MAKETAXFAIR

Chapter 8 Taxing the Rich (thematic chapter)

TJNA and Oxfam's vision for "*taxing the rich*"

In recent years, discussions on income inequality and the concentration of wealth in the hands of the few have become increasingly common. Governments around the world are grappling with ways to tackle inequality. In this context Oxfam and TJNA recommend increasing taxes on the richest individuals - it is time to break the cycle of never-ending wealth accumulation by the top1%.

In the current "polycrisis," with simultaneous crises in many areas such as economics, health, and climate change, governments around the world are cutting spending, while the rich continue to amass fortunes. Extreme concentrations of wealth can undermine economic growth, corrode democracy, and contribute to climate breakdown. Oppositely, taxing the rich can help to not only reduce economic inequality but also reduce racial, gender, and colonial inequalities.

Oxfam's 2023 *Survival of the Richest report* points out that over the past two years, the richest 1% of the global population has captured almost two-thirds of all new wealth, leaving the remaining 99% to divide the remaining one-third. Billionaire fortunes are growing by $2.7 billion per day, while at least 1.7 billion workers are struggling to keep up with inflation. Food and energy companies are doubling their profits, yet over 800 million people go to bed hungry every night.

Oxfam[1] estimated in 2019 that about $2.3 trillion of individual wealth is held on the African continent, of which $920bn – or roughly 40% – is held by high-net-worth individuals (HNWIs) i.e. those who own $1m or more in net assets. In 2017, there were 148,000 HNWIs living in Africa, of whom 7,100 were multi-millionaires and 24 billionaires.

In order to increase the taxes on the richest 1% and higher rates for the extremely rich multi-millionaires and billionaires, Oxfam and TJNA **recommends a number of tax policies** including introducing and/or increase inheritance taxes, land taxes and property taxes, and increasing taxation of dividend payouts, stock buy-back and capital gains.

"The Rich" and political capture

To make these solutions feasible, we need to empowerer the civil society and tax administrations to track the wealth of the top1% richest people, and convince governments and international institutions to work together to build a more equal world. Reducing economic (wealth and income) inequality will in many cases also reduce political inequalities, as concentration of wealth at the top of society leads to political capture which further fuels inequality[2]. In many cases the rich are rich because they are powerful and they are powerful because they are rich. For instance, we see political capture by the rich in the concentration

[1] Oxfam, 2019, The West Africa Inequality Crisis, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620837/bp-west-africa-inequality-crisis-090719-en.pdf

[2] Oxfam (2014) Working for the Few: Political Capture and Economic Inequality https://www.oxfam.org/sites/www.oxfam.org/files/bp-working-for-few-political-capture-economic-inequality-200114-en.pdf

of media ownership. This gives them the power to influence the terms of the political debate, pose a significant challenge to progressive reforms. For example, the **French** economist Julia Cagé recently documented how media outlets owned by French billionaire and pundit Vincent Bolloré have given increased airtime to guests who defend right-wing policies, including tax policies, championed by Bolloré himself. In **Mexico,** a sizeable share of media is owned by the country's richest man, Carlos Slim[3]. In **Kenya**, the former president Daniel Arap Moi, considered one of the richest men in the country, owned several newspapers with large reach, including the Standard, before he passed away in 2022 [4]. And in **India**, one billionaire, Mukesh Ambani, owns 72 TV channels reaching over 800 million people[5].

Who are we talking about when we talk about "the rich" - when are you rich/wealthy and super rich?

This is an essential question that can and should only be answered in each national context. This means it is up to the country context and national colleagues to decide whether it is best to talk about "rich", "wealthy", "millionaires", "billionaires" etc.

Oxfam has a generalised calculation of what the US dollar $5m and $50m wealth-group thresholds would become if adjusted for each country's wealth distribution and median income with the USA as the benchmark. See link for full country list:
https://docs.google.com/spreadsheets/d/1K6g2bz3fFDsh-BMVpoHMyVH3JjVGXaxQ/edit?usp=sharing&ouid=110390690416280557145&rtpof=true&sd=true

For Kenya the US dollar $5m and $50m threshold would translate into

	Wealth-adjusted		Income-adjusted	
USA benchmark	$5m	$50m	$5m	$50m
Kenya	$0.16m	$1.37m	$0.21m	$2.11m

[3] See - https://mexico.mom-gmr.org/en/owner/individual-owners/detail/owner/owner/show/carlos-slim-helu-1/

[4] See https://www.businessdailyafrica.com/bd/corporate/companies/moi-family-shifts-sh520-million-stanchart-ownership-3926682
and
https://internews.org/wp-content/uploads/legacy/2021-03/KMAReport_Final_20210325.pdf

[5] See https://www.exchange4media.com/media-others-news/72-tv-channels-owned-by-ril-have-a-reach-of-800mn-indians-98774.html

Advice on narrative - talking about ***"the rich"***

What to say and not say following the narrative of Oxfam and TJNA? Here is some advice from TJNA and Oxfam:

Rich people are NOT evil. Our aim and narrative is not to penalize rich individuals because they are rich. Our goal is to bring more equality and justice to our societies by making all people pay a fair share.

Equality is good economics. Taxing wealth is likely to stimulate economic activity by incentivising individuals to use assets productively. For example, if land ownership is taxed, landowners are more likely to make use of the land or sell it to someone who will, potentially creating employment and streams of tax revenue in the process.

Wealth inequality is gender inequality. On the whole, men are more likely than women to be wealthy. Therefore, taxing the rich can help to reduce economic gender inequality. If the revenues raised by taxing the rich are used to fund public services that disproportionately benefit women, it can have a double effect.

