



How do the tax burdens and tax structures affecting the top 1% of income and wealth holders differ between Nordic welfare states and liberal market economies?

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EXECUTIVE SUMMARY

This paper concerns itself first and foremost with the question of wealth inequality and whether modern taxation systems offer tangibly relevant differences between methods of taxation to try to curb it. It synthesises much of the academic and governmental data on taxation policies of a select cohort of representative nations, grouped loosely into “market-oriented” and “Nordic social-welfare” economies, finding that the effective rates of the top 1% are regularly far lower than the bare tax rates suggest. The takeaways of this paper are wide-ranging, offering insights into the discrepancy between how much states ought to be collecting versus how much they are collecting in reality, as well as providing a baseline for broader philosophical and political debate surrounding the justifications behind upper-class taxation.

The paper begins by contextualising the problem of wealth inequality historically and statistically, finding that the growth of millionaires and billionaires suggests that inequality is becoming an ever-increasing problem for the most developed economies. Our methodology, focused primarily on our selected comparative examples, seeks to identify the top one percent on a national level, investigating the gap between their legally binding statutory marginal tax rates and the actual effective rate paid. By looking at four market economies, in the US, Switzerland, Singapore, and the UAE, in conjunction with the three Nordic countries of Sweden, Norway, and Finland, the paper demonstrates that the paid rate is consistently lower across all systems investigated, with small variances between the categories.

In market economies, the actual design of the tax system directly benefits those of higher wealth brackets. Policies like preferential capital gains rates, different territorial income definitions, subnational tax competition, and lower penalties on wealth transfers allow the wealthiest to regularly decrease their tax burdens. Corporate tax reductions and exemptions for family businesses largely insulate top earners’ wealth from being fully taxed.

The Nordic welfare states achieve lower effective rates, in contrast, through the Dual Income Tax (DIT) system, which treats capital income at a lower flat rate while applying higher progressive rates to labour income. This is especially problematic given that the top one percent overwhelmingly draw income from capital gains rather than labour income. Consequently, the top of the tax system becomes rapidly regressive, with a larger portion of the tax burden being placed on those who pay via the statutory income taxation system.

Despite the comparative evasion at the top of the income pyramid, this paper demonstrates that the Nordic approach does effectively broaden the tax base; by minimising capital lock-in effects and providing incentives for the realisation of capital gains, the DIT does successfully generate sufficiently robust revenues to support extensive welfare systems, which do far more than strict tax policy to reduce unemployment. This is reflected in the paper’s final section, looking into wealth and exit taxes, which represent comparatively minuscule proportions of overall tax revenues despite being one of the most theoretically progressive forms of taxation.

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1.0 Introduction

As income and wealth inequality have skyrocketed, increased taxation on the world's wealthiest people has become a flashpoint in Western politics in the last few years. The aforementioned rising inequality has created a public perception that the one percent bear a disproportionately small tax burden. Critics argue that governments have failed to tax the wealthy and the top one percent on their gains from real estate, unrealised capital gains, and alternative asset appreciation. These critics often argue that governments should increase the tax burden on the wealthiest individuals to help fund social programs that benefit everyday working citizens. Defenders of more "neoliberal" tax policy often argue that aggressive taxation of the wealthiest would slow economic productivity, incentivise the wealthiest to leave home countries for tax havens, and hurt job growth. This research paper will examine the structure of tax systems in Nordic welfare states and liberal, "market-oriented" states, with a secondary goal of (when possible) scrutinising the effective tax rates faced by the one percent. This secondary goal will be a challenging one, as data regarding effective tax rates is often unavailable for many countries. These two groups of countries serve as important counterexamples in the debate over taxing the wealthiest, as many of the policies said to be achievable by more aggressive taxation have been attempted in the Nordic states (i.e., universal healthcare, free higher education, etc.).

2.0 Context: Global Wealth Inequality

Wealth has become increasingly concentrated in recent years. Currently, 10% of the global population holds approximately 75% of all global wealth, while the bottom 50% holds only 2% of global wealth (Chancel et al., 2026). The trend of wealth concentration at the very top of society has dramatically increased in the 21st century, accelerated by globalisation and the expansion of global capitalism. As a result, average national incomes have improved drastically across the globe, but income and wealth growth have been skewed toward the top earners rather than all citizens.

According to the UBS global wealth report (2025), the global share of 'everyday millionaires' (EMILLIs), individuals with a net wealth between 1 million USD and 5 million USD, has increased by fourfold since 2000. The trend is expected to continue upward, with expectations of a 9% increase by 2029 compared to 2024. **At an even higher level, billionaire population growth dwarfs EMILLIs. In 1996, there were an estimated 423 billionaires worldwide; as of 2025, that number has increased roughly sevenfold to 3028, with 2025 alone seeing an 8% yearly increase in the global billionaire population.** More indicative is the coinciding explosive growth in the share of global wealth held by this upper class. According to the Survey of Consumer Finances and Tax Data, the share of wealth owned by the top 0.1% of Americans doubled from less than 10% in 1980 to approximately 20% in recent years. **Globally, billionaires hold 3% of all global wealth, an increase of 2% from 1996.** When including top centimillionaire earners so as to reach .001% of the global population, one finds that this tiny fraction of people hold 6% of all global wealth (UBS, 2025).

Perhaps as a reaction to this inequality, the last decade has seen a global political movement focused on targeting the ultra-rich. Spurred by scandals such as the Panama papers (ICIJ, 2016) and the 2021 ProPublica report (Eisinger et al., 2021), both of which exposed the offshoring and legal loopholes used by the ultra-rich to skirt taxation almost entirely, slogans like “Eat the Rich” highlight public anger as the zeitgeist turns towards resentment to the ultra-rich (Jones, 2021). Political party agendas, particularly on the left, have responded to the movement by promising policies that would restructure ineffective tax systems. In the runup to the United States 2020 presidential elections, popular democratic candidates Elizabeth Warren and Bernie Sanders each advocated for more aggressive taxes, Warren proposing a 2% marginal rate on net worth above \$50 million and 3% above \$1 billion (Saez and Zucman, 2019a), while Sanders proposed a 2% tax starting at \$32 million net worth that scaled up to an 8% rate for decabillionaires (Saez and Zucman, 2019a). In Germany, the German Social Democratic Party in 2019 ran on a similar campaign of reimplementing a system of effective tax rates on the ultra-rich (Fastenrath and Marx, 2026), and in the UK, the subject has been debated numerous times in the House of Commons as a potential way to redistribute tax burdens (Hansard, 2026).

The importance of understanding tax structures is paramount for elevating the political discourse surrounding wealth inequality. A comprehensive analysis of tax structures, particularly on the top 1%, will allow for future policy making that properly alleviates current structural issues.

3.0 Methodology

This section investigates how the tax burdens and tax structures affecting the wealthiest one percent differ between Nordic welfare states and liberal market economies. To do so, it employs a comparative case study approach, selecting two sets of countries that represent distinct ends of the political economy spectrum. The liberal market economies (the United States, Switzerland, Singapore, and the United Arab Emirates) are examined as representative examples of lower-tax, market-oriented economies, with the UAE serving as an empirical zero-tax benchmark against which the other cases can be measured. The Nordic welfare states (Norway, Sweden, and Finland) are examined as representative examples of high-tax, redistribution-oriented economies. Note that here, one percent will generally refer to the wealthiest one percent in each country, though it will sometimes refer to the top one percent of income earners when necessary.

The paper is structured around two primary analytical dimensions. The first is the gap between statutory marginal tax rates and effective tax rates — that is, the difference between what the tax code says the wealthiest should pay and what they actually pay in practice, after accounting for income composition, deductions, avoidance strategies, and structural design features. The second is tax base breadth — the degree to which the definition of taxable income includes or excludes particular income categories, such as unrealised capital gains, dividends, and corporate retained earnings, which are disproportionately relevant to the top one percent.

