Less inequality is necessary for sustainable development and stable democracies. States play an important role in reducing inequality. They do so through pro-poor spending and regulation, but also through taxes.

But some taxes and even entire tax regimes do not actually reduce inequality. Tax privileges for the super-rich make many tax regimes less progressive than they could and should be, but are often overlooked.

Using the example of typical super-rich individuals and billionaires helps to make the tax privileges visible. Three country examples show how this can be the basis for an easy-to-do and easy-to-communicate advocacy tool to address tax privileges as a source of inequality.

ECONOMY AND FINANCE

HOW TO TAX A BILLIONAIRE

An advocacy tool against tax privileges for the super-rich

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May 2024
ECONOMY AND FINANCE

HOW TO TAX A BILLIONAIRE

An advocacy tool against tax privileges for the super-rich
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WHY WE NEED A NEW ADVOCACY TOOL TO REDUCE TAX PRIVILEGES FOR THE SUPER-RICH

For a long time, it was difficult to estimate the effective tax rates of very wealthy individuals because public statistics on this issue are lacking. Statistical authorities around the world rarely publish data on wealth that adequately cover the top of the distribution, as it is difficult to capture very high net-worth individuals in household surveys [...] In recent years some studies have started to address this gap [...] That said, we stress that the evidence on billionaire taxes remains at this stage very limited globally. There is no study to date on the effective tax rates of billionaires in developing countries, for example. More studies are necessary.

Global Tax Evasion Report 2024
(EU Tax Observatory, 2023)

IN SHORT

Less inequality is necessary for sustainable development and stable democracies. States play an important role in reducing inequality. They do so through pro-poor expenditure and regulation, but also through taxes. But some taxes and even entire tax regimes do not actually reduce inequality. Oxfam and the Commitment to Equity Institute have developed a powerful tool to analyse fiscal policy including tax regimes (Oxfam, 2022). However additional research is necessary to adequately address taxation of the super-rich. We propose an additional advocacy tool to fill this gap for three reasons:

1. Measuring the distributional effects of the overall system of taxes, transfers (and regulation) is overly complex and data is particularly scarce at the top end, which usually results in a blind spot when it comes to effects on the very rich.
2. Politicians are usually motivated to enter politics to discuss spending policies. The democratic debate focuses on government spending and transfers, and to a lesser degree on income and consumption taxes – a debate that most people can relate to. Tax privileges for the rich usually remain out of view.
3. There is very little doubt that higher taxes on the very rich would reduce inequality without any negative effects on poverty. Concentration of markets and market power of big corporations, automatisation and “financialisation” as well as aging populations are increasing the concentration of capital ownership as well as the share of capital income in many countries. Demands to boost taxes on wealth, inheritance and capital income as opposed to taxes on workers have in the meantime even become an issue addressed in the works of more conservative and liberal economists and international institutions. But in most countries reforms have been going in the other direction.

For these reasons we need a sufficiently easy-to-do and easy-to-communicate tool that exposes those tax privileges for the super-rich that make tax systems less progressive than they could be and would appear to be at first sight.
THE GOAL: REDUCING INEQUALITY AND INCREASING TAXABLE INCOME BY MAKING IT TANGIBLE

Many countries in the Global South fail to commit enough resources to financing basic societal tasks. Because public budgets and taxes are essential to promoting public goods and sustainable development, goal 17 of the sustainable development goals (SDGs) calls for increased taxable income in countries, especially in the Global South. SDG 10 furthermore calls for reduced inequality. The underlying indicator 2 for target 4 measures the contribution of tax regimes and public spending to reducing inequality. Oxfam and the Commitment to Equity Institute (CEQ, 2018) have developed a powerful method that translates tax and spending policies into a single metric: the overall contribution to reducing inequality, as measured by the GINI index. This method employs extensive individual-level data, mainly from household surveys. However, it has one major flaw: it does not cover the rich, because they do not participate in the surveys, nor does it address taxes on the rich (i.e. on wealth, inheritance or income from wealth) because data is scarce and tax exemptions are often very case- and country-specific.

WHAT WE FAIL TO MEASURE: THE EXAMPLE OF ROMANIA

Based on the Romanian Household Budget Survey of 2016, the World Bank has built a simulation tool that calculates the impact on inequality of a whole set of reform options ranging from personal income tax and value-added tax to social security and health contributions. But it does not allow higher taxation of the super-rich to be modelled.

Doubling the personal income tax rate affects the richest most, but apart from the poorest decile everyone else also would pay more because Romania has a flat-rate tax regime. In contrast, doubling the state allowance for children benefits the poorest most of all, but everyone else also benefits because the allowance is not based on income (see Figure 1–4).

As a result, the GINI index of income inequality only falls slightly from 0.32 to 0.302. What the simulator does not show is that under the simulated scenario, additional reductions of inequality could be financed from the fiscal space of more than 25 billion Lei made available by the simulated reform. What the simulator does not show, either, is how the effects are distributed within the deciles, i.e. that people without children would lose from such a reform.
Why We Need a New Advocacy Tool to Reduce Tax Privileges for the Super-Rich

Based on the Romanian Household Budget Survey of 2016, the World Bank has built a simulation tool that calculates the impact on inequality of a whole set of reform options ranging from personal income tax and value-added tax to social security and health contributions. But it does not allow higher taxation of the super-rich to be modelled.

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Sources:
- Own example based on World Bank simulator available at: https://datanalytics.worldbank.org/romania-sim-tool/
- Figure 1–4: World Bank simulator available at: https://datanalytics.worldbank.org/romania-sim-tool/
WHY REDUCING INEQUALITY AND TAXING THE RICH MATTERS

Inequality between and within countries is cause and result of very unequal power structures, sowing the seeds of multiple crises (UNRISD, 2022). Very few rich people possess most of global wealth, while half of the global population has hardly any share at all. Increasing corporate power, automation and financialisation combined with weakened labour unions increases the share of national income going to those who possess capital. And the rich convert their wealth into economic and political power. Furthermore, CO₂ emissions by the rich are fuelling disasters all over the world, but while their wealth makes it easier for them to adapt, poor people have to suffer the consequences with far fewer options to protect themselves.

Taxes are one of the key democratic mechanisms to correct excessive inequality and guide societal transformation. But many country examples show that tax reforms of the past pointed in the other direction. Taxes on wealth, inheritance, corporate profits and high incomes are under attack in many democratic countries and well-financed lobbying efforts fund hidden tax privileges for the few rich at the cost of the many without such a well-organised lobby. Taxing the rich has proven very difficult even in developed democracies despite the rich being a small minority (see for example Zucman, 2020 for the US, or Fastenrath et al, 2022 for Germany). This is why even fiscal policies and tax regimes that are progressive overall and contribute to reducing inequality often become regressive at the very top.

THE EXAMPLES OF THE US, FRANCE AND THE NETHERLANDS: WHAT HOUSEHOLD SURVEYS AND NORMAL TAX DATA USUALLY FAIL TO SHOW

Researchers have analysed the progressivity of tax regimes in the US, France and the Netherlands based on comprehensive tax data and different estimation methods to fill the gap that household surveys ignore at the top end. Their analyses show that the super-rich pay less tax than the rest of the population, mainly because their income from corporate profits is only taxed at the level of the company, at the rate applicable to corporate profits, while distribution of these profits is not taxed, or they are able to avoid applicable taxes on distribution. While in the Netherlands this regressive effect starts very low, in France and the US it appears to mainly benefit billionaires (see Figure 5).
WHY WE SHOULD NOT BE AFRAID OF TAXING THE SUPER-RICH

To convince democratic societies to support tax privileges for a few super-rich, lobbyists build on knowledge gaps and successfully spread myths about taxation of the super-rich.

- **Trickle-down economics and investments:** One central argument against taxing the rich is that they invest their profits in their businesses, generating growth and jobs that ultimately benefit everyone. Taxing their profits might therefore make the cake smaller and reduce everyone’s share in it. At first examination this seems plausible, but it ignores two central counter-balancing factors: First, tax revenue does not simply disappear. Instead, it is itself invested in infrastructure, education and social security, all of which are vital to growth. Secondly, there is no guarantee that the super-rich actually will invest wisely or invest at all. Instead, they might – and actually do – use their profits for environmentally harmful luxury consumption, socially useless purchases of existing rental houses and similar ways of wealth accumulation and economically inefficient investments that sustain the status quo rather than fostering innovation.

In fact, evidence for a connection between lower taxes and higher growth is shaky at best (see for example Gechert & Heimberger, 2021). And several studies actually show that tax-free inheritance of wealth and business assets actually hamper economic growth and innovation (see for example OECD, 2021).

- **Capital flight and tax evasion:** Another central argument against taxing the rich is that the rich can simply relocate or evade higher taxes.