Be aware of a proactively counter myths and arguments like the following:

- *" trickle-down economics… job creation, resources are more productively used in private hands than by the public…"* . Wrong, we have seen four decades trickle-down policies failing to deliver.
- *"Rich people are self-made…. Taxing them is unfair".* Wrong: Rich people are rich thanks to the society they live in. Excessive wealth is never the result of only hard work, most often not at all. 1/3 of the world's billionaire wealth is inherited and 71% of extreme wealth in developing countries is derived from either state-dependent industries or inheritance[6].
- "*Taxing the rich is impossible ….their wealth is held in intangible/illiquid asset (in property, stocks etc.) and easily be moved to tax havens and cannot easily be taxed".* Wrong, as there are ways to tax their wealth while at the same time preventing the rich from simply moving it to another jurisdiction.

[6] Oxfam (2017), An Economy for the 99%, www.oxfam.org/files/file_attachments/bpeconomy-for-99-percent-160117-en.pdf

Topic	Research Analysis Questions
8.1 Transparency and data availability regarding *"The Rich"*. Wealth and income distribution[7] See country examples[8] Many of the questions here are already fully or partly raised in chapter 6	8.1.1 Is there data on income distribution of the country? If yes, present the decintiles of the income distribution and the gini-coefficient. What is the percentage of total income obtained by the top 1% income earners. 8.1.2 Is there data on wealth distribution of the country? If yes, present the decintiles of the wealth distribution and the gini-coefficient. What is the percentage of total wealth owned by the top 1% richest people? 8.1.3 Is data published and publicly available on the amount of revenue raised from different income groups, decentiles, percentiles? Likewise for wealth: Is data published and publicly available on the amount of revenue raised from different wealth groups, decentiles, percentiles? 8.1.4 Are there studies and/or statistics showing how the tax rate paid by the rich people compare to that paid by e.g. wage-earners and small business owners? 8.1.5 Does your country have a nationally accepted (domestic) definition of taxing net wealth, transfer of wealth taxes and taxes on increases in value of wealth? 8.1.6 Is data published and publicly available on the amount of revenue raised by, and the proportion of revenue coming from, different types of wealth taxes like property tax, inheritance tax, land tax, capital gains tax (CGT) and net wealth tax (NWT)? What about the tax rates for these taxes - what are they and how do these rates compare to those in neighboring/comparable countries? 8.1.7 Have any studies been conducted in your country analysing the medium-term revenue potential for taxing the rich, e.g. taxes on millionaires, billionaires, minimum income taxes for rich (whatever

[7] Oxfam has repeatedly shown across the world that wealth inequality is far greater, and growing far more rapidly, than income inequality. See e.g. Oxfam (2018) *Reward Work not wealth*: https://policy-practice.oxfam.org.uk/publications/reward-work-not-wealth-to-end-the-inequality-crisis-we-must-build-an-economy-fo-620396

[8] The **Argentine** revenue authority has been at the forefront of using automatic exchange of information and making the information public. In 2020, it exchanged information with 90 countries and received data on around half a million bank accounts. See Administracion Federal De Ingresos Publicos (AFIP). (Data retrieved November 2022). Estadísticas del intercambio al 31/12/2021 [Spanish]. Government of Argentina. https://www.afip.gob.ar/fiscalidad-internacional/intercambio-de-informacion/con-otras-jurisdicciones/documentos/Estadisticas-intercambio-automatico-crs.pdf
Also, the government of **Argentina** in 2022 estimated that a temporary contribution of 20% on the value of all undeclared offshore assets, covering bank accounts, property, financial assets and cryptocurrency, could generate up to $20bn.
Source: Pagina12. (2022, March 29). Fondo de evasores para pagar la deuda: el proyecto del Frente de Todos, punto por punto [Spanish]. www.pagina12.com.ar/411464-fondo-de-evasores-para-pagar-la-deuda-el-proyecto-del-frente

	threshold), net wealth tax, transfer of wealth taxes, and taxes on increases in value of wealth? 8.1.8 What types of asset registration (if any) does your country have? (much already asked in chapter 6) ● Is there a centralised, public register(s) of beneficial ownership of (key) assets? ● If so, does it get updated regularly and is it publicly available, free of charge, and verified? ● Does it keep e.g. property registered in a central or local database, digital or analogue? ● Is there a central registry for persons' ownership of financial assets? 8.1.9 Does your country have a global asset register[9]? ● If so, does your government work with other governments to advocate for a global asset register? ● If not, is it something that's being considered or on the political agenda? 8.1.10 How is transparency of the treatment of assets held in trusts, foundations and other vehicles (often used by the wealthy to hide their true ownership of assets) ensured? 8.1.11 What steps or measures (if any) have been taken to reduce the ability of wealthy individuals to hide their assets, including implementing public and centralised registers of beneficial ownership for companies, trusts, foundations and other financial assets. 8.1.12 Does your country obligate persons to meet mandatory declarations of assets (estate, property, financial assets, cash etc.) and liabilities including assets that residents hold in other jurisdictions? 8.1.13 Are there regulations for individuals and corporations on reporting their country-specific and global assets and wealth to the tax authorities in their country of residence[10]? 8.1.14 Does your country utilise the Common Reporting Standard (CRS) and promote automatic exchange of information between revenue authorities?