Each country or group of countries is analysed across two categories of taxation: income tax and wealth tax. While there is some overlap, these are treated in separate subsections to

maintain analytical clarity and to reflect the fact that, for the wealthiest individuals, the interaction between income and wealth taxation is itself an important part of the overall fiscal picture. For income tax analysis, the primary measures used throughout are the effective income tax rates and the different income tax models, outlined later as the CIT and the DIT. Effective income tax is defined as personal income taxes paid as a share of taxable income. Where available, this is measured with respect to the top one percent of wealth holders directly. The analysis of wealth taxes is mainly focused on the taxation of unrealised gains, estates, corporations and family offices, and exit taxes.

The comparison section, which follows the individual country analyses, will bring together the findings across both country groups and both tax categories to draw broader conclusions about how political economy shapes the fiscal treatment of the wealthiest one percent.

4.0 Market-Oriented Economies

4.1 Income Tax in Market-Oriented Economies

This section will focus on the income tax systems of market economies, using the examples of the US, Switzerland, and Singapore, countries known for their market-oriented approach to policymaking, as case studies. It will first attempt to explain the relevant structures of each country's tax system. Secondly, it will outline how effective the different approaches have been in taxing the income of the top one percent of wealth holders, finding that in some cases the market-oriented approach achieves an effective compression of the tax burden on top earners not only through low tax rates, but also through structural choices regarding rate graduation, tax base definition, and, in some cases, subnational competition. The United Arab Emirates will serve as an empirical benchmark of a zero-income tax system. While the focus of the paper is on the top one percent of wealth holders, due to a lack of data, the sections focused on Switzerland and Singapore will require income-earner approximations, further explained below. While these two groups may overlap, we must note that this represents a limitation to comparisons of the different tax systems. This section's analysis will cover three dimensions: the structuring of income taxation, the resulting tax base breadth, and the gap between statutory marginal rates and the actual amount of tax paid.

Before starting, it is important to note the methodology of this evaluation of the gap between statutory marginal income tax rates and the amount of tax actually paid. The primary measure used in the assessment of this third dimension is the effective income tax rate, defined as personal income taxes paid as a proportion of taxable income. This measure will be investigated with respect to the top one percent of wealth holders; however, their effective income tax rates are rarely published directly. For the US, wealth-ranked effective tax rate estimates are published by Balkir, Saez, Yagan, and Zucman (2024), using IRS administrative data. This allows for a direct figure of the top one percent of wealth holders to be used, with one important caveat on comparability, as their estimate includes both federal and state income taxes combined with payroll taxes, while Swiss and Singapore figures solely represent national personal income taxes. Thus, the US income tax burden is overstated compared to the other t

two examples. While this gap likely is in the range of three to five percentage points, it is nevertheless important to bear in mind while comparing across cases. For Switzerland, no wealth-ranked income tax data exists, and no single national effective income tax rate for the top percentage of wealth holders can be computed, due to the country's three-tier federal, cantonal, and municipal structure. For this reason, the Swiss case will be analysed using the rate structure and the cantonal range. Singapore also does not have wealth-ranked income tax data; instead, a calculated effective rate from the YA 2024 rate schedule will be used as an approximation, with the mathematical workings shown in footnote one. While in the following section the Nordic welfare states' tax system(s) will be handled together, due to their shared structure, for this section, the countries' tax systems will be discussed separately due to greater differences in their models.

The US federal income tax is progressive, is combined with a state-level income tax system, and differentiates between certain types of income, representing a unique alteration of the comprehensive income tax model (CIT), where income is added together and then taxed on a progressive schedule. The highest marginal federal rate is 37% on ordinary income, while capital gains are treated differently according to the assets' holding period. Short-term realised gains on assets held for one year or less are taxed as ordinary income at the same rates up to 37%. Long-term realised gains, on the other hand, on assets held for over one year, receive preferential rates of 0%, 15%, or 20%, depending on an individual's income, with an additional 3.8% net investment income surtax. Therefore, the maximum federal long-term capital gains rate is 23.8% (IRS, 2024b). This creates an incentive for high-income earners to hold assets for periods over one year or to defer the realisation of gains entirely, a phenomenon termed the "lock-in effect" by Sørensen (2009). Note that the US system's treatment of capital income (no matter the type) is still based on a progressive schedule, making it a derivation of the traditional CIT used by most OECD countries. This will become relevant when compared to the Nordic dual income tax model (DIT) explained later.

Under the Haig-Simons definition of income by Piketty, Saez, and Zucman (2023), income is established as the sum of consumption and change in net wealth, which includes unrealised capital appreciation. Thus, because gains on unsold assets are untaxed, actual income for the wealthiest one percent in the US substantially exceeds their reported taxable income. According to Hodge's (2024) summary of the IRS-commissioned working paper drawing on IRS data ranked by wealth, published by Balkir, Saez, Yagan, and Zucman (2024), the combined federal and state income and payroll effective tax rate on the top one percent of wealth holders was approximately 30% in 2019, even though individual rates vary state-by-state. As previously noted, this figure includes payroll taxes. A pure income effective tax rate would be roughly 25% to 27%, derived from the rate structure described in Balkir et al. (2024), but even this adjusted figure likely overstates the real income tax burden compared to the Haig-Simons income. This is the result of unrealised appreciation of assets being a primary source of wealth for many top wealth holders, escaping any income taxation base entirely until realisation.

Switzerland also uses a federal plus municipal/regional derivation of the CIT. In Switzerland, income is taxed on a federal, cantonal, and municipal level. As noted, no wealth-ranked data is available, and no computation of a comparable national effective rate is possible. While the direct federal rate is capped at 11.5%, marginal rates for earners in the highest tax bracket can range significantly from approximately 22.2% in Zug to 43.2% in Geneva (PwC Switzerland, 2025). Due to this 21-percentage-point difference on an identical income, residential location is a primary tax planning variable for the top one percent of earners in Switzerland (PwC Switzerland, 2025). The country also has no realised capital gains tax on private movable assets such as equities or securities, as gains from the sale of shares are exempt from income taxation for all private individuals apart from those classified as professional securities traders (PwC, 2025). Furthermore, the income tax burden is compressed specifically for top wealth holders, as dividends received by shareholders of ten percent or more of a company are only partially included in taxable income. Only 70% of dividends are taxable federally and 50% or more at a cantonal level (PwC, 2025a; UBS, 2025). For the top one percent of wealth holders, whose incomes disproportionately stem from dividends rather than labour income, this reduces the effective income rate further, widening the gap between nominally comprehensive income tax and the treatment of wealth, mirroring the Haig-Simons divergence observed in the US. The effective burden on high earners is further decreased by a lump sum taxation system for non-working foreign nationals called "Pauschalbesteuerung" (which has already been abandoned in some cantons for this reason), and by inter-cantonal tax competition, which places downward pressure on rates as cantons attempt to attract wealth across the country (Swiss Federal Finance Department, 2024).

In stark contrast to Switzerland, Singapore operates a unified national personal income tax model, with no sub-national layers. Again, there is no wealth-ranked income tax data available for the country, which is why the focus will be shifted to the top one percent of earners. According to YA 2024, the top marginal income tax rate is 24% and applies to taxable incomes above SGD 1,000,000 (Leo, 2024; IRAS, 2024). Capital income is not taxed, and only income sourced in Singapore itself is taxed. When applying YA 2024's assessment of statutory rates to income earners, as this is the best available approximation of the effective tax faced by the one percent of earners, the effective personal income tax rate before reliefs is 19.9% at SGD 1,000,000 and 22% at SGD 2,000,000.¹ In reality, these rates are likely even lower due to the absence of capital gains taxes and the territorial income definition, ensuring that investment appreciation and foreign source income are not included in the taxable base. Thus, compression is achieved through the explicit statutory exclusion of entire income categories.