In fact, several studies show that tax evasion is more prevalent among rich people (compare for example Zucman et al, 2021; Alstadsæter et al, 2019) in low-tax countries and countries with special tax regimes for the super-rich, such as Switzerland, Monaco or Puerto Rico, which manage to attract super-rich from other countries. But evidence for a connection between higher taxes on the one hand and capital flight and tax evasion on the other hand is largely anecdotal. Moreover, several countries have established effective defence mechanisms against capital flight, such as the German exit tax, and offshore tax evasion has become much more difficult through the automatic exchange of information on financial accounts implemented in more than hundred countries since 2017.
WHAT DRIVES A SUCCESSFUL CAMPAIGN FOR TAX REFORM TARGETING THE SUPER-RICH: THE EXAMPLE OF COLOMBIA

This text is a summary of a more comprehensive paper written by Rodriguez (2024).

Against the background of a regressive tax reform passed by the president Iván Duque, elected in 2018, the Red de Trabajo Fiscal (RTF)1 was born. It is composed of civil society organisations and thinktanks from the country’s most renowned universities. Combining their strengths and experience, the RTF managed to form a powerful coalition that succeeded in creating a new political force in Colombia with the aim of achieving progressive tax reform. In 2019, the RTF in collaboration with allies in Congress succeeded in adopting an article within the context of tax reform efforts mandating the establishment of an expert commission to assess the relevance, reasonableness, and legality of tax incentives in the country. This commission and the discussions generated by its report (Comisión de Expertos en Beneficios Tributarios, 2021) were instrumental in the proposal included in the 2022 tax reform to eliminate a significant number of unfair and regressive tax incentives.

Furthermore, this most recent bill, passed in 2022, has incorporated many of the proposals and recommendations made by the RTF. These include inter alia measures to combat tax evasion and avoidance, greater tax transparency through the publication of anonymised data on income tax returns, a revamped wealth tax with higher and more progressive tax rates, higher taxes on capital gains and income from dividends, the elimination of tax incentives, as well as a tax on sugar-sweetened drinks and ultra-processed products.

The success of the campaign was mainly driven by:

1. A flexible structure and governance system that allowed the network to remain agile in a rapidly changing environment and allowed individual members to participate in actions that resonate with their individual priorities and expertise.

2. The presentation of concrete alternative tax reforms proposals, with high-level technical content that highlighted the presence of viable alternatives and underscored the Network’s technical capacity and commitment in proposing solutions aligned with progressive taxation principles.

3. The diversity of capabilities, expertise, profiles, and connections among RTF members that proved to be a catalyst for building political momentum and reaching a wide range of actors across various sectors.

The campaign was built on three main pillars:

1. Communication: Simplifying the central concepts and principles underlying taxation, disseminating the key features of the Colombian tax regime (Observatorio Fiscal de la Universidad Javeriana, 2018), and implementing campaigns targeting a non-specialised audience provided fertile ground for citizens’ debates about taxes. Videos on social media addressing various tax-related topics and current events, especially on platforms reaching specific population segments, such as TikTok, allowed the RTF to reach new audiences, including a younger population that rarely engaged in such discussions. These actions, combined with more traditional communication efforts such as Op-Eds and press articles, facilitated democratisation of the debate and influenced the public discourse on taxation.

2. Advocacy: Targeting decision-makers and policymakers through meetings and events organised by the RTF ensured that they would listen to the network’s various viewpoints and proposals, and provide feedback and reactions. This not only strengthened the network’s positions and proposals in terms of political feasibility, but also built trust-based advisory relationships with these actors. Simultaneously, an advisory relationship was established with the Legislative Working Units2 of Congress, capitalising on the technical expertise of various organisations within the network. This relationship provided access to significant spheres of influence, making possible the interventions that took place during the Congressional hearings surrounding the 2019 tax reform.

3. Campaigns: Some members of the RTF filed a constitutional lawsuit against the tax system for failing to comply with constitutional principles of progressivity, equity, and efficiency, sparking in-depth discussions about the progressivity of the tax system in various spaces (print-media and TV debates) that effectively influenced the public discourse. The Network also presented concrete alternative tax reform proposals that were more progressive and generated greater revenue than those proposed by the government.

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1 Member organisations include: Friedrich Ebert-Stiftung (FES) Colombia, Centro de Estudios en Derechos Justicia y Sociedad – Dejusticia, Cede-trabajo, Conexión Análisis, Observatorio Fiscal de la Pontificia Universidad Javeriana, Centro Externadista de Estudios Fiscales, Centro de Pensamiento de Política Fiscal de la Universidad Javeriana, programa de Maestría en Tributación de la Universidad de los Andes, Observatorio de Derecho Tributario y Hacienda Pública de la Universidad del Rosario.

2 The Legislative Working Units (Unidades de Trabajo Legislativo) are teams assigned to all members of Congress to advise, research, inform and instruct delegates on various topics related to the bills that are presented in Congress.
WHY WE NEED A NEW ADVOCACY TOOL TO REDUCE TAX PRIVILEGES FOR THE SUPER-RICH

TAX JUSTICE
The remainder of the publication looks at potential sources to measure inequality and inequality effects of tax systems as well as to identify tax privileges for the super-rich. At the end it contains a few first-country examples looking at how tax analysis has contributed to identifying concrete reform proposals to tax the rich. The annex contains an overview table with different measures of inequality and availability of data described with the goal of identifying those countries that have a high degree of inequality and/or highly unfair tax systems combined with good data availability that could help to address this issue.

WHAT WE WANT (TO MEASURE)

Moderate wealth – ownership of a piece of land, a house, and some savings – provides security. Extensive wealth comes with power over the people that work on the land, that live in rented-out apartments and over the employees working for the company invested in. It can also mediate and buy political influence. It can be passed from generation to generation. And, arguably most importantly, over the last few decades owners of capital have increased their share in national income in most countries around the world (see for example Bergholt et al, 2022; Mertens, 2022). The emergence of artificial intelligence will most likely exacerbate this trend, further increasing the concentration of wealth.

That is why distribution of wealth matters. As a result of colonialisation and accumulation, wealth distribution is extremely unequal at a global scale and in most national contexts. When asked, most people are not aware of the degree of inequality and desire a much more equal distribution. In the absence of comprehensive wealth taxes, the distribution of wealth is usually measured by survey data and the use of “rich-lists” as well as estimates of wealth managers that track the wealth of the very rich. The resulting estimates are usually quite unreliable. About 5 to 10 per cent of global wealth is hidden in secrecy jurisdictions, which means it is not correctly allocated to the source country and owners in official statistics.

Living a decent life requires income to pay for food and shelter, health and education as well as many other personal needs and public services. For most households, income means the salary from the employer or the products and income from subsistence farming or personal business activities. Only a small share of the global population lives from capital income produced by their wealth, mostly in the form of rent and interest payments, dividends and capital gains. Strong labour unions fighting for fair salaries as well as properly functioning regulation of financial markets, housing prices or competition can increase the share of income accruing to those that work for it. Data on the so-called labour share, i.e. the share of GDP that accrues to employees as opposed to the owners of capital, is available for nearly every country of the world. But this data faces various statistical challenges, ranging from the uncaptured “shadow economy” through undeclared capital income from anonymous wealth to capital gains that are not measured at all, but provide around 50 per cent of capital income. Because income from formal employment is taxed in nearly all countries, official statistics usually capture the distribution of that income somewhat reliably. But gaps in the taxation of capital income often make the measurement of overall income distribution difficult and, once again, surveys usually do not fully capture income at the top end.

Measuring the distribution of after-tax income and personal welfare is even more difficult because it requires counting and allocating the effects of taxation and social policies to individual households or income groups. This is usually done using household surveys. Figure 6 shows the results of such an analysis for Germany (a picture including transfers is available in the source). Figure 7 shows the redistributive effects of the tax regime in the US. Both the analysis for Germany and the US draw on solid official statistics, but require extensive data interpretation while relying on wide-ranging assumptions. This especially goes for income at the very top and the taxation of capital income. Based on better data and more extensive analysis of the very rich, the US example most likely comes closer to reality for the US, but also for the top end in Germany and most other countries of the world. This is why the comparison between Germany and the US reveals that a normal analysis of the distributive effects of tax systems usually misses an essential part of the story.
Figure 6
Tax contributions by income, Germany

Figure 7
Tax contributions in the US (average tax rates by income group in 2018)
SDG indicator 10.4.2 also measures the distributional effects of taxes and transfers with respect to the changing GINI index on income inequality. That is a great idea and at least theoretically gets closest to what we want to measure, but it has two major pitfalls: First, it is so far only available for 52 countries. But, more importantly, it usually does not make any correction for high income, excludes tax on capital income and only looks at direct transfers as well as spending on health and education.