[9] The solution is to create a comprehensive global asset register of all traditional types of wealth (including physical and financial assets) to connect and centralize asset identification. See ICRICT. (2018). A Roadmap for a Global Asset Registry.
https://static1.squarespace.com/static/5a0c602bf43b5594845abb81/t/5c988368eef1a1538c2ae7eb/1553498989927/GAR.pdf

[10] Depending on the type of asset, the relevant tax and any applicable tax treaties, taxes are usually applied by the taxpayer's country of tax residence, except for immobile assets which tend to be taxed in the jurisdiction of that asset.

8.2 Taxes on holding of wealth See country examples[11]	**Net wealth tax (NWT)**[12] 8.2.1 Does your country have a NWT? If yes: ● Does it have progressive rates with sufficiently high thresholds ensuring that NWT does not need to be paid by ordinary middle-class person, only the wealthy are required to pay the tax? ● What NWT exemptions (if any) are offered? How much do these exemptions reduce the NWT tax base, and for what type or taxpayers? ● Are anti-avoidance measures in place to guarantee effective enforcement of the tax and reduce opportunities for the wealthy to avoid taxes by transferring their wealth to exempt assets[13]?

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[11] Oxfam's Survival of the Richest report
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf
shows that

- Taxing 5% on the net wealth of just one man, Carlos Slim in **Mexico**, could raise $4.1bn – enough to employ a quarter of a million Mexican teachers.
- As a percentage of total tax revenue, some **lower middle-income countries** could raise more revenue from a net wealth tax than rich countries because of high wealth inequality and low total tax revenues.
- The revenue-raising potential of a wealth tax in **India** and **Nigeria** is twice that in the US and France as a proportion of their tax revenues. A wealth tax of 2% on fortunes above $5m and 5% on fortunes above $1bn could increase tax revenues by 7% in the **USA** and 3% in **France**, compared with 14% in **India** and 7% in **Nigeria**. Moreover, in **Nigeria** and **India**, this revenue could boost health expenditure by 14% and 33%, respectively.

Wealth tax in India introduced an annual wealth tax in 1957 with the twin objectives of reducing inequality and promoting compliance by cross-checking the information declared for income tax purposes. The tax was levied at a rate of 1% on wealth above a threshold of 3 million rupees (roughly £36,000)#, until it was discontinued in 2016 and replaced with a surcharge on high-income earning taxpayers. The Explanatory Statement to the Finance Bill 2015 indicated that the main reasons for discontinuing the wealth tax were the low tax revenue and high compliance costs. This can be significantly attributed to the wide range of exemptions provided, which reduced the tax base, and made it difficult to administer. In 2015 the finance minister of India, reported that repealing its wealth tax resulted in a revenue loss of some 10 billion rupees (the rough equivalent of US$150 million) #.

Wealth tax in Columbia introduced a net wealth tax in 2002. The effect of Panama Papers and the voluntary disclosure program have helped double wealth taxes collected. After the Panama Papers, Colombian taxpayers disclosed 15 times more assets held abroad than had been previously reported. Colombia Revenue Authority (DIAN) also began in 2015 a voluntary disclosure program to encourage taxpayers to report hidden assets. The result is an 830 percent spike in what taxpayers disclosed to the DIAN.

[12] Net wealth tax is a tax levied on total wealth accumulated by an individual (above a certain threshold) based on the net value of all assets (minus debts), within the country or offshore: housing, bank deposits, corporate stocks, financial assets or tangible assets (e.g. jewellery, paintings, yachts).

The IMF has underlined the important role that wealth taxes can play in reducing inequality. It recently estimated that across 21 rich countries and three 'emerging' economies, an annual net wealth tax of just 1% could reduce the wealth share of the richest 1% by between one and 2.5 percentage points over a 20-year period, and that this could reduce the wealth concentrated in their hands by more than 10%. See - IMF. (2021). Fiscal Monitor: A Fair Shot. Online Annex 2.1: Inequality, Social Mobility, and Educational Outcomes. https://www.imf.org/-/media/Files/Publications/fiscal-monitor/2021/April/English/onlineannex21.ashx

[13] One area of tax avoidance is for instance *debt deductibility* where taxpayers borrow money and deduct interest payments. Those borrowed funds can then be used for another avoidance strategy like *investing in exempt assets*. If debt is only deductible when invested in taxable assets, taxpayers can invest their savings in tax-exempt assets and finance their investments in taxable assets through debt - OECD (2018). The Role and Design of Net Wealth Taxes in the OECD, page*87.*
https://www.oecd.org/tax/the-role-and-design-of-net-wealth-taxes-in-the-oecd-9789264290303-en.htm

- Are equivalent NWT rates for corporations ensured so that, i.e. are not lower than those applied to individuals, to minimise opportunities for avoidance?

Property tax[14]
8.2.2 Does your country tax ownership of property?

8.2.3 What value assessment method is your country using for assessing values of properties? [15]

8.2.4 At what administrative level is property tax administered, collected and spent (local, subnational, national level…)?

8.2.5 Is the competent authority equipped to assess property values?[16]
- Do tax collectors have authority to collect fines for fraud or failure to pay applicable property tax?
- Are there other enforcement measures?
- Does your country have regularly updated property registers and do property valuations?
- How often does property get valued?

8.2.6 Is there a special tax on empty homes?

8.2.7 Are there annual taxes on the combined value of property and land?

8.2.8 Is there a progressive rate schedule applied (to the owner not the property)?
- Are very low value properties removed from the liability of property tax where they are the main family residence?
- Does the system ensure that property taxes don't force vulnerable landowners such as the poor or older people to sell their property or land?