On the extreme end of market-oriented economies, the UAE serves as the zero-rate benchmark, as it levies no personal income tax, instead sourcing public expenditure from hydrocarbon revenues (UAE FTA, 2024). The country, therefore, represents an empirical floor from which the other three cases differentiate through the structures detailed above.

¹ Author's calculation from YA 2024 rate schedule (Leo, 2024; IRAS, 2024). Rates applied to successive tranches: 0% on first SGD 20,000; 2% on next SGD 10,000; 3.5% on next SGD 10,000; 7% on next SGD 40,000; 11.5% on next SGD 40,000; 15% on next SGD 40,000; 18% on next SGD 40,000; 19% on next SGD 40,000; 19.5% on next SGD 40,000; 20% on next SGD 40,000; 22% on SGD 320,001–500,000; 23% on SGD 500,001–1,000,000; 24% above SGD 1,000,000. Results: SGD 1,000,000 - 19.92%; SGD 2,000,000 - 21.96%; SGD 5,000,000 - 23.18%. All figures are pre-reliefs and pre-territorial exclusions.

When comparing the three cases, a central finding holds true for them all: the effective income tax burden on the top one percent is substantially below the statutory top marginal rates. However, before drawing comparisons, any measurement asymmetries must be reiterated. The US figure of a 30% effective tax rate applies to the top one percent of wealth holders; however, it includes payroll taxes. The Swiss statistics are marginal rates across a cantonal range, and the Singapore values are author-calculated income earner bracket rates. As a result, comparisons will be directional rather than precise.

The three systems differ not only in level of taxation but also in the underlying mechanism. The US posts the highest top marginal rate of 37% and the highest surveyed effective rate of 30%, including payroll tax, suggesting 25 to 27% for income tax alone, with compression resulting from capital gains preferences and deductions. Switzerland spans the widest internal range, from 22.2% in Zug to 43.2% in Geneva, further compressed through the absence of a capital gains tax on private assets and the partial dividend taxation scheme for substantial holdings. Singapore has the lowest top marginal rate of only 24% and achieves clean compression as a result of statutory base exclusions, with an estimated income earner bracket effective rate of approximately 22% at SGD 2,000,000 before exclusions are applied.

Therefore, these cases illustrate how a market-oriented model does not necessarily rely on the elimination of income taxation, such as in the UAE, but rather its systematic compression through design choices operating beneath the surface. According to Van Ganzen (2023), the corporate to personal tax rate differential is the dominant driver of top personal income tax rate setting across 19 OECD countries, which suggests that this convergence on moderate effective burdens is not only due to ideology but structural fiscal constraint. Each country uses different mechanisms to ensure the wealthiest one percent face lower effective income tax burdens than the statutory rates suggest. Finally, as Piketty, Saez, and Zucman (2023) argue, income taxation by itself cannot fully capture the burden on a country's wealthiest citizens, since unrealised capital gains and corporate profit retention lead to economic income substantially exceeding taxable income. Therefore, it is important to consider the subsequent analysis of wealth taxation in market-oriented economies to compare the full picture.

4.2 Wealth Taxes in Market-Oriented Economies

In this section, we will first examine the various mechanisms used in four market-oriented economies – the United States, Switzerland, Singapore, and the United Arab Emirates – to tax wealth, before investigating the effective tax rate faced by high-net-worth (HNW) individuals in these countries. As dedicated wealth taxes do not exist in all these countries, we will separate the taxation on wealth into several categories: taxation on net wealth, taxation on corporations and business structures, which includes corporation ownership or family offices, and taxation on other assets, encompassing, real estate, estates, and inheritance.

Beginning with the United States, as previously mentioned, the taxation of financial assets relies heavily on a realisation-based framework rather than taxing the holding of capital. This structure was fundamentally solidified by the One Big Beautiful Bill Act (OBBBA) enacted on 4 July 2025, which made permanent the individual tax provisions of the previous 2017 Tax Cuts and Jobs Act (TCJA) (IRS, 2026). Under this legislation, the United States imposes no federal net wealth tax on an individual's total assets (Holtzblatt and Garriga, 2025, p.1). Regarding specific assets, properties are taxed annually at a rate which varies from 0.29% to 1.88% of the value of the property, contingent on the state and the county (Fritts, 2026).

A significant impact of the OBBBA on HNW taxation is the permanent extension of the lifetime federal estate and gift tax exemption to 15 million dollars per individual, or 30 million dollars for married couples, indexed for inflation starting in 2026 (H&R Block, 2026). This exceptionally high threshold ensures that only a tiny fraction of the wealthiest households is subject to the 40% federal estate tax. According to Bryant and Huang, the OBBBA will benefit wealthy tax filers, as the top 5% should absorb half the bill's benefits, and the top 1% a quarter (2025, p.3). Indeed, the bill expands the capital gains that are excluded from taxation, thus reducing taxation on the wealth of HNW individuals, decoupling the United States from global trends of increasing wealth taxes (Bryant and Huang, pp.10-14).

Furthermore, as there is no wealth tax, individuals can defer asset sales indefinitely and borrow against appreciated portfolios to fund their lifestyles, while seeing their wealth increase from unrealised capital gains. Balkir et al. (2025) highlights that even when accounting for realised capital gains, administrative data reveal that the top 400 wealthiest individuals in the US face a lower effective tax rate on their economic income than the rest of the population. Indeed, their total effective tax rate is 23.8%, compared to 30.2% for the rest of the population and 45% for the top labour income earners (Balkir et al., 2025, p.9). The study observes that the share of capital gains and corporate income, taxed at a lower rate than labour income, in their total economic income, which is more important than that of the overall population, accounts for these discrepancies. Moreover, they observe that their effective tax rate decreased after 2017 and the enactment of the TCJA compared to the rest of the population (Balkir et al., 2025, p.17), while the corporate tax rate was lowered from 35% to 21% in 2018, reducing the tax burden on HNW individuals whose wealth is contingent on their ownership of a corporations or who manage their wealth through family offices (Lindstrom and McKenzie, 2024). These policies highlight how the former and current Trump administrations successfully implemented a friendlier tax climate for HNW individuals in the US. The following graphs highlight how, as corporate taxes represent a large proportion of the top 0.002% tax expenditure, the lowering of the latter resulted in a lower top 0.002% effective tax rate (Balkir et al., 2026).