**SOURCE 1:**
**GLOBAL COMPARATIVE STATISTICS**

Several international organisations as well as academics and NGOs seek to compare the distribution of wealth and income as well as the effects of taxation and social policy on the distribution of after-tax income and personal welfare. For example, official statistics compare labour share, income distribution and the structure of tax revenue at a global level. In addition, the World Inequality Lab as well as wealth managers such as Credit Suisse collect data on the distribution of wealth and income. Official and academic statistics provide an overview of the sources of state revenue across most countries. In addition, various attempts such as the Commitment to Reducing Inequality Index of Oxfam try to measure the effects of taxation on inequality. But because data on the distribution of wealth and capital income are so unreliable and the taxation of capital and capital income is very country-specific, these global analyses can only serve as a rough starting point in identifying excessive tax privileges for the rich.

**DISTRIBUTION OF WEALTH**

Because only very few countries have comprehensive wealth taxes and the super-rich are usually not sufficiently covered by surveys, reliable data on the distribution of wealth is very hard to come by. Many estimates rely on extrapolations using the distribution of income or rich-lists produced by journalists. For others, the point of departure is macroeconomic data on wealth and how it is then distributed through the population based on existing data and assumptions regarding distribution of the share that remains unallocated.

The World Inequality Database (WID) contains estimates on wealth distribution in 179 countries and also assesses the quality of these estimates.

At nearly 55 per cent, the richest one per cent in South Africa has the biggest share of wealth, followed by Swaziland. At 49 per cent, Chile and Brazil come next. In the most equal (European) countries, this share falls below 20 per cent. The share of the bottom 50 per cent is largely a mirror of the top end. At –2 per cent, South Africa comes close to the bottom, exceeded only by Ireland with –3 per cent. Again, the Netherlands and Belgium can be found close to the top, at around 8 per cent, but at 6 per cent China also comes close.

**LABOUR SHARE AND THE DISTRIBUTION OF INCOME**

- **SDG 10** (Reduce inequality within and among countries), Target 4 (Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality), Indicator 1 (Labour share of GDP)

The most direct way to achieve more equality within countries is often through jobs and better salaries for people who can or do work, but still belong to the poorer strata of society, combined with lower rents and profits for those who own rental housing and companies and nearly exclusively belong to the richest part of society. That is why SDG 10.4.1 measures the share of domestic product that compensates work rather than capital. Based on the standardised system of national accounts that are available for most countries worldwide and survey data that are available in standardised format for 95 countries, the International Labour Organisation (ILO) produced a baseline study in 2019 (ILO, 2019) and now provides regular worldwide data on the share of labour income as well as the distribution of labour income.

Apart from the usual problems involved in measuring economic output in national accounts (i.e. accounting for the informal economy and non-monetarised values like the environment or unpaid care work), this data faces one main challenge: about 50 per cent of the global workforce is self-employed. And while the share of employed workers comes close to 90 per cent in high-income countries, it can be less than one-fifth of the workforce in low-income countries. The ILO data bridges this gap and even produces statistics on the distribution of labour income using survey data that at least in Belgium offered results largely comparable with official statistics. Measuring inequality this way has the big advantage that it is relatively “easy” and widely accessible. And it provides interesting results. The data shows that the share of income earned by workers declined from 53.7 per cent in 2004 to 51.4 per cent in 2017. But there are big differences between countries. While in Tajikistan or Gabon labour receives less than 30 per cent of total income, in 14 countries, including Nigeria, Chile or Honduras, this share exceeded 60 per cent. Northern Africa and Central America were the regions with the lowest share, and across all regions lower-income countries have comparatively lower labour shares. And the data also shows that distribution matters. Increasing incomes at the very top comes at the expense of everyone except the richest 10 per cent, while increases for median-income workers benefit everyone except the richest 10 per cent. And once again here, there are very big differences between countries. Some countries like Germany, the UK and the US see large increases at the very top, partly at the expense of the poor, while the share of labour income for the top 10 per cent varies between 19.4 per cent in Jordan and 88.1 per cent in Niger.

3 The dataset uses imputations and extrapolations for many countries that according to ILO can make the results highly uncertain and not comparable. More information is available at: https://ilostat.ilo.org/topics/labour-income/
The relative simplicity of the labour share comes at a cost: by definition it excludes the distribution of capital income, which is harder to measure, but very important in terms of overall inequality. Alternative approaches attempt to measure income inequality based on the same source (national accounts and surveys), but using different methods, i.e. distributional national accounts and analysis of tax data. Thanks to the WID and the World Bank’s PovcalNet⁴ and using regional imputations, estimates for this measure of income (and wealth) inequality are now widely available, too. According to these estimates, the income share of the top 10 per cent ranges between 26.5 per cent in Slovakia and 65.4 per cent in South Africa. The comparison of the two datasets shows strikingly different results. For example:

- Niger has a labour share of only 33.7 per cent (probably explained by the large share of subsistence farmers), while the distribution of labour income is extremely unequal at 88.1 per cent accruing to the richest 10 per cent. In contrast, according to WID data 49 per cent of all income goes to the top 10 per cent.

- In comparison, neighbouring Nigeria has a labour share of 65.6 per cent (despite being an oil-exporting nation), but 55.5 per cent of this income goes to the top 10 per cent. According to WID data, inequality is slightly lower than in Niger, with 42.7 per cent of total income accounted for by the top 10 per cent.

- In South Africa, the labour share is comparatively high (56 per cent) and labour income is relatively equally distributed (33 per cent accruing to the top 10 per cent). But according to the WID data, South Africa is one of the most unequal countries in the world, with about 65 per cent of total income accruing to the top 10 per cent.

- According to ILO data, Slovakia is not much different, with a labour share of 53 per cent and 23 per cent of labour income going to the top 10 per cent. But according to WID data, inequality is much lower there, with only 26 per cent of total income going to the top 10 per cent.

Most likely, this difference can at least partly be explained by pension income that is not counted in the ILO labour share and the distribution of labour income, but that is part of WID income (as opposed to pension payments by employers that are counted in both cases). Overall, WID data seems to come closer to what we want to measure, but the question remains how well its assumptions manage to capture the distribution of capital income and whether these assumptions lead to results comparable across countries.

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Figure 8

Government revenue as a share of GDP

Source: ICTD/UNU-WIDER, ‘Government Revenue Dataset’, 2023
REVENUE STATISTICS AND THE DISTRIBUTIONAL EFFECTS OF TAX SYSTEMS

SDG 10 (Reduce inequality within and among countries), Target 4 (Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality), Indicator 2 (Redistributive impact of fiscal policy)

Statistics on the size and composition of government revenue are available for nearly all countries and in more or less standardised format from various sources (for example, the OECD or the ICTD). The share of government revenue in the form of taxes, duties (and social security) differs widely across countries, from 3.5 per cent of GDP in Yemen to around 55 per cent in Scandinavian countries (see figure 8). The share is usually higher in high-income countries and differs strongly depending on how social security is organised. For example, in the US, government revenue only reaches 35 per cent because social security such as health and education is to a large extent privately funded. SDG 17 commits to increase state revenue to at least 15 per cent in all countries. Currently, 21 countries are below this target.

But beyond the need to finance infrastructure and public services, the composition of tax revenue matters. Tax income from wealth and capital is generally low, with the biggest share of such taxes coming from taxes on real estate. Taxes on income usually make up a much bigger part of tax revenue with the biggest share coming from labour income. Taxes on consumption (and especially in lower income countries, imports as well) are about as important as income taxes, and in the last 20 years their share in state revenue has increased in nearly all regions except Europe and North America. Finally, with the exception of Europe and North America, social security contributions usually only account for a low share of government revenue.

Because taxes on wealth tend to be more progressive than taxes on consumption, this has important implications for the progressivity of tax systems. But without looking at the concrete design of the different taxes, it is impossible to draw conclusions on their redistributive effects. That is why UN and World Bank agreed in 2020 to measure the effect of fiscal policy on inequality (SDG indicator 10.4.2) by calculating the difference between the GINI index for pre-tax market income to income after tax (disposal income), government transfers (consumable income) and public expenditures on health and education (final income) (see figure 9). The Commitment to Equity Institute (CEQ) at Tulane University, which has received a grant from the Bill & Melinda Gates Foundation, has published a comprehensive handbook on the “art of measuring the distributional effects of taxes and transfers” (CEQ, 2018, 900 pages) and has so far produced or reviewed assessments for 53 countries.

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These analyses produce interesting results. South Africa and Argentina are the countries that redistribute the most. But South Africa remains the most unequal due to high pre-tax inequality. Brazil and Colombia start out at similar levels, but Brazil ends up more equal thanks to redistribution. In several countries, government activities as a whole (at least the taxes, transfers and services counted in the analysis) increase inequality and sometimes even poverty. Taxes increase inequality in 11 countries and government transfers make it worse in 18 countries. After accounting for health and education expenditures, the state has an overall regressive effect only in Ivory Coast. But this is where problems with the assessments start: this approach calculates benefits of government services at production cost, posits a host of assumptions when distributing the benefits across the population and leaves out other expenditures such as on infrastructure, which are comparatively high in low-income countries. But, more importantly, the assessments are largely based on surveys and other data that fails to capture the income of the very rich and completely ignores taxes on companies and capital.

