

The rich and their responsibilities.

To Labour anyone earning more than £70,000 a year is rich. Many people on such an income do not see themselves as rich. It seems as if having savings and assets is also a crime to some in Labour. Yet many people save hard for their retirement pension, and struggle to repay the mortgage on their homes. They do not see themselves as rich either. They also like it if something remains to pass on to their children. Today we are witness to a big debate about who is rich, and what contribution should they be expected to make to the wider society. In the recent UK election Mr Corbyn claimed that the rich as he defined them should pay more tax to help those on lower pay and pensions.

There is no agreed definition of who is rich. People's idea of what rich looks like is heavily influenced by how much wealth and income they have. If you have nothing someone on £40,000 a year is well off. If you own no assets someone with a £200,000 house is well heeled. Someone living in a £200,000 house with a large mortgage, family commitments and an income of £40,000 may not have anything over at the end of the month and may feel a bit squeezed. They do not think they are rich.

A better description of rich is probably one based on lifestyle than on any particular figure for assets or income. Let's consider two widows, as I have done before on this site. One lives on her own on a State Pension and top up benefits in her one bedroom flat in prime London. It is worth £1.2m but she has no other assets and finds it difficult to afford the living costs. All the time she lives there she is hard up. Another lives in a £200,000 larger property 200 miles from London and has £1 million in financial assets to augment her State Pension. She can afford a decent lifestyle. Are either of these millionaires rich? Or does a rich person need to be someone with a £1 million plus home of their own, and several millions in investments so they do not need to work but can live on their investment income? Or is true rich a senior Director or executive of a large corporation, or a footballer, with a telephone number salary and plenty of assets from past earnings? How much more of these people's earnings should the state take?

In the end these are political judgements which have to be translated into tax law. All parties in UK government believe in income redistribution, taxing the better off more highly to provide support for others. Governments also impose some taxes on capital, usually when assets are bought and sold. These questions are also attitudes of mind which affect how people live together in society. If you try to tax at too high a rate rich people leave

the country or find legal ways to arrange their affairs that thwarts the aim of the tax rise.

Many people with savings have thought it a good idea to buy an extra property or two and let it out. They like the rental income, and have usually benefited from rising capital values as well. It does mean the rich individual has a special relationship with his or her tenants. The wealth is on show, and there can be difficult relationships if the landlord is thought to be too hard or unreasonable. Modern tenancy law has tried to move the balance a bit in favour of the tenant. In a world where the leader of the Opposition says the homes of the rich if they are not being properly used should be requisitioned for those in need, the landlord has to be sensitive to the mood. The individual who has bought a holiday home or spare property which they do not live in may be unpopular in the community where the property usually stands empty.

In this climate of opinion those with higher incomes and assets have to be well on the right side of tax law. Tax evasion is a crime and some see clever tax avoidance as equally unacceptable even though it is legal. Portfolio investments in bonds and limited liability companies have advantages over direct ownership of property or companies for the better off, as the investor is shielded from much of the responsibility of ownership by the professional managers employed. If a multinational treats its employees badly or causes deaths by lax safety management it will be the well paid Directors and executives, not the shareholders, in the dock. If you are the landlord and the tenant is put at risk, or if you own the company and the employee is badly treated, you will be in the dock.

Limited liability companies were a great breakthrough for everyone because they allowed people to put up money without putting the rest of their wealth at risk. It also now means the investor lays off the risk for misconduct on those who run the company for them, which in the current climate is also important in keeping people investing. It should not be an excuse however for no-one being to blame.

Who do you think is rich, and what more should we expect of them?