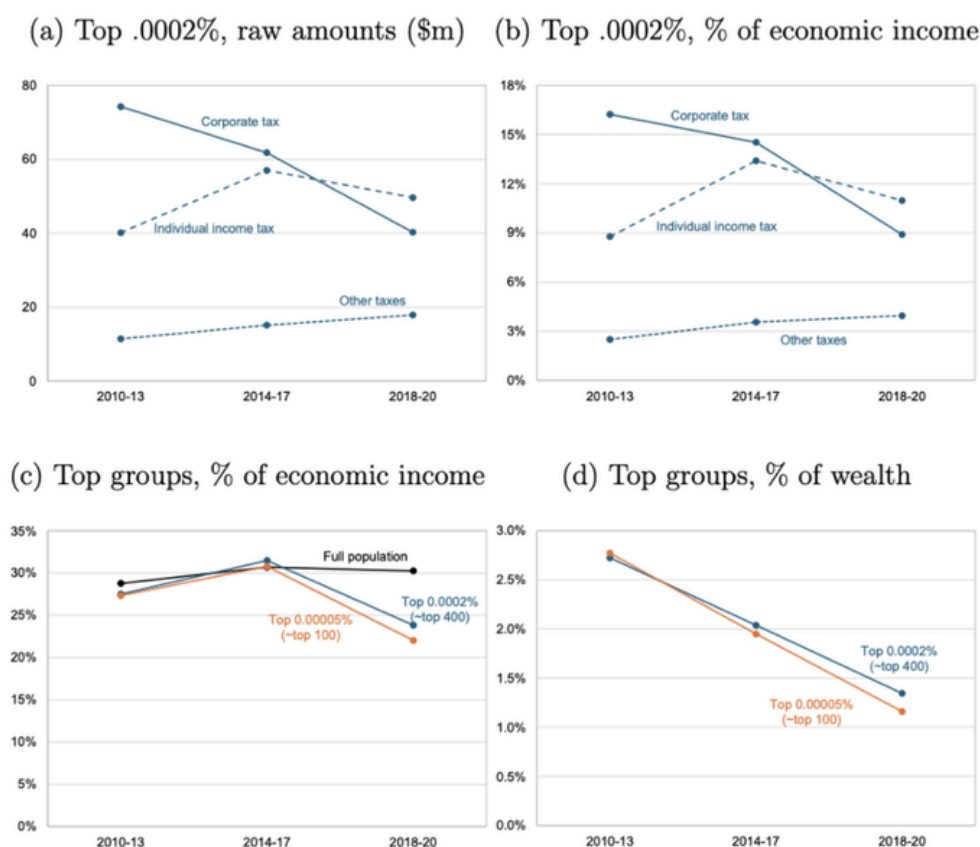


Figure 1. Taxes Paid by the top 0.002%, 2010 - 2020 (Balkir et al., 2026)

Unlike the US, Switzerland relies on an annual net wealth tax (the value of assets minus the value of debts), which applies to a resident's worldwide assets. The tax rate is progressive and ranges from 0.1% to 1% according to the canton and the wealth (PwC, 2026). Furthermore, while dividends and interest income face a 35% federal withholding tax, the amount is fully recoverable for residents who accurately report these yields in their wealth tax declaration, effectively lowering the total amount of tax paid by offsetting some taxes paid under income (RSM Switzerland, 2026).

Also, family offices, popular tools used by the HNW individuals to maximise their wealth growth, are subject to the corporate income tax, between 12% and 20% depending on the cantonal jurisdiction (Brülhart et al., 2023, p.12). Regarding inheritance and gift taxes, the burden ranges from 0% to 50% contingent on the canton and the personal link with the deceased, spouses and biological children being exempt from taxation in all cantons except for the ones of Appenzell-Innerrhoden, Waadt, and Neuchâtel (RSM Switzerland, 2026).

Moreover, Switzerland provides an attractive lump-sum tax regime for wealthy foreign nationals (non-Swiss citizens) who do not engage in local employment, taxing them based on their annual worldwide living expenses rather than true income or wealth (Seifert, 2026). Under this regime, HNW individuals pay their taxes at a predetermined amount negotiated with the canton, provided they meet certain requirements (the taxable amount cannot be lower than CHF 435,000, seven times the annual rent of the main Swiss residence, or three times the annual cost of lodging if living in a hotel) (Seifert, 2026). As the regime is predictable and expenditure-based, HNW individuals often end up paying less than if it were income-based.

Finally, computing an effective wealth tax rate in Switzerland is complicated as it is highly dependent on portfolio composition and cantonal residency, with tax rates varying greatly from canton to canton. Also, because the net wealth tax is applied annually to the stock of capital, a statutory wealth tax of even 0.5% can act as a severely confiscatory effective income tax on safe, low-yield investments. To prevent this burden from exceeding total income, several cantons utilise a tax shield that caps the combined income and wealth tax burden (Hutter Consulting, 2023). Thus, although Switzerland applies a net wealth tax, which can be quite confiscatory given the cantonal residency and the portfolio, its attractive tax regimes make it a preferential residence for HNW individuals, as illustrated by Alex Mengden's (2024) study, which ranked Switzerland as the fourth most tax-competitive OECD country.

In contrast to Switzerland, Singapore does not impose a direct tax on the net wealth of its residents, and it officially abolished its inheritance tax, known as estate duty, in 2008 (IRAS, 2026). As neither capital gains nor dividends are taxed at the shareholder level (Grant Thornton, 2025, p.9), in the absence of more traditional taxes, the government relies heavily on real estate taxation as a proxy for taxing accumulated wealth (Dentons Rodyk, 2022, p.4). Property owners are subject to an annual property tax calculated on the estimated gross annual rental value of their property, with progressive tax rates ranging from 0% to 36% (Dentons Rodyk, 2022, p.4; PwC, 2026). Additionally, the system utilises stamp duties to tax wealth transfers. The Additional Buyer's Stamp Duty (ABSD), which can reach 65% of the transfer, targets the purchase of multiple residential properties at the local level, and any property purchased by a foreign buyer, acting as an effective wealth tax measure (Dentons Rodyk, 2022, p.7; PwC, 2026).

This relatively light tax structure is designed to maintain the country as a competitive global financial hub, attracting foreign investment (Dentons Rodyk, 2022, p.2). Because of this favourable environment, HNW families are strongly incentivised to establish family offices. The government welcomes these family offices and provides them with specific tax exemptions, such as the 13O and 13U schemes, which offer tax exemptions on income generated by funds managed by Singapore-based fund managers from taxation (Dentons Rodyk, 2022, p.8; Grant Thornton, pp.11-13, Eng et al., 2023, p.276). A Haig-Simons effective tax rate (total tax spending/total wealth growth) for HNW individuals in Singapore is difficult to compute, and no research was conducted to compute it. However, as previously revealed, Singapore's effective income tax rate for high-income earners falls between 19.9% and 22%. With its light tax structure on wealth assets, the effective tax rate for HNW individuals must fall even below these numbers. Thus, we can conclude that, with its several tax incentives, depending on the wealth portfolio, Singapore remains a preferential destination for HNW individuals. The increase in the number of ultra-high net worth and HNW individuals in Singapore, which respectively increased by 6.9% and 9.8% from 2021 to 2022 (Eng et al., 2023, p.277), illustrates the tax competitiveness of Singapore and its attractiveness to HNW portfolios.

Finally, the United Arab Emirates offers an attractive system for HNW individuals by avoiding almost all taxes commonly found elsewhere, including other market-oriented economies (PwC, 2023). Regarding the purchase of real estate, the UAE imposes a one-time transaction cost (PwC, 2023). In Dubai, for example, buyers must pay a transfer fee to the Dubai Land Department, calculated as 4% of the property sale price (Sobha Realty, 2026).

While personal wealth remains untaxed, the United Arab Emirates introduced a new federal corporate tax in June 2023 that impacts high-net-worth individuals owning family offices conducting business activities (UAE Government, 2026). The applicable rate is 0% on the first 375,000 Dirhams of taxable income, and 9% on any profit exceeding that threshold (UAE Government, 2026). Under this legislation, family offices or investment companies become subject to the corporate tax and are considered a taxable person (PwC, 2023). However, with the complete lack of all taxes except for a low corporate tax, Dubai offers an almost tax-free environment for HNW individuals, with an effective tax rate which can reach as low as 0% depending on the wealth portfolio.