Oxfam's commitment to reducing the inequality index also covers tax progressivity and government spending while adding labour rights and wages to the index. It is available for 161 countries and covers 19 indicators, including tax rates, tax revenues by source (and in comparison to predict-

Figure 9
The effect of fiscal policy on inequality (contributory pensions as deferred income)

Source: CEQ, 2018
These analyses produce interesting results. South Africa and Argentina are the countries that redistribute the most. But South Africa remains the most unequal due to high pre-tax inequality. Brazil and Colombia start out at similar levels, but Brazil ends up more equal thanks to redistribution. In several countries, government activities as a whole (at least the taxes, transfers and services counted in the analysis) increase inequality and sometimes even poverty. Taxes increase inequality in 11 countries and government transfers make it worse in 18 countries. After accounting for health and education expenditures, the state has an overall regressive effect only in Ivory Coast. But this is where problems with the assessments start: this approach calculates benefits of government services at production cost, posits a host of assumptions when distributing the benefits across the population and leaves out other expenditures such as on infrastructure, which are comparatively high in low-income countries. But, more importantly, the assessments are largely based on surveys and other data that fails to capture the income of the very rich and completely ignores taxes on companies and capital.

Oxfam’s commitment to reducing the inequality index also covers tax progressivity and government spending while adding labour rights and wages to the index. It is available for 161 countries and covers 19 indicators, including tax rates, tax revenues by source (and in comparison to predicted income based on GDP) as well as the impact of taxes and spending on GINI7. For the impact data, it is based on the CEQ analysis and adds further countries using additional national-level studies for OECD/EU countries as well as standard global coefficients for different kinds of expenditure (education, health, social security) and taxes (including on corporate and personal income, value-added taxes, customs and excise duties, and social security) for an additional 74 countries. But it still excludes taxes on capital and capital income.

OXFAM FAIR TAX MONITOR

The Fair Tax Monitor (FTM) is a unique evidence-based advocacy tool that identifies the main bottlenecks within tax systems and provides strong evidence for advocacy work at national and international level. The tool allows for a comparison of tax policies and practices in different countries, using a standardized methodology and unified research approach thanks to jointly developed common research framework. The 2016 pilot edition relies on data and analyses presented in the country reports from Bangladesh, Pakistan, Senegal and Uganda. In 2018 we have expanded the FTM group to 11 countries in total: Tunisia, Nigeria, Mali, Zambia, OPT, Cambodia and Vietnam have been added to the list.

Table 1

<table>
<thead>
<tr>
<th>Sub-Topics</th>
<th>Progressive tax systems</th>
<th>Sufficient revenues</th>
<th>Well governed tax exemptions</th>
<th>Effective tax administration</th>
<th>Pro-poor spending</th>
<th>Accountable public finances</th>
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<td>Bangladesh (2016)</td>
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<td>4</td>
<td>2</td>
<td>4</td>
<td>3</td>
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<td>7</td>
<td>6</td>
<td>9</td>
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<td>5</td>
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<tr>
<td>Senegal (2016)</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Uganda (2016)</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Vietnam (2018)</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>6</td>
<td>5</td>
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</tr>
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<td>Tunisia (2019)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Nigeria (2019)</td>
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<td></td>
<td></td>
<td>No rating available</td>
</tr>
<tr>
<td>OPT (2019)</td>
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<td>5</td>
<td>–</td>
<td>8</td>
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<tr>
<td>Brazil (2020)</td>
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<td></td>
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</tr>
<tr>
<td>Kenya (2022)</td>
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<td>6.8</td>
<td>1.5</td>
<td>6.9</td>
<td>4.6</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Own compilation using information available at https://maketaxfair.net/ftm

6 Like the data on income inequality has shown, the allocation of pensions matters a lot in some countries. The CEQ measure used for the SDG excludes the intertemporal (usually equalising) effect of pensions and treats pensions as deferred income.

7 The latest index for the year 2022 can be found online at: https://www.reports.inequalityindex.org/.
According to the website Make Tax Fair, the idea of creating an index was seen as too ambitious and perhaps not even suitable for the ultimate purpose of improving tax policies and practices on a broad range of issues. For this reason it was decided to adopt the form of a scorecard.

This scorecard covers six areas with 20 sub-topics and 80 indicators. These use binary (yes/no) questions that can largely be answered using globally available data. So far 12 countries have been analysed or announced for analysis. Reports usually cover around 100 pages and not all include the detailed ranking (see table 1).

OTHER SOURCES

Indices prepared by NGOs, academics and consultancy companies provide further information on tax rates and further details. Some examples include the worldwide tax guide spotlighting current reforms and the most important taxes (with a focus on corporate taxes) for 150 countries by PKF, worldwide global tax guides on different taxes by EY, as well as worldwide tax summaries for corporate and personal income tax by PwC, including a quick overview of global rates across different taxes, capital gains and wealth taxes, but not allowing for a simple comparison of how distributed corporate income is usually taxed. Other studies – often paid for by organisations lobbying to reduce taxes on capital income – perform comprehensive comparisons addressing individual capital income taxes and corporate income tax as well as property and transaction taxes, but are usually limited to high-income countries. For example, a study of the US tax foundation shows that capital income taxation in 30 high-income countries varies between 9 per cent in Lithuania and 50 per cent in Canada (Tax Foundation, 2021, see figure 10). Another study prepared by EY also analyses how capital income taxes have been reduced around the world, arguing that Australia should do the same (EY, 2015).


![Figure 10](image-url)

**Average Tax Burdens on Capital Income in different countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>50</td>
</tr>
<tr>
<td>Denmark</td>
<td>47</td>
</tr>
<tr>
<td>France</td>
<td>47</td>
</tr>
<tr>
<td>Australia</td>
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<td>Sweden</td>
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<td>United Kingdom</td>
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<td>Switzerland</td>
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<td>Germany</td>
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<tr>
<td>Norway</td>
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<tr>
<td>Italy</td>
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<td>Portugal</td>
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<td>Luxembourg</td>
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<td>Finland</td>
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<td>Korea</td>
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<td>Austria</td>
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</tr>
<tr>
<td>Spain</td>
<td>23</td>
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<tr>
<td>Greece</td>
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<td>Slovenia</td>
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<td>Czechia</td>
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<td>Poland</td>
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<td>Estonia</td>
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<td>Hungary</td>
<td>13</td>
</tr>
<tr>
<td>Lithuania</td>
<td>9</td>
</tr>
</tbody>
</table>

Note: Data from 2018 for all countries except for Australia, Greece, South Korea and the United States, where the data is from 2017. Source: Tax Foundation, 2021
Another study by Bachas et al (2023) calculates effective tax rates for 155 countries going back to 1965 (see figures 11 and 12). Instead of analysing applicable tax laws, it takes a short cut by using macroeconomic data on factor income and taxes collected. It shows that tax rates on labour and capital have converged, mainly driven by increasing tax rates on labour in high-income countries. While overall effective taxation has increased, albeit from a low level, in lower and middle-income countries, a closer look at individual country examples like Brazil or Germany shows that reforms abolishing the taxation of dividends for the super-rich in 1995 and 2001 and the abolition of the wealth tax in Germany in 1997 do not show up in the data at all or are even followed by increases in effective tax rates on capital. This counter-intuitive result can most likely and to a large extent be explained through changes in the tax base, but the effects on individual tax-payers and in particular the super-rich need to be explored in more detail.

Figure 11
Effective tax rates on labour, capital and corporate profits over time, Germany

Source: Bachas et al (2023)

Figure 12
Effective tax rates on labour, capital and corporate profits over time, Brazil

Source: Bachas et al (2023)
SOURCE 2: MINISTRY OF FINANCE OR SIMILAR

Tax data is often the best data source because of the extent of information collected and quality control conducted by thousands of tax consultants and tax auditors. But data quality and availability becomes problematic especially at the top end because of tax evasion and because few countries now levy taxes on wealth and because capital income is often taxed only partly and taxes are sometimes collected anonymously directly at the source. While global revenue statistics, statistics on inequality of income and wealth as well as the commitment to equity assessments already make use of tax statistics, ministries of finance and similar bodies often produce additional interesting sources that can be used to evaluate tax systems, most prominently tax expenditure analyses.

TAX EXPENDITURE ANALYSES

Tax expenditures, which are commonly defined as the amount of tax revenue foregone through the application of special tax provisions or regimes, relative to a benchmark tax system, will be at the center of the policy debate on revenue mobilization for several reasons. First, good policy practice in base broadening requires analysis of the structure of tax bases, and their optimal taxation given a set of policy objectives. Tax expenditures cost estimates are one important element of such analysis. Second, tax rates in DCs, particularly in Sub-Saharan Africa, remain relatively high compared with rates in high-income and transition economies, while tax bases tend to be narrower. Therefore, revenue mobilization through increases in tax rates, while possible in certain areas of the tax system, is likely to have adverse efficiency implications and may worsen tax inequities. Third, successful tax reform often depends on communicating simply and effectively the implications of policy choices to the public. Tax expenditures play a useful role in this exercise.

