



TaxDev



Taxing the rich

Hazel Granger

Senior Research Fellow, Development and Public Finance

TaxDev ODI Programme Lead

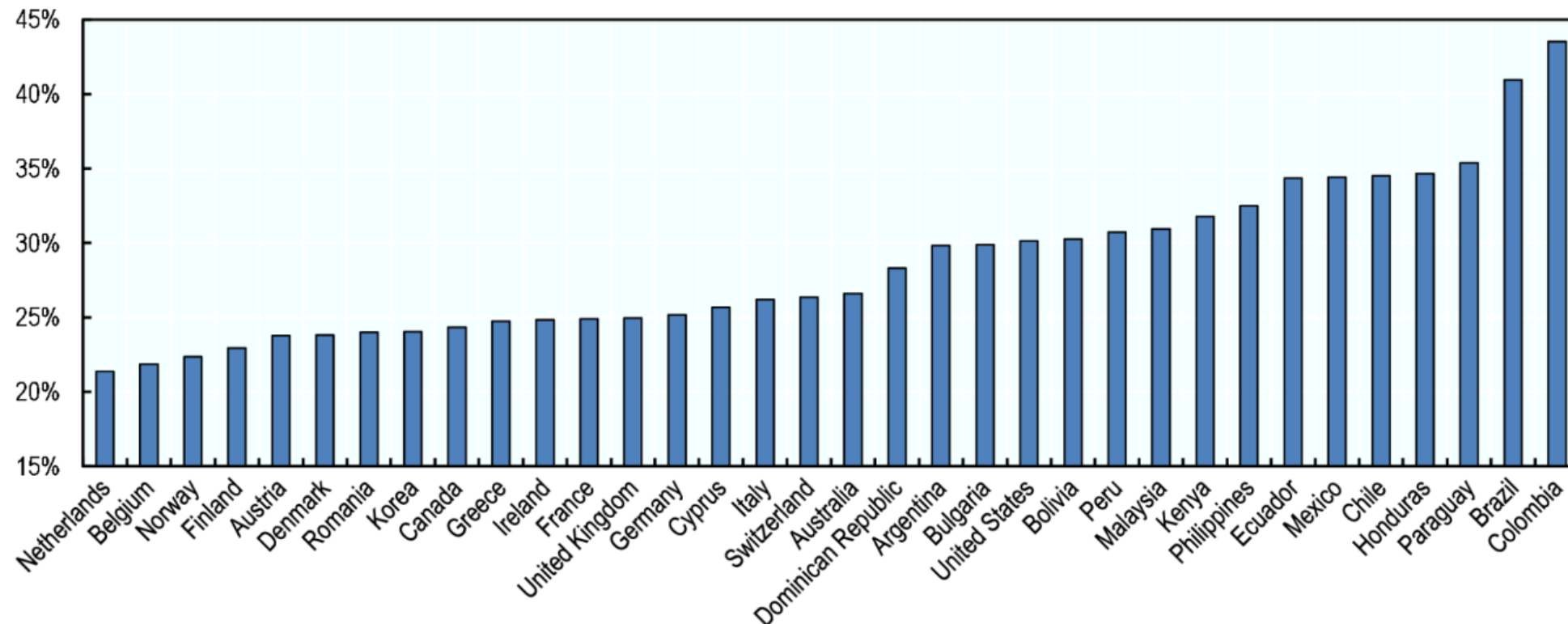
www.taxdev.org

Presentation to GIZ

3 September 2024