In conclusion, these four countries all offer an attractive tax framework to HNW individuals. According to the OECD dataset, the tax revenues of the US, Switzerland, and Singapore as a percentage of their GDP were respectively 25.6%, 27.2%, and 13.7%, drastically lower than social welfare economies, which illustrates their commitment to a low-tax market-oriented model. One shared characteristic of these three countries is that they offer tax schemes which enable HNW individuals' effective tax rate to be lower than that of the average population, and drastically lower than that of high-income earners. However, these countries present different tax structures and advantages, given the individual and the type of portfolio. As wealth assets are not taxed in the US, and inheritance and estate taxes are subject to a high threshold, corporate and income taxes represent a high share of HNW individuals. The enactment of the TCJA in 2017, which lowered corporate taxes, solidified with the OBBBA, ensures the US remain a tax-friendly environment for HNW individuals. On the other hand, while Swiss Cantons impose a net wealth tax, their non-taxation of capital gains, their loose taxation on inheritance and estate, and their lump-sum regime offer an attractive environment for wealthy individuals. Singapore, which imposes no taxation on wealth assets, excluding the purchase of real estate, and offers tax exemption which incentivises the establishment of family offices, remain a preferential residence for wealthy individuals. Finally, according to the World Bank, in the UAE, at the extreme end of market-oriented economies, its tax revenue represented 0.6% of its GDP in 2023. The quasi non-existence of taxes, except for a newly introduced low corporate tax, makes Dubai a tax haven for ultra-wealthy individuals seeking to maximise their wealth growth.

5.0 The Nordic Welfare States

5.1 Income Tax in the Nordic Welfare States

In its research and analysis of “social-welfare” economies or states, this paper focuses on the Nordic nations, specifically Norway, Sweden, and Finland, as they serve as important, well-known examples of economies oriented toward providing for social welfare. As in the previous section focused on market-oriented economies, this section will focus on the income tax paid by these countries’ wealthiest one percent. First, this section will outline the most important aspects of and research into the Dual Income Tax system(s) used by these three countries and the principles that underlie its creation and adoption. It will explain the general statutory marginal tax rates faced by the highest earners in each nation. Then, we will review, country-by-country, the existing evidence to demonstrate that the actual amount of taxes paid by the one percent and how it compares to those statutory rates. Here, we will also review whether the Nordic tax system was successful in achieving its goals. Note, as Denmark’s tax system differs from the other Nordic countries, we will not be focusing on it in this paper.

In the early 1990s, the Nordic countries of Norway, Sweden, and Finland made sweeping reforms to their tax and tax administration systems. These reforms introduced the Dual Income Tax system (DIT), aiming to broaden the tax base and distinguish taxation between labour income and capital income (i.e., income from interest, dividends, realised capital gains, rental income, royalties, and imputed returns on owner-occupied housing, among other things). The goal of these reforms was to improve tax neutrality (the idea that income should only be taxed once), increase tax revenue, and further enable welfare programs to redistribute wealth (Sorenson, 2010, p.2). Sweden was the first to adopt the Dual Income Tax system in 1991, with Norway following in 1992, improving tax neutrality and the elimination of tax distortions as the explicit goals of their effort (OECD, 2000, p.6).

The dual income tax system differs from and was developed in response to the Comprehensive Income Tax (CIT) system, also called the Haig-Simons income tax, used by the majority of OECD countries, such as the United States. The core principle of the CIT is that all income, regardless of its source, is aggregated and taxed under a single progressive schedule. In contrast, the DIT differentiates labour and transfer income from capital income, taxing labour and transfer income under a higher, progressive schedule and capital income at a lower flat rate. As Peter Sørensen notes, the Nordic DIT quickly demonstrated multiple benefits. Firstly, the DIT “serves to equalise the treatment of non-human and human capital investment” by balancing the incentives towards non-human capital investment produced by a low, flat capital income tax with higher human capital investment resulting from the higher, progressive labour tax rate (2010, p. 6). This finding is corroborated by Jacobs and Bovenberg, who demonstrate that a tax

Additionally, policymakers in the Nordic countries had several, more clearly defined, reasons to adopt the DIT. The lower marginal tax rate applying to capital income was said to help reduce overtaxation as a result of inflation, enable increased capital mobility, and further improve tax neutrality. Notably, when compared to the CIT used by many OECD countries (see Section 8), the flat tax on capital income was said to help reduce capital flight, tax arbitrage, and the “lock-in” effects of the CIT (Sørensen, 2010, p.7). The most important of these effects are the possibility of accounting for inflation and avoiding tax arbitrage, capital flight, and capital lock-in effects. Finally, addressing the largest goal and effect of the DIT - broadening the tax base.

Firstly, the lack of inflation adjustment under most conventional tax systems, such as the CIT, was said to imply overtaxation because the tax was levied against the full nominal return, including the inflation premium. I.e. when you hold a financial asset, say a bond, the return you earn has two components baked into it: the real return (the actual increase in purchasing power) and the inflation premium (the extra amount the asset pays simply to compensate for inflation). If inflation is 3% in period X and your bond pays 5% in X, only 2% is a genuine return; the other 3% just stops you from losing ground. However, income tax systems typically tax the full 5% as if it were all profit, including the 3% that is merely compensating for inflation, making the effective tax on the capital income far higher than it seems. By charging a lower, flat rate, the DIT's asymmetric treatment of capital and labour income partly corrects for this overtaxation and helps ameliorate the distortions in taxation caused by inflation. Sørensen notes that this argument for the DIT was particularly important in convincing the Nordic countries' political left-wing to support the DIT (2010, p. 7-8).

Secondly, by setting a low flat rate for capital income, the Nordic countries aimed to help reduce tax arbitrage, the practice of moving income between tax items and across borders to avoid paying taxes. This policy was particularly targeted at their wealthiest taxpayers. Most notably, “[l]ower rates on capital income... reduce the attractiveness of tax avoidance through aggressive transfer pricing and other schemes and reduce the benefit of tax arbitrage through leverage” (Kleinbard, 2010, pg 46). Additionally, the Nordic countries specifically aimed to align the lower flat rate for capital income with their nation's corporate income tax rate. This would help reduce the incentive of the one percent to retain earnings inside a company rather than paying them out as dividends. If the corporate tax rate is lower than the personal income tax rate, a wealthy individual can allow their profits to sit in the corporation, accumulating at the lower corporate tax rate (Sørensen, 2010, pg 7). This is not a genuine investment decision; it is a purely tax-driven choice. By aligning the two, this incentive disappears.

Thirdly (and relatedly), Nordic countries hoped the DIT would help prevent capital flight. This issue is fairly straightforward; by taxing capital income at a lower fixed rate, the Nordic countries aimed to reduce the incentives for the wealthy to leave their country and move their capital elsewhere. Including capital under the high progressive tax rate incentivises tax arbitrage, sometimes performed by moving capital across borders (Sørensen, 2010, pg 7).

Additionally, as explained earlier, the lower flat rate on capital income also reduces the problem of negative after-tax returns on real wealth under inflation, further limiting incentives for capital flight. It should be noted here that, while these design features help remove incentives for capital to leave the country, their effects are and have been partially offset by other factors, such as wealth tax. This will be discussed later.

Fourthly, the benefits of avoiding so-called “lock-in” effects are relevant to the DIT’s treatment of capital gains. By taxing realised capital gains at a lower flat rate, the DIT allows for more efficient reallocation of capital. The CIT, which includes realised gains in its progressive tax schedule, locks capital into a particular investment by incentivising the taxpayer to defer realising their gains because doing so may push them into a higher tax bracket (Sørensen, 2010, pg 5-7). This is an important point for comparison with the CIT. As we discuss later, it may show that the DIT is still more efficient than the CIT, even if the main goal of the economy is not the redistribution of income.

Finally and most importantly, the adoption of the DIT was intended to broaden the tax base, allowing the Nordic welfare states more revenue to fund social programs. Policy makers “recognised that, in an economy where a large proportion of private savings is channelled into tax-favoured assets like owner-occupied housing and retirement savings accounts or assets yielding low-taxed or tax-exempt capital gains, a high marginal tax rate on other forms of capital income is not a very effective means of redistributing income from the rich to the poor” (Sørensen, 2010, pg 8). The effects of this change will be evaluated more fully later in this section, but here we will note that, because countries like Norway and Sweden previously had liberal rules for tax deductions, the move to the DIT resulted in a massive increase in revenue. As Sørensen noted, because the nations’ wealthiest were incentivised to engage in tax arbitrage, many taxpayers in high income brackets had previously been able to avoid massive portions of their tax burden by taking advantage of tax asymmetries (Sørensen, 2010, pp. 8-10). After the switch to the DIT, gaps in the rules were tightened, and the tax base was expanded greatly.