(Kassim and Mansour, 2018)¹⁰

Many governments publish regular reports on so-called tax expenditures. These reports contain cost estimates for tax rules that deviate from a benchmark. According to the newly created Global Tax Expenditure Database⁹, 102 out of 228 countries covered provide some data on tax expenditure. In these countries with their differing definitions, tax expenditures range from less than 1 per cent of GDP (Germany, India or Côte d’Ivoire) to more than 10 per cent of GDP (Russia, Netherlands, Finland, Czechia and Ireland). Among the 120 countries covered by the Open Budget Survey, 53 provide some information on tax expenditures, but only 14 cover all core information for all tax expenditures.¹¹

Overall, tax expenditure reports can be viewed as a valuable starting point for identifying tax rules that can be considered as unfair tax privileges, but reports are afflicted by several limitations. Because not all taxes are covered or because the benchmark chosen is an already rigged tax system, some of the biggest tax privileges might be missing. In Brazil, for example, the two biggest privileges responsible for nearly one-third of the costs estimated by the Brazilian National Association of Tax Auditors, namely the exemption of dividends and the wealth tax provided for in the Constitution, but not put down in legislation, are not addressed in the otherwise quite comprehensive government report (see example 1). Furthermore, the basis for the estimation of costs might itself be problematic, like in the case of the German inheritance tax exemption for large fortunes (see example 2). More detailed methodological considerations can be found in the IMF’s How to Note from 2019 (IMF, 2019) and in a study on Tax Expenditure Reporting and Domestic Revenue Mobilization in Africa (Redonda et al, 2021). Furthermore, Kassim and Mansour (2018) compare tax expenditure reporting in 26 developing or transition countries, and the OECD (2010) has compared ten OECD countries.¹²

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⁹ Argentina, Armenia, Dominican Republic, France, Italy, Russia, Republic of Korea, Spain, Sweden, US (beyond core information), Brazil, Germany, Mexico, Slovakia (core information). More information can be found at https://internationalbudget.org/open-budget-survey/.


¹¹ Argentina, Benin, Bulgaria, Burkina Faso, Chile, Colombia, Costa Rica, Côte d’Ivoire, Dominican Republic, Ecuador, Ghana, Guate-
mala, India, Mali, Mauritania, Mauritius, Mexico, Morocco, Nicaragua, Pakistan, Peru, Philippines, Poland, Senegal, South Africa and Uruguay.

¹² Canada, Germany, Korea, Netherlands, Spain, UK, US and without comparable data: France, Japan, Sweden.
INDICATORS AND SOURCES FOR EXPLORING TAX PRIVILEGES OF THE SUPER-RICH
EXAMPLE 1
The Brazilian “Privilegiometro Tributário” (Tax Privilege-o-meter), prepared by the Brazilian National Association of Tax Auditors (UNAFISCO), is largely based on the “Demonstrativo dos Gastos Tributários” (Tax Expenditure Report), and is published each year together with the national budget. The Privilegiometro analyses the justifications and the economic and social value for 91 different tax rules and identifies those tax expenditures that are fully or partially classified as tax privileges. These are defined as expenditures that have no adequate and proven impact on sustainable economic development without increasing inequality.13 Out of the ten biggest privileges identified by UNAFISCO, the two biggest privileges are not addressed in the tax expenditure report by the government. These are the exemption of dividends and the wealth tax that is provided for in the Brazilian Constitution, but not put down in legislation. These are responsible for about one-third (31 per cent) of the losses from all 91 tax expenditures. Two other items from the government’s tax expenditure report – the simplified income tax scheme for small businesses and exemptions from VAT for basic-needs items – were classified only as a partial privilege, but still made it to the top ten of UNAFISCO.14

EXAMPLE 2
The German inheritance tax privilege is listed in the government’s tax expenditure report. Based on statistical data for 2019, the bi-annual report of 2021 extrapolates the costs for the years 2020 and 2021. The resulting figure underestimates the true cost by an approximate factor of two because the inheritance volume in 2021 exceeds estimates based on the latest available statistics and because a central element of the privilege is not captured in the statistical data. According to the so-called Verschonungsbedarfsprüfung, taxes are first levied (and are accordingly taken into account in the statistics), but not collected if taxpayers demonstrate their eligibility for the exemption.15

13 The original definition is: “O conceito de privilégios tributários que se propõe é o de que privilégios tributários são aqueles gastos tributários – oriundos da omissão na criação de tributo constitucionalmente previsto e das isenções, anistias, remissões, subsídios, benefícios de natureza financeira, tributária e creditícia – concedidos a setores ou parcelas específicas de contribuintes, sem que exista contrapartida adequada, notória ou comprovada por estudos técnicos, para o desenvolvimento econômico sustentável sem aumento da concentração de renda ou para a diminuição das desigualdades no País.”
15 More details on this can be found at https://www.netzwerk-steuergerechtigkeit.de/elementor-10684/ (in German).

TAX GAP ANALYSES AND OTHER SOURCES
Tax administration and the comprehensive collection of taxes play an important role for tax justice, but data is difficult to interpret and compare. The IMF regularly (every year starting in 2023) conducts surveys in 159 jurisdictions to understand revenue administration (ISORA) and has produced 150 assessment of tax administrations using 55 metrics (TADAT). The OECD also publishes comprehensive statistics for OECD and other advanced and emerging economies (OECD, 2017). Some countries (20 according to ISORA, 14 OECD countries) also perform so-called tax gap analyses, including top-down (based on national accounts data) and bottom-up (for example using random audits) approaches, and are usually limited to value-added taxes, personal income taxes and sometimes corporate income taxes.

SOURCE 3: TAXATION OF A TYPICAL SUPER-RICH INDIVIDUAL
Where globally comparable data is not sufficient and detailed data on the tax system at the national level is not available or too complex to analyse, we suggest using a typical super-rich individual to illustrate issues relating to a tax regime. There are two options here: a) using a billionaire owning easy-to-trace assets such as shares in a listed company that publishes detailed information on its profits and taxation and using this “real-life” data to calculate the tax rate, and b) constructing a portfolio of a typical super-rich individual and describing their taxation more comprehensively.
WHAT A COUNTRY STUDY ON TAXATION OF THE SUPER-RICH SHOULD CONTAIN

To explore the potential of such analysis, the Friedrich-Ebert-Stiftung has asked experts from Argentina and Brazil to perform country studies based on the following guidelines:

1. An analysis of economic inequality and the rich

a. A description of the distribution of income and wealth. Research relating to the advocacy tool should describe availability, quality and key messages offered by data on the distribution of wealth and income. It can draw on global databases in 179 countries (WID) as well as data on the share and distribution of income for people who are employed (ILO labour share, SDG 10.4.1). If available, it can also contain an analysis of the distributional effects of taxes and transfers (SDG 10.4.2), but with the clear warning that this analysis is skewed at the top end.

b. An analysis of the typical sources of wealth and income of the rich (top 0.1 per cent/top 1 per cent). Using tax and other statistical data on the distribution of wealth and income, rich-lists and individual examples or other sources, the analysis should look at the main sources of wealth and income (i.e. land and buildings, companies and shares) and their ownership in the country.

c. Profile(s) of the “typical” rich. Building on the analysis of inequality and the sources of wealth and income, the researcher should build one or several profiles of a “typical” representative of the rich. This could be a typical representative from the rich-list or a typical rich person at the entry level that qualifies for the top 1 per cent or the top 0.1 per cent (i.e. wealth of around USD one million in many countries). This profile should inform the analysis of taxation and should be adapted to capture typical tax privileges for the rich that are identified. Alternatively, the analysis could be based on a “typical” billionaire for whom data is publicly available.
2. Analysing taxation of the rich past and present

a. Calculating the tax rate that applies to the “typical” rich. At the core of the analytic effort is an analysis of taxation of the rich. Based on the "typical" profiles identified or the billionaire selected, the calculation uses tax rates typically applying to the different sources of income and wealth (i.e. property tax, personal and corporate income tax, capital gains tax, wealth tax, etc.) and includes typical exemptions that are possible. Wherever available, this exercise can use so-called tax expenditure analyses to identify important exemptions. These reports are often part of annual budget discussions and are available for more than 100 countries (see Global Tax Expenditure Database). Further information can possibly be found in legislative bills introducing tax privileges (sometimes containing cost estimates) from academic reports or from the tax administration. For non-existent taxes on the rich, most notably a wealth tax, the list of privileges could contain an estimate of the revenue potential for such taxes.

b. Calculating the comparable tax rate 20 years ago or before the last major reforms. In addition to current taxation, the report should also calculate the past tax rate for “typical” rich individuals and outline major changes.

c. Providing an outlook on information concerning tax evasion (where available). If possible, the analysis should contain an estimate of the costs of tax evasion, or prominent examples of such. Analyses of the US and Scandinavian countries show that among the rich, tax evasion is more wide-spread and greater even in relative terms (a higher share of income is evaded).