Income and wealth is concentrated at the top

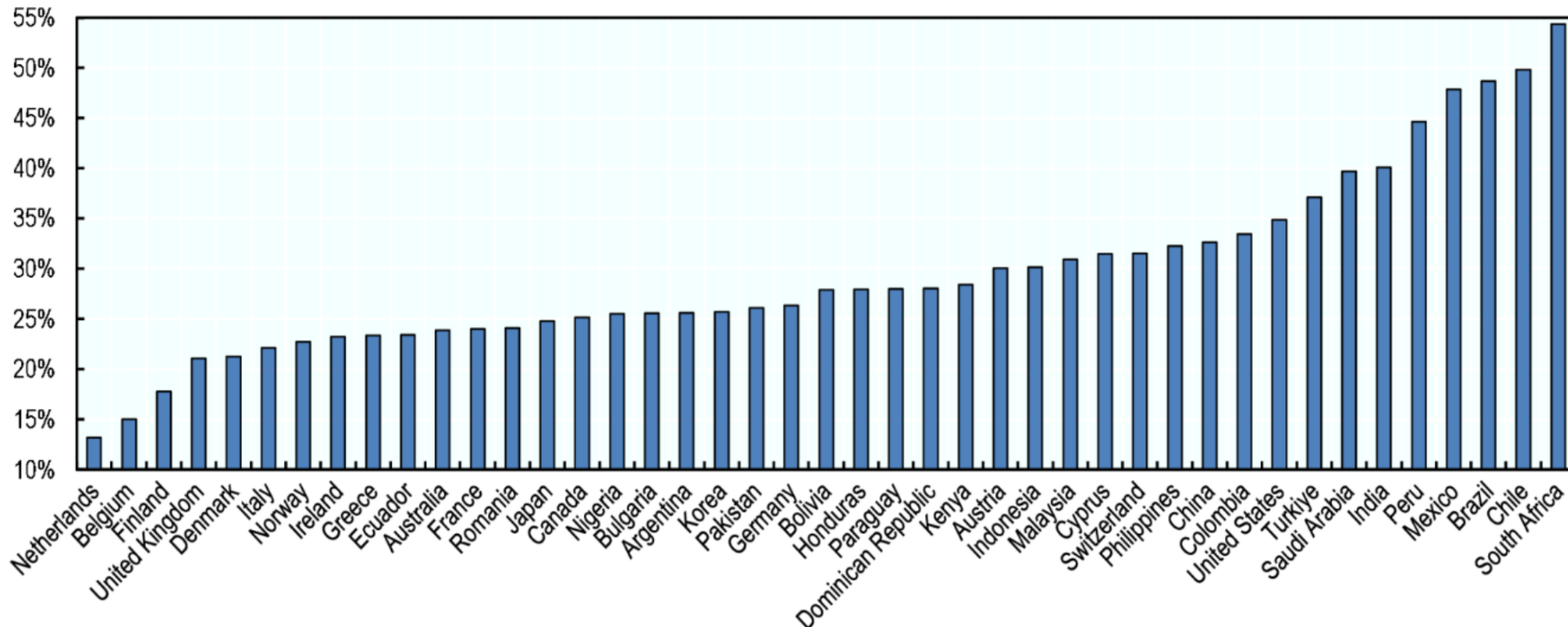
Top 10% disposable income share in selected countries, 2022



Source: OECD presentation to IIPF conference 2024 (data from World Bank Poverty and Inequality Indicators Database)