Moving now to the statutory rates facing the wealthiest citizens of the Nordic countries, Table 1 shows the tax rates in the three Nordic countries we have focused on: Norway, Sweden, and Finland. The data from Table 1 is from 2008, but it still gives a good general picture of how personal income is taxed in these countries (Sorenson, 2010, pg 11), though some of the specific rates have changed. Table 2, produced by Håkan Selin, shows an up-to-date account of the dual income tax rates (2024, pg 14). As of 2024, Norway has undergone the most significant changes since Table 1 was created. In 2008, the flat capital income rate was 28%; it has since been lowered to 22% for general capital income. Now, gains and dividends on shares are treated somewhat differently, being adjusted by a factor of 1.72 before being taxed at 22%, producing an effective tax rate of 37.84% (Selin, 2024, pg 11-14). The corporate tax rate has also fallen to 22%, to maintain the symmetry discussed earlier in this section.

	Finland	Norway	Sweden
Personal tax rate on - capital income	28	28	30
- labour income	27 – 50	28 - 48	31.5 – 56.5
Offset of negative capital income	Deductible against positive capital income	Deductible against other income in the first tax bracket	Tax credit
Corporate income tax rate	26	28	28
Integration of corporate and personal income tax	<i>Quoted companies:</i> Only 70 percent of dividends are taxed (as capital income) <i>Unquoted companies:</i> Dividends below an imputed return on shares are exempt from personal tax; and only 70 percent of dividends above that limit are taxed (as labour income) ¹	Only dividends and capital gains in excess of an imputed rate of return on shares are taxed (as capital income)	<i>Quoted companies:</i> No integration <i>Unquoted companies:</i> Dividends and capital gains on unquoted shares are taxed at reduced rates (see notes 3 and 5)
Personal tax rate on - dividends	19.6 (=0.7×28)	28 ²	30 ³
- capital gains on shares	28	28 ⁴	30 ⁵
Withholding tax rate ⁶ on - interest	28	28	30
- dividends	19	0	30

Source: Author's compilation of information from the International Bureau of Fiscal Documentation.

1. 70 percent of dividends exceeding 90,000 euros but falling below the imputed return are taxed as capital income.
2. Applies only to dividends in excess of an imputed rate of return on the shares.
3. For active owners of closely held companies, dividends below an imputed return are taxed at a reduced rate of 20% while dividends above the imputed return are taxed as labour income. Dividends received by 'passive' owners of unquoted companies are taxed at a reduced rate of 25%.
4. Applies only to capital gains in excess of an imputed rate of return on the shares.
5. For active owners of closely held companies, capital gains below an imputed return are taxed at a reduced rate of 20% while gains above the imputed return are taxed as labour income. Gains realized by 'passive' owners of unquoted companies are taxed at a reduced rate of 25%.
6. For domestic residents.

Table 1. Dual Income Taxation in the Nordic Countries, 2008 (Sorenson, 2010, pg 11)

Sweden's taxation model has remained largely unchanged since 2008. Capital income continues to be taxed at a flat rate of 30% and the top marginal rate for labour income facing the nation's one percent has remained in the 55-57% range. The only change to note is that the corporate rate has fallen from 28% in 2008 to 20.6% (Selin, 2024, pg 14). Thus, Table 1 still broadly captures Sweden's treatment of income. As seen in Table 2, Finland has seen more substantial change than Sweden. In 2008, the capital income tax was 28%. It has since risen to 30% on capital income up to €30,000, rising to 34%, on income above that threshold (Selin, 2024, pg 14). What makes this change significant is that it indicates Finland is actually somewhat moving away from the DIT by making its capital income tax mildly progressive.

	Sweden	Norway	Finland
Dividend tax, $D < DA$	36.48 (20)	22 (0)	26(7.5) or 26.8(8.5) 43.12(28.9)>EUR 150,000
Dividend tax, $D \geq DA$	65 (55 ^b) 44.42(30)>EUR 600,000 ^c	51.5 (37.8)	54 (42)
Tax on capital gains	Almost as dividends	As dividends	As capital income
Top MTR labor income	66 [55 ^b]	49.5[47.4](low) 55.8[47.4](high)	56 [56 ^b]
Capital income tax rate	30	22	30<EUR 30,000 34≥EUR 30,000
Corporate tax rate	20.6	22	20

Table 2. Dual Income Tax in the Nordic Countries, 2024 (Selin, 2024, pg 14)

That is the tax structure and particular tax systems faced by the top one percent in the Nordic welfare states. So what do they actually pay, and has the Nordic DIT achieved its goals?

Norway alone has detailed empirical research on the first part of this question. A study done by Statistika Sentralbyrå found that while official statistics showed a decrease in income inequality after the switch to the DIT and the introduction of a dividend tax in 2006, income inequality had actually “been between 26% to 65% higher than the official statistics show” (Aaberge et al., 2020). By taking into account profits retained within companies, they found that the richest one percent pay less tax on each krone earned than the majority of the population, and Norway’s tax system is actually regressive for top earners. It should be noted, however, that while the wealthiest still engaged in tax arbitrage, “[t]he tax change [in 2006] made it attractive for people with shares in limited companies to withdraw large dividends in the years before share dividends were taxed and smaller dividends after the introduction of the tax reform,” demonstrating some success in limiting the wealthiest’s ability to hide income in companies (Aaberge et al., 2020).

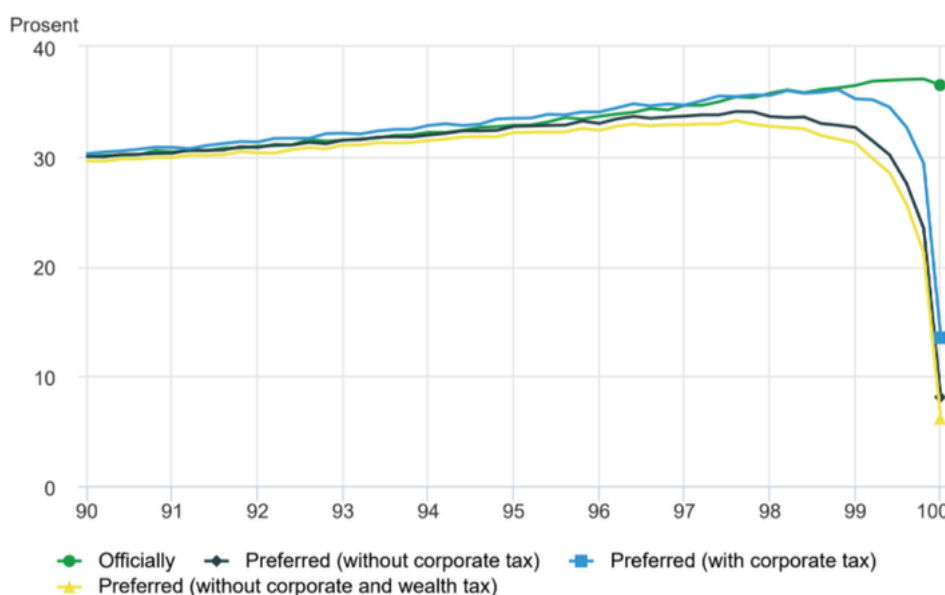


Figure 2. Average Effective Tax Rate for the Top 10 Percent by Position in the Distribution of Gross Income, 2016 (Aaberge et al., 2020)