3. Policy recommendations

Based on the analysis, the policy recommendations should contain a list of the most important tax privileges for the rich and, wherever available, their costs. Information on costs can possibly be found in the tax expenditure report, in legislative bills introducing the tax privilege, in academic reports or from the tax administration. For non-existent taxes on the rich, most notably a wealth tax, the list of privileges could contain an estimate of the revenue potential offered by such taxes.
SUMMARY OF COUNTRY STUDIES

Argentina taxes both capital income and wealth. Dividends are taxed at 7 per cent in addition to a progressive corporate income tax of up to 35 per cent, in sum total exceeding the top income tax rate of 35 per cent. Other capital income is taxed at 5 or 15 per cent, depending on whether it is adjusted for inflation. In addition, wealth is taxed starting at around USD 50,000 and faces progressive rates reaching 2.25 per cent for wealth held abroad. But taxable wealth is just a small fraction of actual wealth despite an increase following the introduction of automatic exchange of information and a tax amnesty in 2016. The super-rich benefit from wealth-tax exemptions for rural assets, tax subsidies for industrial development and profit-shifting – for example into Uruguayan holding companies.

Brazil does not tax dividends and allows owners of medium-sized companies as well as self-employed consultants, lawyers and other professionals to use a simplified profit-estimation method that drastically reduces their tax rate and makes the Brazilian tax system extremely regressive to the benefit of the super-rich. The Brazilian National Association of Tax Auditors (UNAFISCO) annually calculates the privileges conferred by these tax rules, visualising them in a counter. Around seventy civil society organisations have joined a campaign to tax the super-rich that began to gain traction with the election of Lula as president in 2021 and is showing first signs of success.

In Germany a civil society campaign is scrutinising tax privileges of the super-rich. The campaign estimates these privileges cost the country around 10 per cent in terms of foregone tax revenue. It also demonstrates that a typical super-rich individual has managed to reduce the typical tax rate on his income by more than half over the last 30 years and now just pays about half of the tax rate of an average employee. This is mainly the result of abolishing the wealth tax, lowering the top income-tax rate and allowing tax-free accumulation of profits.

Taxes paid by billionaires in these three countries: In Germany the tax rate on an example billionaire (including corporate income tax) has fallen from more than 60 per cent in 1996 to only 25 per cent. Our example Brazilian billionaire profits from three rather unique exemptions, bringing his total tax rate (including corporate income tax) on the profits made by his company to an average of only 9 per cent over the last three years. Through shifting most of his profits to a tax-exempted Uruguayan subsidiary, the Argentine billionaire has been able to reduce his corporate income tax to near zero. He has most likely also profited from wealth-tax exemptions for rural land and company shares. Even though estimating his tax rate was not possible in this study due to these exemptions and despite the presence of a wealth tax, his tax rate might even be below the very low rate of his Brazilian and German peers. In contrast, a comprehensive 2 per cent wealth tax would increase the tax rate of both the Brazilian and the German billionaire to approximately 50 per cent of their income, bringing it close to the rate of taxes and social security paid on average wages in these countries.
CONCLUSION AND OVERVIEW OF TOOLS

For states to successfully reduce inequality and poverty, they need to achieve a whole range of goals. A progressive tax system and, in particular, higher taxes for the rich are an essential part of this effort both at national and international levels.

In the past, the global tax justice movement has placed a strong focus on stopping the global race to the bottom in corporate tax, to fight profit-shifting and tax-avoidance on the part of big corporations and to achieve a fairer allocation of taxing rights. One central argument for this is that corporate taxes are negotiated at a global level and at least in low-income countries account for a large share of tax income. But for progressive tax systems, corporate taxes are just one part of the story.

More recent efforts, such as Oxfam’s commitment to reducing inequality index or the commitment to equity assessments that are part of SDG 10, take a broader view of the system of taxes and government transfers. These efforts have collected a wealth of data on national tax and spending regimes which can be used for the purpose of global comparison. But both are in essence very complex exercises and still do not address the taxes and tax exemptions that matter most for the super-rich.

With the Fair Tax Monitor, Oxfam has developed another much simpler tool with which to describe, analyse and compare tax systems. The goal was to develop an “evidence-based advocacy tool that identifies the main bottlenecks within tax systems and provides strong evidence for advocacy work at national and international level.” This makes a lot of sense. Tax policy is decided at national levels and higher taxes for the super-rich – including a global wealth tax – have to start at national level to ultimately reach international negotiations in forums such as the G20, the OECD and ultimately the UN. And to advocate for fairer taxes and higher taxes for the super-rich does not necessarily require a comprehensive and globally comparable assessment of the entire system of taxes and transfers. Identifying the main injustices or bottlenecks might serve the purpose just as well. And this might be a very national effort. But Oxfam’s Fair Tax Monitor is more descriptive. It uses many indicators that could easily be collected at global level and produces a comparative rating that seems rather technical and difficult to communicate at national level.

In comparison, a range of nationally-led initiatives in Brazil, the UK, Germany and Colombia have produced different lists of tax privileges for the super-rich with a focus on identifying advocacy priorities towards that goal. Producing such lists – and ideally attaching a price tag and ranking them by priority – requires a detailed understanding of national tax systems. But some of the sources and approaches used could readily be adopted with other countries. For example, tax expenditure analyses used in Brazil are available for a range of other countries, and a global database provides a good overview. In addition, calculating tax rates for a typical billionaire or a typical portfolio of a super-rich individual could help render problems inherent in the tax system visible and understandable.

Alternatively, estimates of the revenue generated by a wealth tax might be calculated using global figures on the distribution of wealth. Above and beyond the issue of data availability, this approach might not be equally suitable for countries where overall tax income and compliance rates are extremely low (compare, for example, Oxfam’s Fair Tax Monitor report for Nigeria).

THEREFORE, A VIABLE APPROACH COULD BE TO:

a) Analyse data with wide global coverage (distribution of income and wealth, composition of government revenue and expenditure, structure of tax systems, tax administration) at a global level, expanding on existing analyses such as Oxfam’s Commitment to reducing inequality index;

b) Identify countries with good data coverage and high mobilisation potential and support the establishment of local analyses and advocacy groups in those countries;

c) Use the global and national data available to identify issues relating to the tax system and illustrate these using a typical billionaire or a model portfolio of a typical super-rich individual that helps to show the effects of the different issues and exemptions identified in the tax system.
There is no study to date on the effective tax rates of billionaires in developing countries, for example. More studies are necessary.

Global Tax Evasion Report 2024
(EU Tax Observatory, 2023)

In 2023 Gabriel Zucman co-authored two interesting reports: One comparing the effective tax rate on capital income across 155 countries (Bachas et al., 2023) and one arguing that effective tax rates for billionaires – mainly made up of capital income – have not been sufficiently studied in developing countries (EU Tax Observatory, 2023). In our selection of country studies, we used globally comparable data on levels of inequality and effective taxes on capital income as a starting point and then added a more in-depth analysis on taxation of the super-rich in various countries. The country analyses reveal some counter-intuitive developments. While the move to tax dividends in Brazil (1994) and Germany (2000) did lead to a reduction in the effective rate, this effective rate increased in following years without any major change in actual rates (see figure 13). Furthermore, significant changes such as the abolition of the wealth tax in Germany (1997) or consecutive cuts in the tax rate on corporate income with the top income tax rate in Germany (2001 to 2005) apparently do not show up in the effective tax rate on capital income.

Figure 13
Effective taxes on capital and major tax reforms in Brazil and Germany

Source: Own presentation using data from Bachas et al., 2023
Beyond the countries analysed in this case study and based on the analysis of data availability, we recommend focusing on the countries listed in table 2 in further analysis. A more comprehensive comparison is available in the Data Annex.

**ARGENTINA: HOW A WEALTH TAX AFFECTS TAXATION OF THE SUPER-RICH**

*The Argentinian Country Example is a summary of a more comprehensive country case study by Grondona et al. (2024).*

**BASIC FACTS**

- **Income inequality:** According to the household survey (Indec, 2023), income of the richest 10 per cent is about 20 times greater than that of the poorest 10 per cent. Based on extensive imputations, WID estimates the share of the richest 10 per cent at around 50 per cent of total income and of the richest 1 per cent at around 15 per cent of the total. The GINI is estimated at 0.44 in the household survey, or 0.56 by WID.

- **Wealth inequality:** The share of the richest 10 per cent is estimated at 60 per cent of total wealth and the richest 1 per cent around 25 per cent of the total by WID. Another estimate puts the share of the richest 440 families (top 0.001 per cent) at 6.5 to 9 per cent (CEPA, 2021).