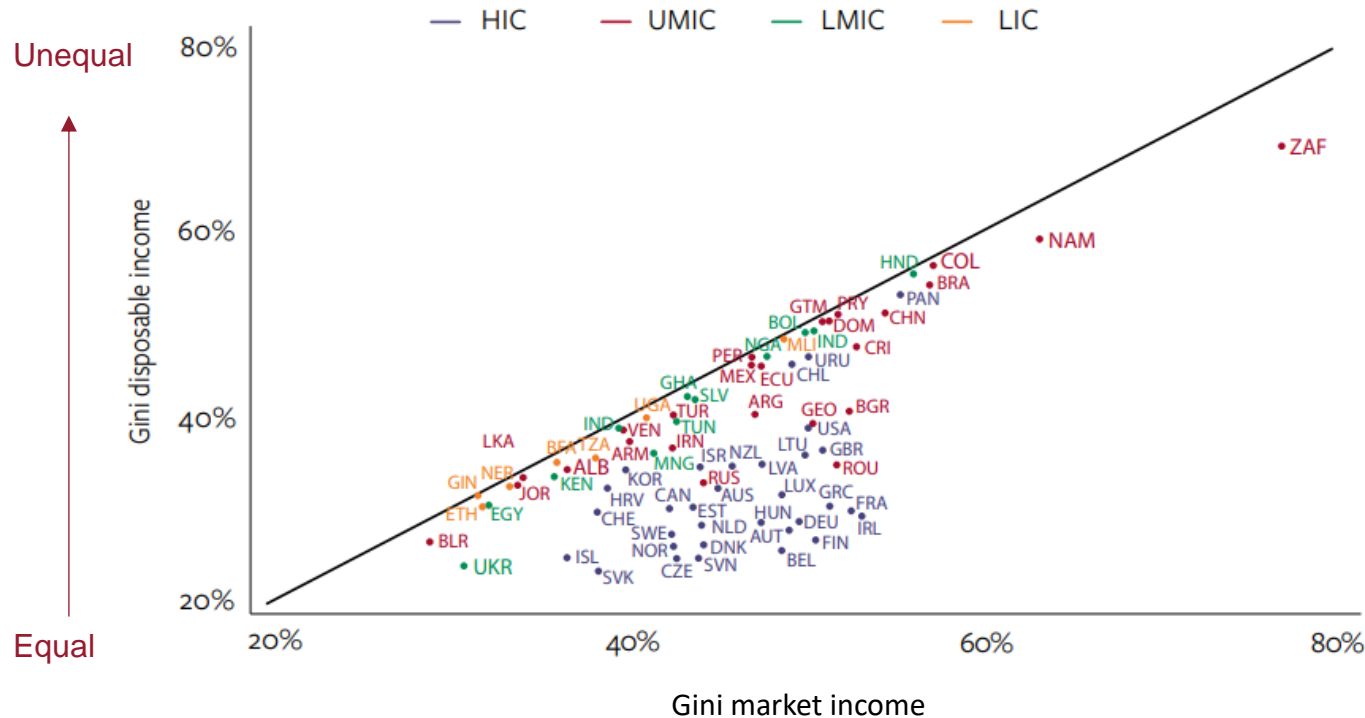
Income and wealth is concentrated at the top

Top 1% wealth share in selected countries, 2022



Source OECD presentation to IIPF conference 2024 (data from World Inequality Database)

Taxing the rich is important for redistribution



Note: 2018 or latest available year. Data labels use the ISO country codes from the OECD. 82 countries included: 37 HICs, 25 UMICs, 13 LMICs, 7 LICs.

Sources: Commitment to Equity Institute Data Center on Fiscal Redistribution, 2019; OECD, Income Distribution Database.