8.2.9 Does property rights and land ownership for women get promoted and encouraged through the property tax system?

[14] In low-income African countries, property taxes are often below 0.1% of GDP and 1% of tax revenue - see CMI (2017) Property Taxation in Developing Countries https://www.cmi.no/publications/file/6167-property-taxation-in-developing-countries.pdf
[15] African countries depend mostly on the regressive but easier to administer area-based assessment for property taxation. Fewer countries have adopted the more accurate, progressive but more expensive and time-consuming value-based method of valuation. Great inspiration about simplifying property tax valuation and lessons to be learned from a pilot project in Freetown, Sierra Leone
https://www.ictd.ac/blog/can-property-tax-valuation-africa-simplified-lessons-pilot-project-freetown-sierra-leone/

[16]ICTD plan to produce a paper property taxation mid-2023. Till then implicit reference to approaches that focus on registering property, even in the absence of ownership information can be found here:
(1) https://www.tandfonline.com/doi/full/10.1080/00220388.2016.1153073
(2)https://www.ictd.ac/publication/practical-guidance-note-training-manual-for-implementing-property-tax-reform-with-a-points-based-valuation/
(3)https://www.ictd.ac/blog/can-property-tax-valuation-africa-simplified-lessons-pilot-project-freetown-sierra-leone/
(4) https://www.ictd.ac/fr/blog/impot-foncier-faut-il-taxer-le-proprietaire-ou-loccupant/

	8.2.10 Are commercial properties taxed at the same, higher or lower rates than residential properties? 8.2.11 What measures are taken to ensure that the real owner of property is known, regardless of whether it is held privately or in a trust, foundation or other secrecy vehicle? 8.2.12 What mechanisms (if any) are in place to secure property value assessment, taxation and auditing is independent and safeguarded against pressure of individual politicians/stakeholders, corruption and bribery. **PENSIONS**[17] 8.2.12 How is the tax regime around pensions and pension contributions? ● Can you pay part (how much) of your income in a pension scheme tax free - does the tax rate depend on the size of payments? ● Are pension payouts taxed at a different rate than income? 8.2.13 What is the impact from pensions payouts and pension contributions on inequality? **Wealth tax on corporations** 8.2.14 Does your country have a wealth tax on corporations' stock, equity or assets[18]? 8.2.15 If not, has such taxes been discussed? **Generally** 8.2.16 Are there possibilities of taxes on holding of wealth that can be paid in installments or other measures to help with liquidity issues?[19]

[17] The expectation is that in developing countries is it only upper middle class and rich people who make us of legal/official pension systems. I.e. tax benefits from such schemes would disproportionally go to The Rich.

[18] Emmanuel Saez and Gabriel Zucman, 2022, propose to institute a new tax on corporations' stock shares for all publicly listed companies and large private companies. Each of these companies would have to pay 0.2% of the value of its stock in taxes each year. Because stock ownership is highly concentrated among the rich, this tax would be progressive. The tax could be paid in kind by corporations (by issuing new stock) so that the tax does not raise liquidity issue nor affect business operations. See, https://gabriel-zucman.eu/files/SaezZucman2022EP.pdf

[19] A often used counter-argument on wealth taxes including property taxes regards liquidity. In specific cases where individuals hold substantive wealth but have income liquidity issues, tax systems should develop a deferral system. In such cases, the net wealth taxes would be deferred until the sale of asset, or until the death of taxpayer, when such assets would be realized or sold, providing liquidity for the payment of taxes.
Different thresholds or rates could apply to the main family home. However, in order to prevent manoeuvres by wealthy individuals to avoid or evade the deferred net wealth taxes, proportionate anti-avoidance measures should be implemented to guarantee effective enforcement of the tax.
If a tax payment can be done in installments spread out over 5 years, then even if the top-up tax burden is high for an individual in one year, they will have ample time to liquidate the necessary assets (or will not need to liquidate much, because everyone has some liquidity). In a stylized example: If an ultra-rich person has no cash savings, no (realized) income and only owns stock, and that stock doubles in value in one year, they will owe 20% of that gain in top-up tax – so 10% of their fortune. Spread out over 5 years, that's 2% of their fortune each

8.3 Taxes on transfer of wealth	**Inheritance and gift taxes**[20] 8.3.1 Is there a tax on inheritance and/or gift tax? If yes: ● Is it progressive? ● What are the rates and thresholds? ● Who is subject to such taxes? ● What are the exemptions? ● Does the tax authority keep track of each taxpayer's lifetime accumulated gifts? ● Does the rate increase to target those receiving significant gifts or inheritance? 8.3.2 What measures are taken to minimize opportunities for avoidance of inheritance/gift taxes? 8.3.3 Can gift and inheritance taxes be paid over a period of time to minimize the risk that inheritors will be forced to sell for example family homes? 8.3.4 What could be an politically acceptable level of inheritance tax on the fortunes of the top1% in your country? **Financial transaction tax (FTT)**

year – which is not hard to liquidate and will likely not affect (e.g.) stock prices at all. Even if such stock holdings quadruple in value in one year, the top-up tax owed will only be 15% of the total fortune, so can be spread out to be 3% per year over 5 years – still not resulting in a market-distorting liquidation.

[20] Inheritance tax, also known as estate tax, is a tax levied on the net value of all possessions (property, financial assets, bank accounts, tangible assets, e.g. yachts) transferred to someone else upon an individual's death. It is paid by those who inherit the wealth. Seen from the beneficiary's perspective, inheritance is perhaps the clearest example of unearned income received purely thanks to the lottery of birth. From the perspective of the person leaving an inheritance, a tax on inheritance is a tax on their wealth. The current injustice, and future potential, of inheritance taxes is genuinely vast.