- **Labour share:** around 50 per cent (Indec, 2023).

- **Fiscal policy** is estimated to reduce GINI for income inequality by 15 to 17 per cent and absolute poverty by 61 per cent (Rossignolo, 2022; Del Valle et al., 2022).

**TYPICAL SUPER-RICH INDIVIDUALS IN ARGENTINA**

Most super-rich individuals in Argentina are male – including the seven richest Argentinians according to Forbes and 74 per cent of the roughly 13,000 people subject to the solidarity contribution for the super-rich. They often own companies and in many instances use holding companies in low-tax jurisdictions such as Uruguay (CEPA, 2022; Gaggero y Zanotti, 2023). Their companies often hold a high degree of market power in their respective sectors, for example Aluar and Fate, Ledesma, Techint-Tenaris, and Grupo Clarín. There are also cases where essential goods and services are provided to the population such as internet and telephony, food, health services or financial intermediation. Several of these companies emanated from the privatisation wave in 1982 and the 1990s. Some of them benefit from special tax regimes. Tax subsidies for industrial promotion amount to 0.75 per cent of GDP (MECON, 2022).

**TAXES PAID BY THE SUPER-RICH**

Argentina taxes both wealth and capital income. In addition, some of the federal states also tax real estate and inheritance (only Buenos Aires).

The **wealth tax** (Impuesto sobre los bienes personales, ISBP) applies to all personal wealth exceeding the threshold of about USD 50,000 and excluding self-occupied housing. It applies to global wealth for all residents of Argentina and to Argentine wealth for those residing outside of Argentina. The tax rate varies between 0.5 and 1.75 per cent and goes up to 2.25 per cent for wealth held abroad. But there is a considerable list of exemptions – for example, for rural properties, which according to budget estimates amounts
to 0.48 per cent of GDP (HCDN, 2023). In addition, declared wealth is most likely significantly undervalued (in particular real estate) and tax evasion was historically high. An amnesty implemented in 2016 and the launch of automatic exchange of information on income in 2018 increased declared wealth to USD 116.8 billion, leading to the collection of taxes and fines amounting to USD 9.5 billion (AFIP, 2016 and EU tax observatory, 2022).

According to tax statistics for the year 2021, a total of approximately USD 100 billion was declared (AFIP, 2022 table 2.5.1.2.1.1), while WID estimates total wealth for Argentina at USD 1,500 billion. For company shares, a special tax rate of 0.25 – 0.50 per cent (Ley 25.585 de 2002) can apply. Although the aggregate amount of assets declared and taxes paid is available, this information is not broken down by deciles. According to the annual tax statistics for 2022, approximately 19 per cent of assets declared fall under this tax rate, while the remaining 81 per cent are subject to the normal rate for the ISBP (see figure 14). In sum total, the gap between estimated and declared wealth remains huge.

Argentina has a progressive income tax with the top tax rate being 35 per cent. Since 2017, capital income, including capital gains, is for the most part taxed at 5 or 15 per cent, depending on whether it includes an adjustment for inflation. Dividends are taxed at 7 per cent, and profits generated from the sale of real estate are taxed at 15 per cent (Errepar, 2020; MECON, 2019). Together with a progressive corporate income tax reaching up to 35 per cent, this at least nominally ensures progressive taxation of the super-rich. But a long list of exemptions lowers the effective tax rate on capital income for everyone and particularly favours the top 0.25 per cent of taxpayers.

16 Values are often underdeclared and the tax exemption for single purchases is abused (Molinatti, 2011).
ARGENTINE BILLIONAIRES AND THEIR TAXATION

According to Forbes, there were only five Argentine billionaires with a total wealth of USD 12.8 billion in 2023. A project entitled “Los ricos de Argentina” lists 16 families with companies operating in many different sectors. Another study by the Friedrich-Ebert-Stiftung looks at the phenomenon of shifting profits to Uruguay (Gaggero y Zanotti, 2023). It spotlights four Uruguayan companies that are part of Argentine-owned groups. One of them belongs to one of the five Argentine billionaires listed by Forbes. Besides the problem of profit-shifting, this example reveals several problematic exemptions, including reduced wealth tax rates for company shares and the exemption from the wealth tax for rural real estate. According to the study, in 2021 the Uruguayan subsidiary listed 93 per cent of turnover and 98 per cent of the profit for the whole group and was completely exempted from taxation.

SIGNIFICANT TAX REFORMS AND THE DEVELOPMENT OF TAXES ON THE SUPER-RICH

The ISBP was created in 1991. According to tax data, the percentage of the population subject to this tax has never exceeded 2 per cent. The tax burden of the ISBP increased from 0.34 per cent of GDP in 2004 to 0.51 per cent in 2022, registering a minimum of 0.10 per cent in 2018 and a maximum of 0.76 per cent in 2020. Law 25.585 from 2002 created an alternative schedule tax rate on the holding of shares and stakes in companies that brought the rate for these assets to 0.50 per cent, which was reduced to 0.25 per cent for the tax periods 2016 to 2018, rising again to 0.50 per cent for tax periods 2019 onwards. As described above, in 2022 approximately 19 per cent of assets declared fell under this schedule tax rate. In 2018, rural real estate was exempted from ISBP. From 2019 onwards, the rate for assets located abroad has reached a maximum bracket of 2.25 per cent, based on Law 27541 on public emergency, in cases where taxpayers do not repatriate at least 5 per cent of the assets, in which case the scale for assets in the country applies, reaching a maximum rate of 1.75 per cent (MECON, 2023). From 2021 onwards, exemptions for financial assets will be added to promote investment in domestic financial assets (Law 27638 of 2021).

BRAZIL: WHAT A LOOK AT TAX PRIVILEGES CAN TELL US ABOUT A TAX REFORM TARGETING THE SUPER-RICH

The Brazilian Country Example is a summary of a more comprehensive country case study by Bottega / Resende (2024).

 BASIC FACTS

- Income inequality: the richest 10 per cent appropriate 53.7 per cent, while the statistics for the top 1 per cent and 0.1 per cent are even more startling: they indicate a concentration of 24.6 per cent (almost a quarter) and 12.1 per cent of national personal income, respectively (Bottega et al., 2021);

17 Remark: The country case study on Brazil contains a detailed analysis of income inequality and was enriched with an analysis of the super-rich by Christoph Trautvetter.
- **Gender and racial inequality**: White men among the top 1 per cent (around 705,000 individuals, or 0.57 per cent of the Brazilian population) appropriate a greater share of national income (15.3 per cent) than all black women put together, who amount to 32.7 million individuals, but account for only 14.3 per cent of national income (for more details see figure 17);

- **Wealth inequality**: According to estimates by WID mainly based on extrapolation from income data, in 2019 the top 10 per cent and the top 1 per cent accounted for 79.6 per cent and 48.3 per cent of national wealth, respectively, while the bottom 50 per cent registered negative participation in national wealth (−0.4 per cent);

- **Fiscal policy**: The Brazilian tax system relies strongly on indirect taxes (45 per cent of total tax revenue) and contains several exemptions for capital income. It favours the rich and especially white males who earn a large share of capital income. Gomes et al. (2022) find that black men in the top brackets – often public servants – have a tax burden higher than white men in the top bracket, who are often business-owners.

**TAXATION OF THE SUPER-RICH**

Brazil is a particularly interesting country case study. Brazil is one of very few big countries that does not tax dividends. On top of this, the deductibility of interest on net equity and a scheme that allows small and medium-sized companies to pay tax on presumed rather than real income (SIMPLES) can significantly reduce income liable to corporate income tax. Together, these rules make the Brazilian tax system highly regressive at the top end. A calculation by Goto and Pires (2022) estimates that a formal employee and a public servant bear a tax burden of 42.3 per cent and 38.1 per cent, respectively, while a self-employed professional who provides services for a company operating under the SIMPLES regime bears a tax burden of 16.3 per cent.

The volume of these exemptions is closely tracked by the Brazilian ‘Privilegiometro Tributario’ (Tax Privilege-o-meter) prepared by the Brazilian National Association of Tax Auditors (UNAFISCO, see figure 16). This tracking tool is based mainly on the “Demonstrativo dos Gastos Tributarios” (Tax Expenditure Report) that is published annually by the Brazilian government together with the national budget. The Privilegiometro analyses the justifications and economic and social value deriving from 91 different tax rules, identifying those tax expenditures that are fully or partially classified as tax privileges (current loss: USD 65 billion). These are defined as expenditures that have no adequate and proven impact on sustainable economic development without increasing inequality.

Out of the ten biggest privileges identified by UNAFISCO, the two biggest privileges are not featured in the tax expenditure report by the government. These are the exemption of dividends (approx. USD 10 billion) and the wealth tax that is provided for in the Brazilian Constitution, but not put down in legislation (approx. USD 10 billion). These are responsible for about one-third (31 per cent) of the losses across all 91 tax expenditures. In addition to these central tax privileges, UNAFISCO also lists some more curious items, like the exemption for yacht and plane parts, costing 4.4 billion Reais (approx. USD 900 million) per year in foregone tax revenue.