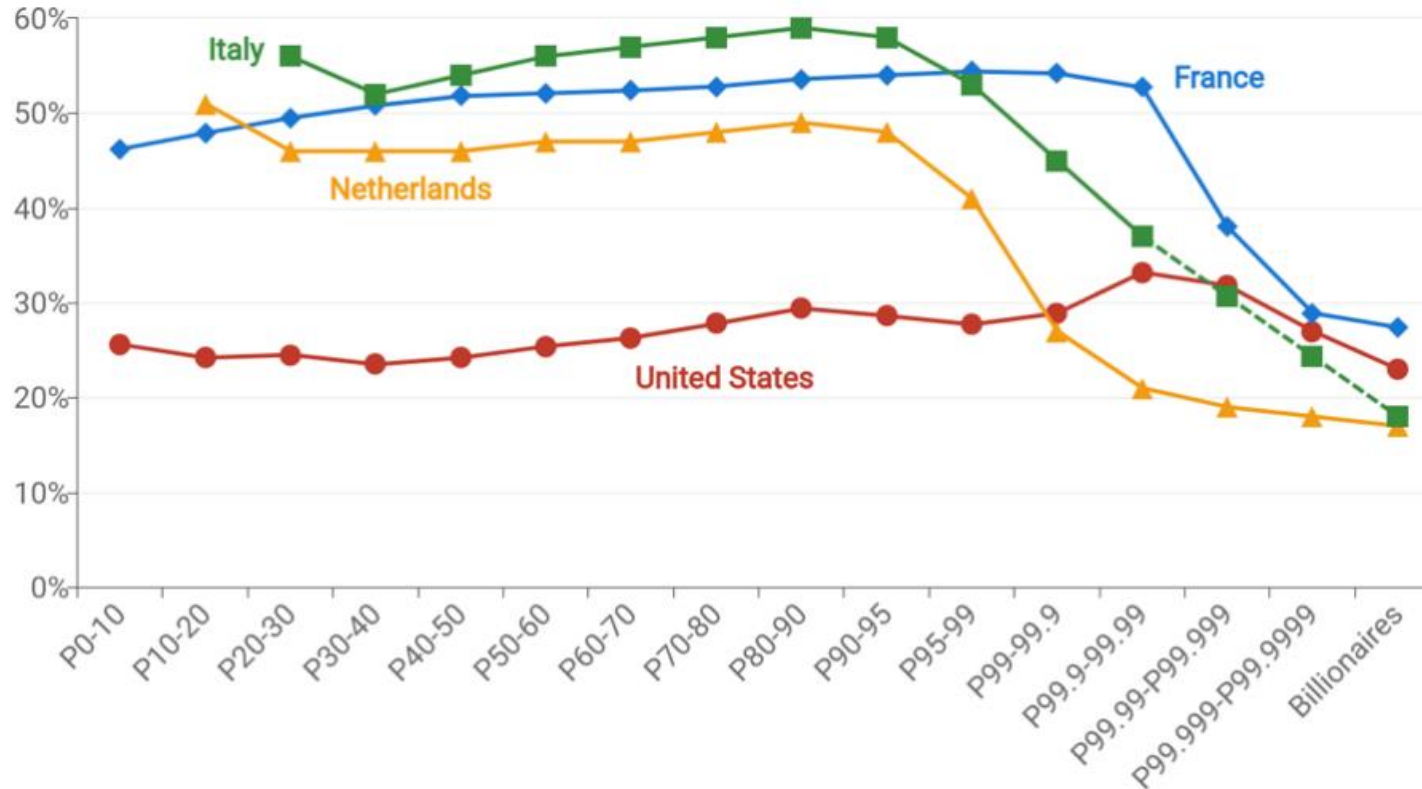
Reproduced from Granger et al., (2022) *"Fiscal policy and income inequality : The role of taxes and social spending"*, ODI Report

Redistributive impact of income taxes and direct cash transfers

- 45-degree line = point at which fiscal policy has a neutral impact on income distribution
- Below the line = positive redistribution effect