Many countries which have a cultural tradition of financially protecting the upcoming generations. While this cultural trend must be respected and taken into account, a static distrust in the progress of government through progressive policies (including taxation of wealth) is based on the position that it is impossible or undesirable to improve the social contract. On the other hand, progressive tax systems which redistribute wealth as well as strengthen the links between citizens and the state actually increase the legitimacy of government revenue collection and the need to hold the government to account. (Oxfam 2019, Wealth tax compendium)

The potential for genuinely curbing wealth inequality through inheritance taxes is considerable. For instance, one-third of today's billionaires acquired their wealth from inheritance. See - Oxfam 2017 "*An Economy for the 99%: It's time to build a human economy that benefits everyone, not just the privileged few"* https://policy-practice.oxfam.org/resources/an-economy-for-the-99-its-time-to-build-a-human-economy-that-benefits-everyone-620170/
Oxfam's Survival of the Richest report
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf
shows that

- Half of the world's billionaires (46%) are from countries with no inheritance tax on wealth and assets passed to direct descendants. This means that these super-wealthy individuals (1,232 people) will be able to pass on a combined fortune of $5 trillion completely tax-free to the next generation, keeping the concentration of wealth in the hands of the same families, and perpetuating inequality. This is more than the entire GDP of Africa.
- Of the 119 countries we reviewed, only 33% tax inheritance passed to direct descendants.
- For low- and lower-middle-income countries the figure is even lower: none of the six low-income countries with available data has an inheritance tax on wealth and assets passed to direct descendants, and only 26% (eight out of 31) of lower-middle income countries have one.

	Discuss how and in what developing countries a FTT could be a relevant policy objective? **Withholding taxes** see chapter 3 and check for building on this and how to structure between chapter 3 and chapter 8
8.4 Taxes on increase in the value of wealth See country examples[21]	**Capital gains tax (CGT) and unrealized capital gains tax[22]** 8.4.1 Are capital gains and personal income taxation taxed jointly? Or is there a separate capital gains tax? 8.4.2 What is the CGT tax rate? Is it progressive? 8.4.3 Is there a way or system the revenue authority uses to keep track of disposal/selling of assets to allow for levying of CGT? Does this take into account the informal sector (if relevant)? 8.4.4 What does the CGT apply to (sale of all assets?)? Are non-residents also covered by the CGT requirement?

[21] Capital gains are currently only taxed at 5% in **Kenya** where intense lobbying and political capture by wealthy interests have made it one of the most hotly contested and lobbied areas of the tax code for decades. See - Mutava, C.N. and Wanjala, B. (2017). *Taxing for a more equal Kenya: A five point action plan to fight inequality* https://policy-practice.oxfam.org/resources/taxing-for-a-more-equal-kenya-a-five-point-action-plan-to-tackle-inequality-620389/
Capital Gains Tax (CGT) in **South Africa** introduced capital gains tax (CGT) in 2001 at 10%, the rate hereafter went up to 13.3% in 2002, 13.7% in 2015. In 2016 it again increased to 16.4% followed by a raise to 18%in 2017 - see Arendse, J. and Stack, L. (2018) Investigating a New Wealth Tax in South Africa: Lessons from International Experience https://jefjournal.org.za/index.php/jef/article/view/175/207#T0001_175
In **India**, a one-off tax on unrealized gains from 2017–2021 on just one billionaire, Gautam Adani, could have raised $21.95bn – enough to employ more than five million Indian primary school teachers for a year. See - Oxfam 2023, *Survival of the Richest*
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf

[22] ***Capital gains tax (CGT)*** is a tax levied on the increased value of an asset when it is sold. The most common capital gains are on stocks or bonds.
Unrealized capital gains tax is a tax levied on the increased value of an asset that has not been sold.
If we want the wealthiest to pay a higher rate of tax, we need higher taxes on all forms of income that they enjoy. For the super-rich, capital gains are much more important than salaries.
Oxfam's Survival of the Richest report
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf
shows that

- Out of 123 countries the average tax rate on capital gains is only 18% – far less than taxes on income from work.
- Only three countries that tax capital income more than work income.

Across the world, capital gains are generally only taxed when they are realized. Asset prices change constantly, but a capital gain is considered 'realized' when there is a transaction and the asset is sold for a higher price than it was purchased for. If the price of an asset increases but the asset is not sold, this is an unrealized capital gain. The absence of a tax on unrealized gains allows rich people to accrue value from their assets without having to pay tax on it.

	8.4.5 Are there certain assets exempted from CGT? Is there a threshold? 8.4.6 How do the provisions on CGT in the country's DTA network look like? Are they securing or giving away capital gains taxing rights? 8.4.7 How is unrealised capital gains taxed (UCGT) in your country[23]? 8.4.8 Are measures taken to prevent individuals and companies avoiding capital gains tax by hiding their ownership of assets? CGT should be applied to the true owner regardless of how the asset is legally owned, such as through a trust or company, or through registration in a foreign country.
8.5 Income taxes targeting rich individuals	8.5.1 What does the PIT brackets/bands look like in your country? ● What percent of tax-payers pays the highest PIT rate? ● Is there a PIT band for the top1% highest income-earners? ● If not, has such a PIT-band been discussed?[25] ● What do these bands look like in comparison to countries in your region (a comparison with three or more countries)? 8.5.2 Is financial income progressively taxed, such as dividends or share income, interest on deposits or bonds, or gains on pension/investment fund investments? 8.5.3 How does the tax rate on dividend payouts to wealthy stockholders compare to the tax rate on income from wages in your country?