The new government under president Lula has promised to reform taxation of the super-rich and is being supported by civil society in an active campaign.18

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18 See https://ijf.org.br/tributar-os-super-ricos/ for more information.

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Figure 16
Brazilian tracker for the cost of tax privileges

<table>
<thead>
<tr>
<th>PRIVILEGIOMETRO TRIBUTARIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 6 9 0 2 2 7 6 3 7 4 9</td>
</tr>
<tr>
<td>BILLIONS</td>
</tr>
</tbody>
</table>

Estimation of total accumulated value until 2023/03/03

Source: http://www.privilegiometrotaxiatrienal.org.br/
BRAZILIAN BILLIONAIRES AND THEIR TAXATION

For 2023, Forbes lists 51 Brazilian billionaires (down from 62 in 2022). The top 10 is dominated by Brazilian shareholders of foreign companies (Safra bank, Anheuser-Busch) as well as Brazilian banks and investment companies (Itau-Unibanco, BTG Pactual, 3G Capital). Their taxation is mainly driven by corporate income tax paid abroad and taxation of distributed profits. A closer look at the billionaire owners of Brazil-based companies gives a better impression of the taxation of billionaires in Brazil. One of them holds about 50 per cent in a company that made a profit averaging more than USD 200 million in the last three years and paid a tax rate of only 9 per cent. According to company accounts, this tax rate deviates from the standard rate of 34 per cent mainly because of two quite unique tax exemptions that apply in Brazil: 1) presumed interest on own capital (juros sobre capital proprio), which reduces the tax rate by 16 percentage points on average, and 2) taxation based on presumed profits (regime do lucro presumido) for some of its subsidiaries, which reduced the tax rate by 3 percentage points. Together, these two exemptions saved our example billionaire USD 18 million of taxes per year. Of these low-taxed profits, a total of 63 per cent was distributed to the owners. Such dividend distributions – unlike in many other countries – are usually tax-free in Brazil. This means our example billionaire most likely paid only 9 per cent of tax on his income of more than USD 100 million from his company shares. A 2 per cent wealth tax – as suggested by the Brazilian finance minister at the beginning of 2024 – would amount to approximately USD 55 million for 2022 and would have increased the total tax rate in relation to income to 52 per cent. With a billionaire wealth totalling USD 160 billion according to Forbes, Brazil would stand to gain roughly USD 3 billion in tax revenue.

Forbes usually lists individuals, but in 2023 for some of the Brazilian entries several family members were summarised as one entry on the list. Out of the 51 Brazilian entries for 2023, 13 are families.

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Figure 17
Income shares by different income groups

Source: Made-FEA/USP (Bottega et al., 2021).
GERMANY: WHAT AN ADVOCACY TOOL ADDRESSING THE TAX PRIVILEGES OF THE SUPER-RICH COULD LOOK LIKE

In the last thirty years, Germany has seen major tax cuts for the super-rich, including:

- abolition of the wealth tax (1997)
- lowering of the tax on corporate income (2001, 2008) and the possibility to accumulate profits at holding companies tax-free (2001), leading to a reduction in nominal tax rates on accumulated (i.e. non-distributed) profits from 57 per cent to 30 per cent
- a reduction in the top income tax rate from 53 per cent to 45 per cent (2001–2005)

In addition, there have been a whole range of additional tax exemptions and special rules, especially for income from real estate investments. Based on an in-depth analysis of these developments, the German Tax Justice Network (Netzwerk Steuergerechtigkeit) has calculated the tax rate for a typical billionaire and a typical portfolio of a multi-millionaire.

The results show that for the billionaire (who inherited shares of the car-maker BMW), the tax rate fell from 61 per cent in 1996 to 25.3 per cent in 2023. Similarly, the tax rate on the portfolio of the multi-millionaire is 21 per cent (or 24 per cent when social security is included), while the OECD puts the rate for an average family at 43 per cent (including social security contributions by the employee and the employer). According to estimates, the biggest tax privileges cost USD 80 billion per year (about 10 per cent of all taxes collected). The list of these tax privileges includes inheritance tax exemptions for big fortunes, the abolished wealth tax, the absent financial transaction tax, tax exemptions for rental income and value gains from real estate sales or cuts in the tax rate for high incomes.
collected). The list of these tax privileges includes inheritance tax exemptions for big fortunes, the abolished wealth tax, the absent financial transaction tax, tax exemptions for rental income and value gains from real estate sales or cuts in the tax rate for high incomes.

The results are described comprehensively and changes are tracked in the yearbook on the German tax system (Jirmann and Trautvetter, 2024). And the list of tax privileges forms the basis for a joint campaign (Steuerprivilegien kippen) with the German Finance Watch (Bürgerbewegung Finanzwende) and German-speaking Millionaires for Humanity (Tax me now).
DATA ANNEX
<table>
<thead>
<tr>
<th>Country</th>
<th>Recommendation</th>
<th>ILO labour share</th>
<th>ILO top 10% (income)</th>
<th>WID top 10% (income)</th>
<th>WID top 1% (wealth)</th>
<th>CEQ tax</th>
<th>CEQ final</th>
<th>Oxfam CTRI</th>
<th>GTED 2022</th>
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Source: Full table available at www.netzwerk-steuergerechtigkeit.de/taxingbillionaires/
ABBREVIATIONS AND ACRONYMS

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>CEQ</td>
<td>Commitment to Equity Institute at Tulane University</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>ISBP</td>
<td>Impuesto sobre los bienes personales (Argentine wealth tax)</td>
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<td>ISORA</td>
<td>International Survey on Revenue Administration</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>RTF</td>
<td>Red de Trabajo Fiscal (Colombian network for fiscal policy work)</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>TADAT</td>
<td>Tax Administration Diagnostic Assessment Tool</td>
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<td>UNAFISCO</td>
<td>Associação Nacional dos Auditores Fiscais da Receita Federal do Brasil (National Association of Tax Auditors Brazil)</td>
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<td>UNRISD</td>
<td>United Nations Research Institute for Social Development</td>
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<td>WID</td>
<td>World Inequality Database</td>
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</table>


Christoph Trautvetter is executive director of the German tax justice network. He is author of several studies on the German tax system and the superrich in Germany as well as on the taxation of big corporations and illicit financial flows at global level. He holds a masters degree in public policy and has previously worked as a forensic investigator at KPMG, for the budget committee of the European Parliament and as Teach First Fellow.

The author wishes to thank the experts that contributed to the elaboration of the country examples for the fruitful discussions.

The Argentinian country example was elaborated by Verónica Grondona Olmi, Lisandro Mondino and Anahí Rampinini. Privileges in the Brazilian tax system were analysed by Ana Bottega de Lima and Amanda Resende.

The section on the advocacy work on progressive taxation in Colombia was contributed by Alejandro Rodríguez Llach.
HOW TO TAX A BILLIONAIRE
An advocacy tool against tax privileges for the super-rich

Less inequality is necessary for sustainable development and stable democracies. States play an important role in reducing inequality. They do so through pro-poor spending and regulation, but also through taxes. On the other hand, some taxes and even entire tax regimes do not actually reduce inequality. Tax privileges for the super-rich make many tax regimes less progressive than they could and should be. But because they are difficult to capture in standard tax data and tax regime analysis, they are often overlooked. To adequately address taxation of the super-rich additional research into these tax privileges is necessary. Following the core narrative of the Global Tax Evasion Report 2024 and based on experience from Germany, the author proposes an easy-to-do and easy-to-communicate advocacy tool to fill this gap and tests it in three countries.

His suggestion is to use a typical super-rich individual and a real-world billionaire to illustrate the gaps and loopholes in the tax regime. Using a billionaire owning easy-to-trace assets such as shares in a listed company that publishes detailed information on its profits and taxation turned out to be the most convenient way to go about this. Constructing a portfolio of a typical super-rich and describing its taxation proved more challenging but not less interesting. For Germany the analysis shows that both the billionaire and the typical super-rich only pay about half of the top income tax rate and about half of the tax and contributions of an average employee and have managed to reduce their tax rate by more than half in the last thirty years.

In Argentina tax rates for the typical super-rich are much higher than for the average employee at least in theory, but a list of exemptions puts this in question in actual practice. In contrast, in Brazil tax-free dividends and a simplified calculation of corporate profits already create a huge difference in nominal tax rates in favour of the super-rich.

A comprehensive 2 per cent wealth tax would increase the tax rate of both the Brazilian and the German billionaire to approximately 50 per cent of their income, bringing it close to the rate of taxes and social security paid on average wages in these countries.

Further information on the topic can be found here: https://www.fes.de/themenportal-die-welt-gerecht-gestalten/weltwirtschaft-und-unternehmensverantwortung/steuergerechtigkeit