Super-rich pay less as share of income

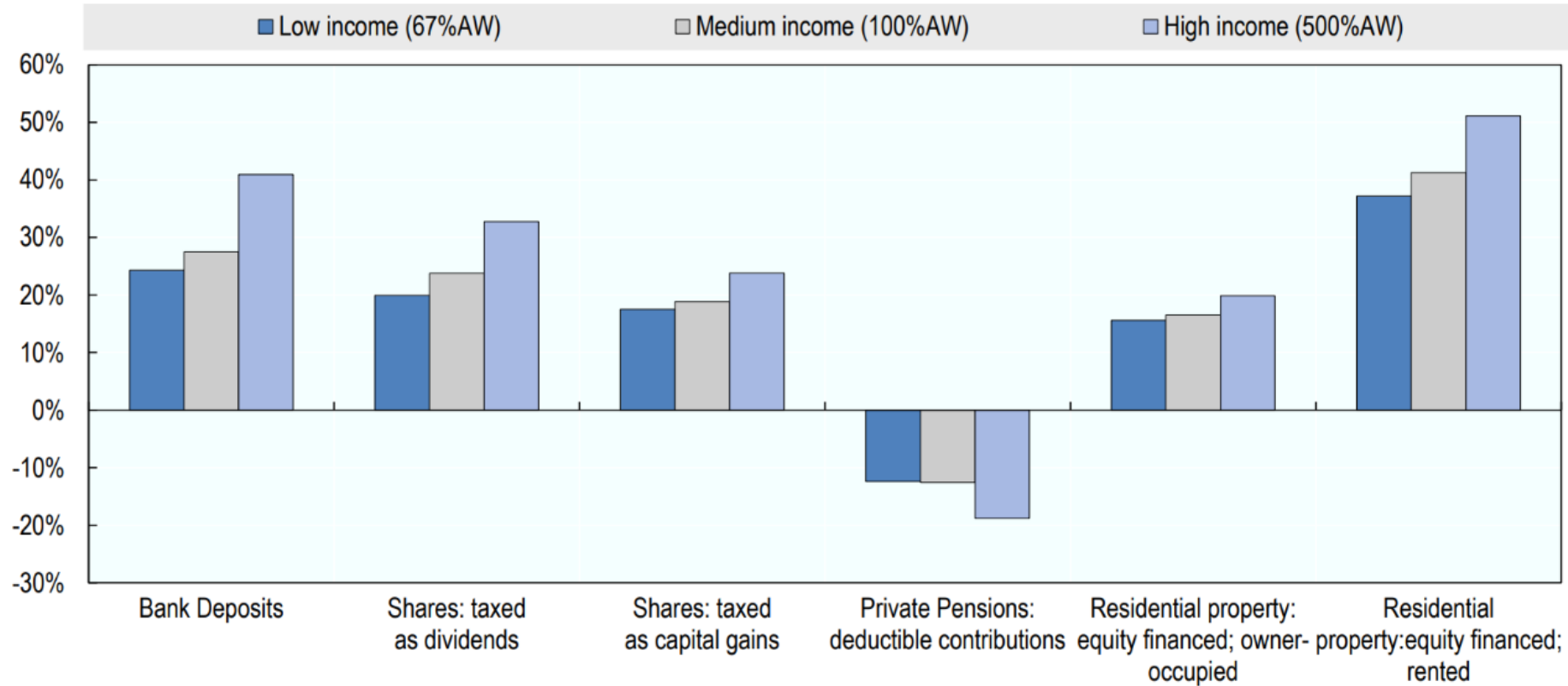
Average tax rates by income groups and for billionaires (% of pre-tax income)



Source: Gabriel Zucman (2024) "[A blueprint for a coordinated minimum effective taxation standard for ultra-high-net-worth individuals](#)"