Opponents of taxing unrealized gains argue that it is not 'real money'. However, assets (financial, property, etc.) can be used as collateral to raise loans; therefore, they are in practice 'real money' for the wealthiest. A recent example is when Elon Musk took out loans against his Tesla stocks to buy Twitter - see https://www.reuters.com/markets/us/how-will-elon-musk-pay-twitter-2022-10-07/
Tax on unrealized gains is currently still a relatively new concept, and would need careful consideration and analysis before being implemented. Such a tax could take the form of a one-off tax to be paid over time on unrealized gains made over multiple years, or it could be designed as a recurring tax on annual unrealized gains.

[23] Oxfam knows of no countries currently taxing unrealized capital gains (UCG) while the holder is still alive. The UCG share of income among the ultra-rich is usually very large, e.g. above 60% for the wealthiest Americans. The figure is probably comparable in many other countries, but data is scarce.
According to ProPublica, the 25 wealthiest Americans paid an average 16% tax on their taxable income from 2013 to 2018 but only had an average true tax rate of 3.4% from 2014 to 2018.
Sources: (1) PwC tax summaries: https://taxsummaries.pwc.com/ ;
(2) Propublica 2021, The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax
(3) Propupblica, 2021, How We Calculated the True Tax Rates of the Wealthiest, https://www.propublica.org/article/how-we-calculated-the-true-tax-rates-of-the-wealthiest

[25] Most low-income countries have high tax rates at the lower-end of the income bracket, therefore, in most cases, income taxes are regressive. Introducing an additional tax rate band could be useful in bridging the inequality gap whilst increasing tax revenue.

Country examples[24]	8.5.3 Are high income taxpayers in your country benefiting from general tax reliefs, e.g. base deduction, joint income filing for married couples, child education support[26]? 8.5.5 Does the rich and/or ultra-rich pay lower *effective tax rate* (ETR) than the median-wage earner in your country? 8.5.5 Do you have experiences of implemented **windfall** taxes in your country? How much revenue have these taxes generated? 8.5.6 Does your country have experience with **one-off** taxes targeting rich people in times of crises, e.g. on companies, exports, netwealth, properties, income (see example from Argentina[27])? 8.5.7 How could implementing a one-off solidarity wealth tax on the top 1% impact revenue and political sentiments in your country? What are the potential challenges associated with implementing such a tax?

[24] It is likely difficult find out what the effective tax rate (ETR) is of the richest people. Likewise, it can be difficult to find out what the average worker effectively pays in taxes. Looking at statutory rates can nevertheless sometimes be helpful. The OECD, however, publishes data on the average effective tax rate for median-wage earners in its members countries. OECD average workers' tax rates:
https://stats.oecd.org/index.aspx?DataSetCode=Table_I6
Country data can be found e.g. at PwC tax summaries: https://taxsummaries.pwc.com/

Ghana The top PIT rate is 30%, and the average worker probably has a statutory PIT rate of around 9%. The top CGT rate is 15%, and there is no comprehensive inheritance tax.
Kenya The top PIT rate is 30%, and the average worker probably has a statutory PIT rate of around 9%. The top CGT rate is 5%, and there is no comprehensive inheritance tax.
Nigeria The top PIT rate is 24%, and the average worker probably has a statutory PIT rate of around 5%. The top CGT rate is 10%, and the top inheritance tax rate for direct descendants is 10%.
Tanzania The top PIT rate is 30%, though the average worker probably has a statutory PIT rate of around 1%. The top CGT rate is 10%, and there is no comprehensive inheritance tax.
India The top PIT rate is 42%, though the average worker probably pays no income tax. The top CGT rate is 10%, and there is no comprehensive inheritance tax.
Pakistan The top PIT rate is 47%, though the average worker probably pays no income tax. The top CGT rate is 13%, and there is no comprehensive inheritance tax.
Argentina The top PIT rate is 35%; I haven't tried to estimate the average worker's effective rate. The top CGT rate is 15%, and there is no comprehensive inheritance tax.

[26] Tax reliefs in the tax code must aimed at reducing inequality, rather than being given on a wholesale. For instance, in Ghana, taxpayers are entitled to a tax-free amount of GHC 3,828 (approximately $670) a year. Even though this aims at reducing inequality through tax codes, every taxpayer in the country qualifies. Aside the personal reliefs (i.e. personal allowances), there are several tax reliefs such as married couples' allowance, child education support, dependent spouse, etc. which are again given to any taxpayer. Removing such tax 'freebies' for higher income tax earners, for example, those earning over $6000 a month, could generate substantial revenue whilst promoting one of the core aims of taxation, fairness.

[27] In December 2020 Argentina passed the *'Solidarity and Extraordinary Contribution of Great Fortunes'* law, a one-off tax intended to help cover the costs of the COVID19 pandemic. The tax was levied on Argentina's 12,000 richest people, just 0.02% of the population, who have declared assets of more than US$2.5 million will be collected through a one-time charge of 2-5.25% on individual assets that the Argentine government expects to raise some $3.5bn.

