system in your country fair? Why / why not?
- (c) What penalty would you give to someone who evades paying income tax?