Nonetheless, their findings demonstrate that the top one percent wealthiest in Norway are still able to engage in tax arbitrage by concentrating their income under the capital income tax. Bjeksund et al. explains how investors and owners who largely or exclusively own stock and earn only capital income are able to greatly reduce the amount of income tax they pay because “capital gains from shares are tax-exempt at the corporate level, while dividend payouts to personal shareholders are taxed.” (Bjeksund et al., 2024). Figure 2 shows the income tax paid by the top 10% in Norway in 2016. The graph clearly demonstrates that one percent have succeeded in using this tax avoidance strategy, and the effective income tax (income tax paid divided by gross income) regresses for the top one percent when considering income kept in companies, meant to avoid taxation. Even after paying the corporate income tax, the effective tax rate dropped below

15% for the wealthiest one percent of Norwegians (Aaberge et al., 2020). The Statistika Sentralbyrå study showed similar results for other years. Notably, this study did not particularly focus on the effects of the switch to the DIT, just alterations made since its adoption, but these findings do indicate that to reap more of the DIT's intended benefits, Norway would likely benefit from adjusting its tax law to remove this incentive.

Sweden and Finland do not have similar detailed existing research into their effective income tax rates. What can be said about these two is that their (along with Norway's) implementation of the DIT successfully broadened the income tax base, increasing tax revenue collected from the wealthiest in their countries. The lower flat capital income tax rate facilitated the taxation of realised capital gains by reducing the familiar lock-in effects, and when switching to the DIT, Norway and Sweden did in fact tighten their capital gains tax rules. Under a high progressive CIT, taxpayers previously had strong incentives to defer or avoid realising capital gains because the tax hit was so large. Sørensen notes that ironically, by actually lowering the rate at which capital income was taxed, all three of the Nordic governments were able to generate significant revenue gains, specifically revenue gained from the wealthiest who were previously delaying realising much of their gains (Sørensen, 2010, pg 8-9). So, despite the failings of particular parts of the model, implementation of the DIT generally did succeed in its largest goal of raising revenue to help further fund welfare and redistribution projects.

To conclude, this section's analysis of the DIT shows that, firstly, at least in the Norwegian model, the wealthiest one percent pay less tax than those below them, and the effective tax rate is actually regressive at the top. The reason is structural. Because the wealthiest one percent derive the overwhelming majority of their income from capital rather than labour, they are taxed predominantly under the cheaper flat-rate schedule rather than the steep progressive labour income schedule. The DIT was designed to treat these two streams differently, but in doing so it systematically advantages those whose income is most concentrated in capital. Secondly, despite intentionally setting the corporate income tax rate even with the personal capital income flat rate to remove any incentive to use corporations in tax avoidance, provisions about the taxation of capital gains for corporations mean it is still greatly beneficial for the one percent to hold income inside corporations. And finally, despite the effective tax rate being lower (in Norway) for the top one percent, all three Nordic countries surveyed were able to broaden their tax bases by moving to the DIT. The reasoning here seems counterintuitive, but is important. Under the old high progressive CIT, the wealthiest had stronger incentives to defer realising capital gains indefinitely, keeping them outside the tax base. The lower flat rate under the DIT made realisation less costly, encouraging the wealthiest to bring gains into the tax net. Norway and Sweden also tightened their capital gains tax rules upon switching to the DIT, further strengthening the base. This finding is particularly interesting because it indicates that the DIT may indeed be a more effective and efficient income taxation system for advocates in market-oriented economies to propose in order to fund social welfare policies. Progressive politicians like Bernie Sanders may be able to sell lower capital income tax rates as a way of increasing tax revenue.

5.2 Wealth Taxes in the Nordic Welfare States

Investigating the Nordic countries and their taxation systems shows less consistency on the issue of taxing wealth when compared to income. The variations of wealth taxes across Norway, Sweden, and Finland demonstrate an interesting case for the broader taxation philosophies of each. Beginning with Norway, recent changes have made the wealth tax, and notably its complementary exit tax, far more powerful. The Norwegian wealth tax applies to all assets, including property, worth between 1.76 million and 20.7 million crowns at a rate of 1% annually, increasing to 1.1% for assets above that threshold (Worldwide Tax Summaries - Norway, 2026). This is the allocated rate paid between municipal and state jurisdictions, respectively; in 2026, the municipal rate is constant at 0.35%, while the lower state rate rests at 0.65% and the higher at 0.75%. For property, the primary residence worth less than 10 million crowns is taxed at just 25% of its market value, while those worth more are taxed at 70%, with second properties subjected to the full taxation rate (Slethaug, 2025).

As of 2024, Norway has closed a loophole in its punishing exit tax to prevent the increasing wealth tax rates from encouraging an exodus of the wealthiest Norwegians. This represents a consistency with its structuring of income taxation, with particular thought given to the issue of capital flight. This tax is a flat 37.5% rate levied on all unrealised capital gains above 3 million crowns, and was a reaction against the far higher-than-average rate of wealth exodus following the wealth tax's 2022 reforms aimed at resolving some of the income tax holes noted in the previous section (Canepa and Solsvik, 2025). In spite of the comparatively extreme wealth flight, Norway's wealth tax reforms led to its share of GDP increasing to 0.6%, a similar rate of savings that the current UK government is seeking to secure in its own budget.

That fact aside, the Norwegian wealth tax does not account for a proportionally large slice of the overall pie of tax revenue. Combined, Norway's wealth, inheritance, and property taxes only account for 3% of total tax revenue in the country, well below Germany, the US, France, and the OECD average (Slettebø, 2025). This can be explained by Norway's comparatively high corporate tax rate, which rests at 28.3% of total tax revenue, the second highest in the OECD behind Colombia (Enache, 2025). Interestingly, this also means that the comparatively high personal wealth tax rate that Norway employs is still an average proportion of their tax income overall, coming within half a percent of the OECD's average of 23.7%.

Sweden has a more complicated history with taxation of wealth. The first wealth tax introduced in the country came into effect in 1911, rising to a massive 4% annually in the 1980s, but was completely axed in 2006 by a right-wing government following inheritance tax reforms the following year by the social democrats (Johansson, 2026). Given this, the only tax levied on properties is a traditional annual fee, which rises to a maximum of 0.75% of the real market value of the property as of the first of January of that year (Worldwide Tax Summaries - Sweden, 2026). This translates to property tax making up a tiny proportion of overall Swedish tax income, coming out to 2% compared to the OECD average of 5.1%. However, this is still in line with other Nordic countries, which derive still greater shares of tax revenue from corporate and personal sources.

As far as exit taxes are concerned, apart from a brief 2017 proposal, Sweden operates a 10-year rule through which it can levy capital gains on certain assets, namely Swedish securities, for past residents who move abroad (an individual living abroad with Swedish property or capital income). This is not a highly impactful tax, given its application is limited to certain categories of assets and is only levied on the realisation of gains. Therefore, if a Swedish expatriate decided to wait out the ten-year period, they would be subject to no Swedish tax. This is compounded by the fact that Sweden has treaties with several nations which limit this window of taxation to a shorter timeframe, as well as preventing double taxing capital gains, which further limits the potential revenue (Resident abroad with Swedish property or capital income).

Of the three identified Nordic nations, Finland is perhaps the least aggressive when it comes to wealth taxation. Like in Sweden, the Finnish wealth tax was abolished in the early 2000s and has yet to be replaced (Tax Related Information - Finland, Worldwide Tax Summaries - Finland, 2026). The property tax rate varies more than in Sweden, ranging from 0.41% to 2.0% of the taxable value for occupied properties, and from 2% to 6% on empty lots not under construction, depending on the municipality (Worldwide Tax Summaries - Finland, 2026). This difference in property taxation does carry a slightly greater impact on the overall income generated, which accounts for 3.3% of overall Finnish tax revenues compared to Sweden's 2% and Norway's 2.9%(Enache, 2025). Still, this also rests well below the OECD average of 5.1%, further lending credence to the idea that the comprehensive Nordic taxation incomes are barely affected by property or wealth taxation.