8.6 Minimum tax for ultra-rich (MTUR) sometimes called a *Billionaire Minimum Tax Rate (BMTR)*[28]	8.6.1 Are there studies or statistics in your country showing the effective tax rate (ETR) of the rich and ultry rich, e.g. the top1% or top 0.1% ? 8.6.2 If yes, does it include income both from *personal income, realized capital gains,* and *unrealized capital gains?*
8.7 Exit tax[29]	8.7.1 Does your country have an exit tax for persons leaving your country in order to become tax resident in another country? 8.7.2 Does your country have rules in place to keep taxing people after they leave the country based on how much wealth they redomicile out of your country and/or based on the number of years they were tax residents?[30]

[28]The USA Biden administration's 2022 proposal of a "Billionaire Minimum Income Tax" (**BMIT**) has started a renewed interest in MTUR-taxes in many countries. The common feature of these and other framings is that a MTUR would **fix a bug in the system**: we never intended for the ultra-rich to pay lower taxes than others, but here we are, and one way to fix it is by setting a minimum tax rate that would apply to their total income. In the Biden administration's proposal, this minimum rate is set equal to the top CGT rate at 20%.
Double taxation and MTUR. Tax authorities can arrange the MTUR as a "prepayment" of future taxes and thus avoids double-taxing anyone. The BMIT paid in past years will be deductible from future tax liabilities, such as when capital gains are realized, or when capital is passed on upon death. E.g. if the total price of the stock holdings crashes the next year, our stylized stockholder would be eligible for a tax refund based on the price decrease. And if the stylized stockholder ends up realizing all the gains in year 2, they will owe no taxes on those gains because the MTUR in year 1 was just a prepayment of future taxes. All in all, such a structure makes it exceedingly unlikely that a MTUR will cause liquidity issues, significant debt or market distortions related to suddenly necessary asset sales.

[29] An exit tax or emigration tax is a tax on persons who cease to be tax resident in a country. This often takes the form of a capital gains tax against unrealised gain attributable to the period in which the taxpayer was a tax resident of the country in question.
The current South African exit tax regime works in concert with South Africa's foreign exchange controls. A person who is a resident of South Africa as defined under the exchange control laws (someone who is resident or domiciled in South Africa) may change status to become an emigrant, if the person is leaving the Common Monetary Area (South Africa, Namibia, Swaziland, and Lesotho) to take up permanent residence in another country. A single emigrant may expatriate up to R4 million of assets without exit charge, while a family is entitled to twice that amount. The emigrant must declare all worldwide assets to an Authorised Dealer of the South African Reserve Bank, and obtain a tax clearance certificate from the South African Revenue Service. See, https://en.wikipedia.org/wiki/Expatriation_tax
[30] *See Page4 in* Emmanuel SEAZ & Gabriel ZUCMAN (2022). Wealth Taxation: Lessons from History and Recent Developments, https://gabriel-zucman.eu/files/SZ2022AEA.pdf

8.8 Alternative and creative ways of tackling challenges with data availability and tax compliance	8.8.1 What experience (if any) does your country have in using *proxies* for wealth and income when data availability is a challenge. *Proxies* could for instance include: ● The number of cars and homes owned, using third party data such as DVLA and local assemblies' records of property ownerships registration documents. ● Bank balance and movements ● The type of educational establishment of one's child/ward ● Investment outside Ghana (Here, the corporation of foreign government/authorities may be required) ● Records of their imports and /or exports and their volume ● Bank transactions including loans. Size of loan may help determine their wealth since most banks give loans based on one's personal finance/ assets/collateral. ● Publicly and generally available information. ● Social activities and general lifestyle. 8.8.2 Does your country have specific taxes and levies targeting luxury goods? E.g. luxury vehicles could be subject to an extra annual levy where vehicle owners pay during the renewal of their road tax or road certificates with the Drivers and Vehicles Licensing Authority which could be the body to administer such levies for luxury vehicles.[31]
8.9 Administrative question in relation to the Revenue Authorities and other state institutions See country examples[32]	8.9.1 Has specific units in the tax authority been established to deal with taxing the wealthy and powerful people, e.g. High Net Worth Individuals (HNWI), and/or politically exposed persons (PEPs) and persons seen as Very Important Persons (VIPs)? ● Who is defined as a HNWI in your country? What types of income/asset will be considered/included and what is set as threshold above which wealth and income levels are considered "high"? ● How are HNWIs identified? ● How are revenue/tax authorities in your country engaging with HNWI? ● What legal and administrative frameworks need to be amended to ensure HNWIs are fairly taxed?

[31] If Tax luxury vehicles, the Drivers and Vehicles Licensing Authority (DVLA), could administer such levies to increase simplicity and administrative efficiency, as the DVLA already has full access to data on luxury vehicles in the country. The policy must exclude commercial vehicles (as prices may be passed on to the poor who may be using public transport). To promote fairness and improve compliance, cars used by politicians [which qualify] must be included. This levy, if well designed could raise substantial revenues for low-income countries.

[32] A step in the right direction is to create a high-net-worth individual (HNWI) unit within a revenue administration to monitor high-value transactions and property ownership, rental incomes or large loans, in order to facilitate risk audits and compliance checks.
Uganda successfully increased revenue collection from HNWIs by $5m in the first year and $11m in the second year after setting up a special unit. See - Okecho Olwenyi, J. and Seery, E. (2020, October). Widening the Tax Base of Low-Income Countries: Taxing high-net-worth individuals in Uganda. https://policy-practice.oxfam.org/resources/widening-the-tax-base-of-low-income-countries-taxing-high-net-worth-individuals-621078/
South Africa has adopted a third-party financial reporting mechanism (on capital income and ownership) even before implementing proper net wealth tax legislation. This provides the South Africa Revenue Service with