Capital assets types are taxed differently

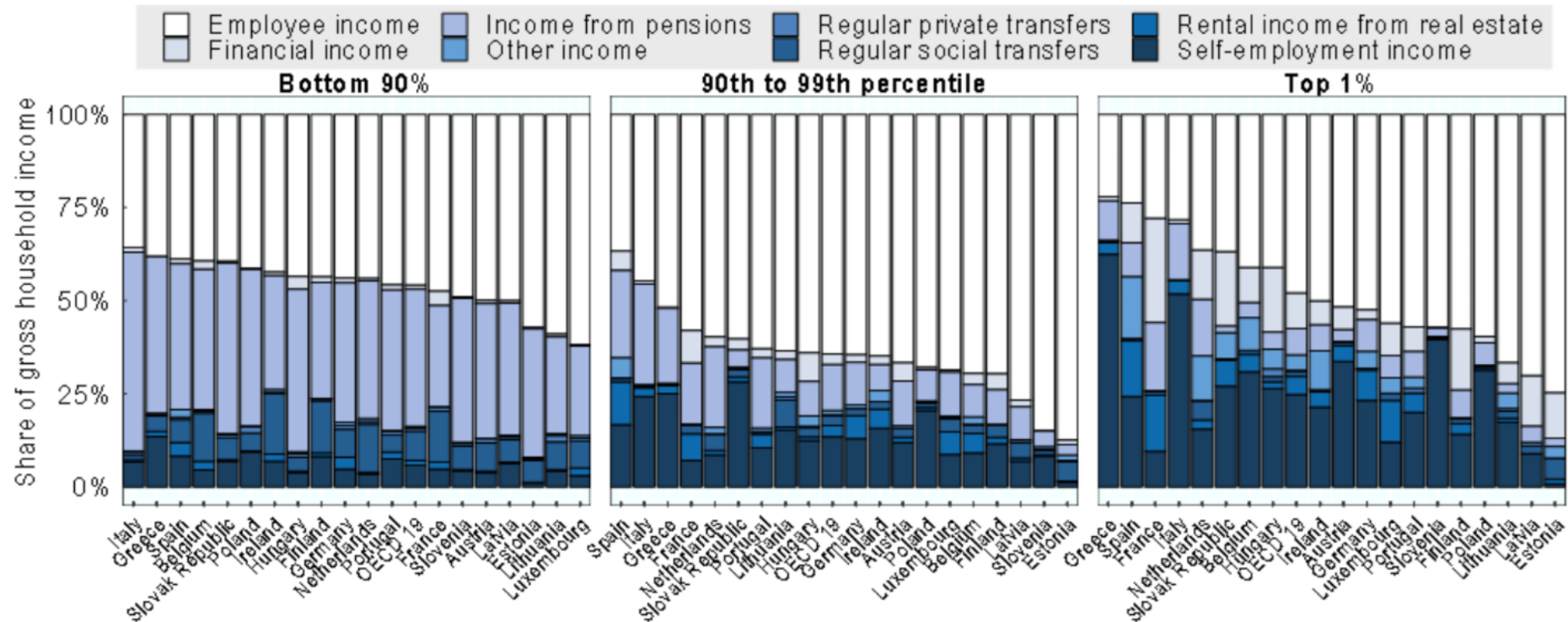
Marginal effective tax rates by asset type, averages across 40 countries, 2016



Source: OECD (2018) "[Taxation of Household Savings](#)"