As far as exit taxes are concerned, Finland carries none. In 2022, a proposal was introduced in the legislature to introduce an exit tax on any individual, foreign or domestic, who had been considered a Finnish tax subject for four of the last ten years (Holkeri and Virravirta, 2022). Even this proposal was not exceptionally radical, only applying to moveable (non-real estate) assets valued at EUR 500,000 and above, and where the imputed capital gains of that asset are greater than EUR 100,000 the day prior to the tax residence change. This proposal did not move beyond debate, and no new proposals have been suggested in the years since.

In general, Norway stands as the most aggressive Nordic nation in regard to wealth taxation. However, the actual income generated and proportion of the overall tax revenues that these individual taxes account for are significantly lower. What this suggests is that wealth taxation ought to be considered less as a revenue-generating method and more as a means to manage inequality. However, even this effectiveness might be called into question. The respective Gini coefficients, which measure the average inequality across a nation, rest within .02 for the three countries identified (Income inequality: Gini coefficient, 2024, 2024). This suggests that the comparatively low inequality in the Nordic nations is largely unaffected by wealth and exit taxation so much as progressive income tax structures, robust welfare states, and high corporate tax burdens, features which all of these countries share.

6.0 Comparison: Differences in the Structures and Attitudes of Taxation

The analysis of both market-oriented economies and the Nordic economies above points to some important similarities and differences between the case studies used. To begin, the single most consistent finding across both country groups is that the wealthiest one percent pay substantially less than statutory income rates suggest. In the US, the average effective income rate was found to be approximately 30%, against a statutory top marginal rate of 37% (Balkir et. al., 2024). Note, as we stated earlier, even this 30% figure is most likely overstated. In Singapore, the effective income rate is approximately 22% against a top marginal rate of 24% (Leo, 2024). In Norway, the effective rate drops below 15% for the one percent despite the official combined labour and capital income rate being around 36% (Aaberge, 2020). These effective rates differ from the official, statutory rates by different amounts and for different reasons, but they all indicate that the 1% are paying less income tax than official rates hold. Regardless of whether a country is a Nordic welfare state or a liberal market economy, structural features of the tax system compress the effective burden on the top one percent.

It is worth noting, however, that this regression of the tax burden for the wealthiest seems more intentional according to our findings for the market-oriented states. In the market-oriented economies, compression is achieved through deliberate statutory design: there are more preferential capital gains rates in the US (IRS, 2024b), complete capital gains exemptions in Switzerland and Singapore, territorial income definitions in Singapore, cantonal competition driving down taxation to attract wealthy residents in Switzerland, and lump-sum regimes for wealthy foreigners (Leo, 2024; PwC, 2025a). In the Nordic welfare states, the compression is partly structural and partly the result of equity goals. The DIT was designed with goals that include reducing overtaxation from inflation, eliminating lock-in effects to increase efficiency by helping capital move where it is most needed, and preventing capital flight. These goals benefit the rich, but also help the economy as a whole. Reduced overtaxation resulting from inflation improves fairness for everyone, even if it benefits the wealthiest more. Considering the goal of providing for social welfare, the fact that the DIT has created regressive, effective taxation for the wealthiest seems less harmful, considering the DIT was still successful in broadening the tax base and increasing revenue that can be used for state welfare programs. The DIT's architecture produces regressive outcomes at the very top because the wealthiest derive their income predominantly from capital, which is taxed at a lower flat rate, while simultaneously increasing tax revenue from the countries' wealthiest residents that can be used to benefit the entire country, specifically the everyday citizens.

Another important point of comparison is the role of corporate taxation. Retained earnings play a role in both groups of countries as a means for the wealthiest to reduce their effective tax burden. In the US, the TCJA's reduction of the corporate tax rate from 35% to 21% directly lowered the effective burden on those whose wealth is held through corporations and incentivises the wealthy to retain more of their income in corporations or family offices. In Switzerland, family offices are subject to corporate tax at only 12–20%, depending on the canton (Brühlhart et al., 2023, p.12). In Singapore, the 13O and 13U schemes provide tax exemptions on income generated by family offices (Dentons Rodyk, 2022, p.8; Grant Thornton, pp.11-13, Eng et al., 2023, p.276). In Norway, retained earnings represent the main way the nation's one percent have reduced their tax burden due to capital gains being tax-exempt at the corporate level (Aaberge, 2020). The level to which retained earnings represent an effective means of tax avoidance may differ by country, but it appears to be across the board one of the most important.

The sections examining wealth taxation demonstrate interesting differences and similarities between the two groups. Among the Nordic states, only Norway retains an active net wealth tax, while Sweden and Finland have abolished theirs. Among the market-oriented economies, Switzerland maintains a cantonal net wealth tax, while the US, Singapore, and UAE rely on property taxes, estate taxes, or nothing at all. Thus, there does not seem to be any real trend among the groups in how aggressive wealth taxation is. It should also be noted that in both groups, wealth taxation contributes a relatively small share of total tax revenue, with Nordic wealth and property taxes accounting for only 2–3.3% of total revenues, below the OECD average of 5.1% (Slettebø, 2025; Worldwide Tax Summaries - Finland, 2026; Worldwide Tax Summaries - Sweden, 2026). The exit taxation in Norway is a key divergence in approach from all of the other case studies, despite capital flight being a main concern of many of them, both for the Nordic states and the surveyed market-oriented states. Norway has an aggressive exit tax, a flat 37.5% tax on unrealised gains above 3 million crowns, while the market-oriented states surveyed have all taken the opposite approach. Most US citizens who renounce their citizenship pay very little or nothing in exit tax (Greenback Tax Services, 2026), and Switzerland and Singapore have no exit tax. Norway's exit tax is aggressive even compared to the other Nordic states. Sweden's 10-year rule, for example, is limited in scope and easily avoided by waiting out the period.

One final and important point of comparison is the way the DIT has seemingly counterintuitively greatly increased tax revenue extracted from capital holders (mainly the wealthy) by actually decreasing their capital income taxes. In the introduction, we discussed how the comparison of taxation between these two groups has grown increasingly topical due to the push for left-wing members of market-oriented governments to provide Nordic-style welfare services, such as universal healthcare or free higher education. In the Nordic states, lowering capital income tax rates under the DIT actually increased revenue from the wealthiest by reducing lock-in effects and encouraging realisation of gains. The Nordic model could be an important point of reference for politicians and advocates in more market-oriented economies to use as they advocate for tax reform and increased funding for welfare programs. This particular result of the Nordic model and the general results of our examination seem to indicate that the market-oriented and Nordic models may not be as different in their practical effects on top earners as their statutory structures imply — and that the efficiency argument for lower capital taxation, typically associated with market-oriented thinking, actually underpins the Nordic welfare model's fiscal success.

7.0 Conclusion

Our comparison of Nordic welfare states and market-oriented economies shows that, despite major differences in statutory tax structures, the wealthiest one percent in both systems often face effective tax burdens that are lower than official marginal rates suggest. In both groups, structural features such as lower taxation of capital income, retained earnings, and tax planning opportunities compress the effective burden on top earners. At the same time, the Nordic model, particularly through the dual income tax system, demonstrates that lower capital income tax rates can broaden the tax base and increase overall revenue by reducing lock-in effects and encouraging the realisation of gains. This is especially significant in the context of funding welfare programs, as it suggests that tax efficiency and revenue generation do not necessarily require higher nominal rates.

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