	8.9.2 Is whistleblowing protection ensured for those who expose tax avoidance and evasion schemes by the ultra-wealthy? 8.9.3 Is there an automatic exchange of information system in place to ensure that information on assets held in other jurisdictions is shared between revenue authorities, through a reformed OECD Global Forum on transparency & Exchange of Information for Tax Purposes or otherwise? 8.9.4 To what extent are public and tax administrations in your country empowered to track and tax the wealth of the richest people and corporations?
8.10 Public sentiment, tax-payer compliance and the politics of taxing the rich See country examples[33]	8.10.1 Does your country's revenue authorities have voluntary disclosure programs for high wealth individuals and/or high income individuals and companies? 8.10.2 Does your country have tax amnesty programs? 8.10.3 Are there public awareness programmes to help increase compliance? 8.10.4 Does your country have experiences with enhancing the social contract via ***political signalling*** around taxes targeting the rich?[34]

crucial information to better map the profile of the wealthiest in the country and adjust compliance systems for the future. See - BusinessTech. (2022, March 27). Big tax changes coming to South Africa.
https://businesstech.co.za/news/government/570384/big-tax-changes-coming-to-south-africa/
and South African Revenue Service. Third Party Data Submission Platform
https://www.sars.gov.za/businesses-and-employers/third-party-data-submission-platform/

[33] The concentration of media ownership in the hands of a few super-rich individuals, and the power this gives them to influence the terms of the political debate, pose a significant challenge to progressive reforms.
A sizeable share of **Mexico's** media is owned by the country's richest man, Carlos Slim - see
https://mexico.mom-gmr.org/en/owner/individual-owners/detail/owner/owner/show/carlos-slim-helu-1/
Kenya's former president Daniel Arap Moi, considered one of the richest men in the country, owned several newspapers with large reach, including the Standard, before he passed away in 2022 - see
https://www.businessdailyafrica.com/bd/corporate/companies/moi-family-shifts-sh520-million-stanchart-ownership-3926682
and
https://internews.org/wp-content/uploads/legacy/2021-03/KMAReport_Final_20210325.pdf
In **India**, 72 TV channels reaching over 800 million people are owned by one billionaire: Mukesh Ambani - see
https://www.exchange4media.com/media-others-news/72-tv-channels-owned-by-ril-have-a-reach-of-800mn-indians-98774.html

[34] **Political signaling.** WorldBank study from 2022 shows that progressive tax systems make people more likely to pay taxes - based on surveys in 8 developing countries
https://openknowledge.worldbank.org/bitstream/handle/10986/37987/IDU0aaee5bc5034b5041d80901c0e9d06c8ad905.pdf?sequence=1&isAllowed=y
It is important for governments to show that the wealthy are paying their fair share of tax, to signal that everyone in society is contributing according to their means, especially at times of austerity. More broadly, wealth taxes can

	8.10.5 Does your country have special transparency and/or tax compliance requirements for persons holding or seeking political office (see example from Uganda[35])? 8.10.6 What is the public opinion on taxing rich individuals in your country? 8.10.7 How does the government in your country justify its tax system for rich individuals? 8.10.8 What institutions and players in your country are now making the case for taxing the rich more, and what does this suggest about the direction of national tax policy?

Chapter 8 literature for further reading

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Arendse, J. and Stack, L. (2018) Investigating a New Wealth Tax in South Africa: Lessons from International Experience
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ICTD, 2019, Can property tax valuation in Africa be simplified? Lessons from a pilot project in Freetown, Sierra Leone
https://www.ictd.ac/blog/can-property-tax-valuation-africa-simplified-lessons-pilot-project-freetown-sierra-leone/

be a way to enhance the social contract where those with more pay more in tax. When wealthier people are taxed effectively, tax morale in general improves as the government has increased fiscal legitimacy. This is likely to lead to less small-scale tax evasion across income groups as well as higher trust in relevant institutions. Read more in *Oxfam, Wealth Tax Compendium, 2019, Page3*

[35] Experiences from Uganda (ATI case study 2022) on tax requirements for people running for political office - often very rich people - *1. "…before the 2016 parliamentary and presidential elections the URA requested that the Electoral Commission require a tax clearance certificate from the URA before accepting nominations from candidates for parliamentary seats. The URA and Domestic Taxes Department made public announcements and contacted candidates via text and email, urging them to file their returns and pay any tax due in order to obtain a Tax Clearance Certificate."*

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OECD (2018) The Role and Design of Net Wealth Taxes in the OECD https://read.oecd-ilibrary.org/taxation/the-role-and-design-of-net-wealth-taxes-in-the-oecd_9789264290303-en#page13

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Oxfam 2015, *EXTREME WEALTH IS NOT MERITED, https://www-cdn.oxfam.org/s3fs-public/file_attachments/dp-extreme-wealth-is-not-merited-241115-en.pdf*

Oxfam (2017), An Economy for the 99%, www.oxfam.org/files/file_attachments/bpeconomy-for-99-percent-160117-en.pdf

Oxfam India (2018) Policy Brief: On Some Implications of Wealth Taxes on Inequality in India
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Oxfam (2018) *Reward Work not wealth*: https://policy-practice.oxfam.org.uk/publications/reward-work-not-wealth-to-end-the-inequality-crisis-we-must-build-an-economy-fo-620396

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Oxfam (2022). PROFITING FROM PAIN The urgency of taxing the rich amid a surge in billionaire wealth and a global cost-of-living crisis ,
https://www.oxfam.org/en/research/profiting-pain

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WorldBank 2022, How Does the Progressivity of Taxes and Government Transfers Impact People's Willingness to Pay Tax? Experimental Evidence across Developing Countries
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