Capital income more important for rich

Composition of gross household incomes by income group, selected OECD countries



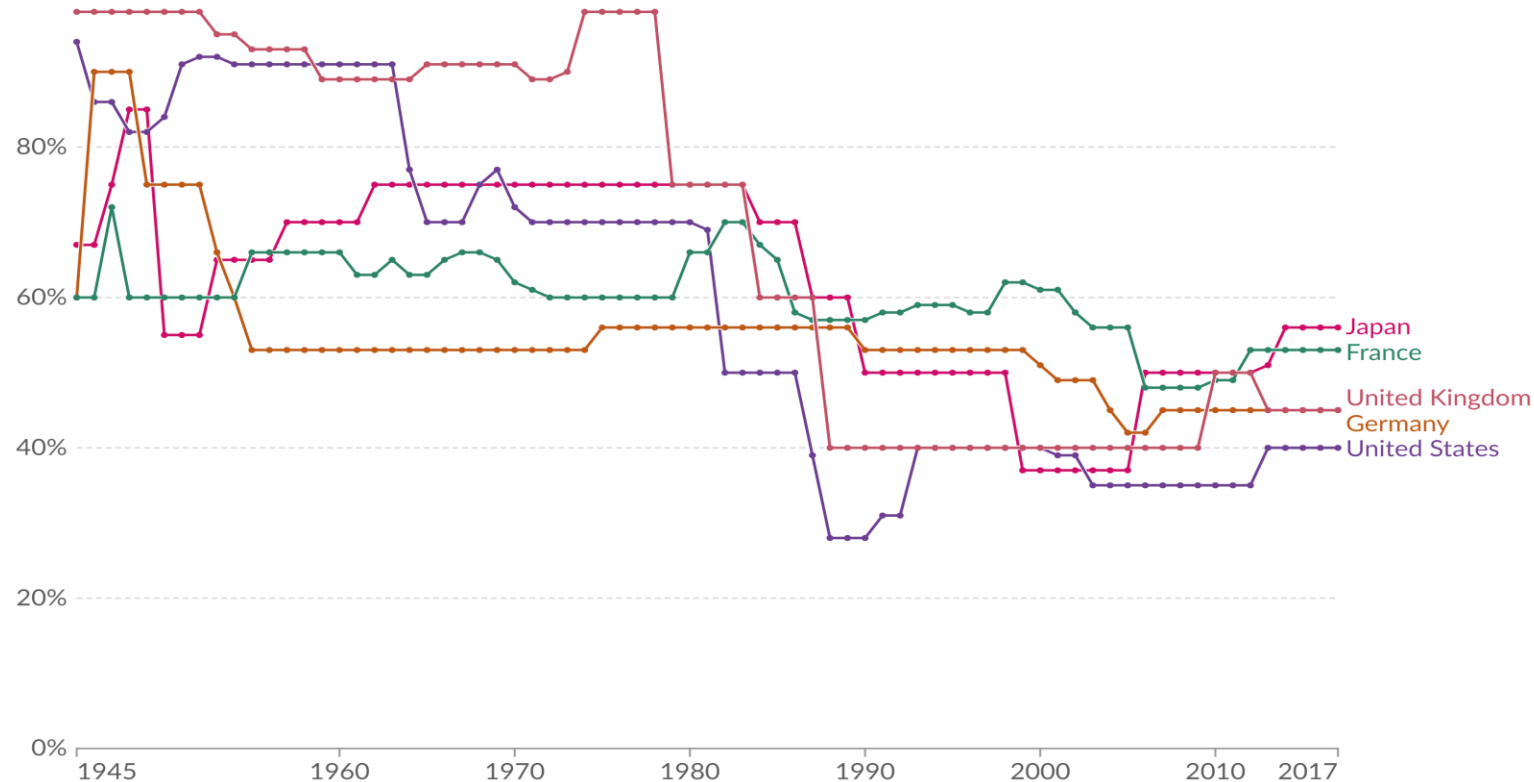
Source: Hourani et al. (2023) "[The taxation of labour vs. capital income: A focus on high earners](#)", OECD Taxation Working Papers

Income tax reform options

Top marginal income tax rate, 1945 to 2017

Top marginal tax rate of the income tax (i.e. the maximum rate of taxation applied to the highest part of income)

Our World
in Data



Data source: World Inequality Report (2018)

OurWorldInData.org/taxation | CC BY

- Progressivity (rates, thresholds)
- Harmonise rates across income sources
- Administrative measures & regulations e.g. transparency / disclosure

Wealth Taxes

Prevalence of wealth-related taxes in 38 GDC'S bilateral partners

Tax Type	No. partners (total 38)	% partners
Capital income tax		
Capital gains	36	95%
Taxes on wealth transfers		
Estate, inheritance or gift taxes	8	21%
Other transfer / stamp tax	37	97%
Taxes on the stock of wealth		
Wealth tax	3	8%
Taxes on immovable property	36	95%

Source: Abramovsky (2024) "Wealth-related taxes in low- and middle-income countries", GIZ Policy Brief

Behaviour responses of the rich

Issues

- Planning / avoidance
- Under-reporting
- Offshore evasion
- Migration

Solutions

- Policy reform & global minimum tax
- Third-party reporting, registries, audits
- Automatic Exchange of Information
- 'Exit' taxes

Example: Ecuador – Can countries unilaterally mitigate tax haven usage?



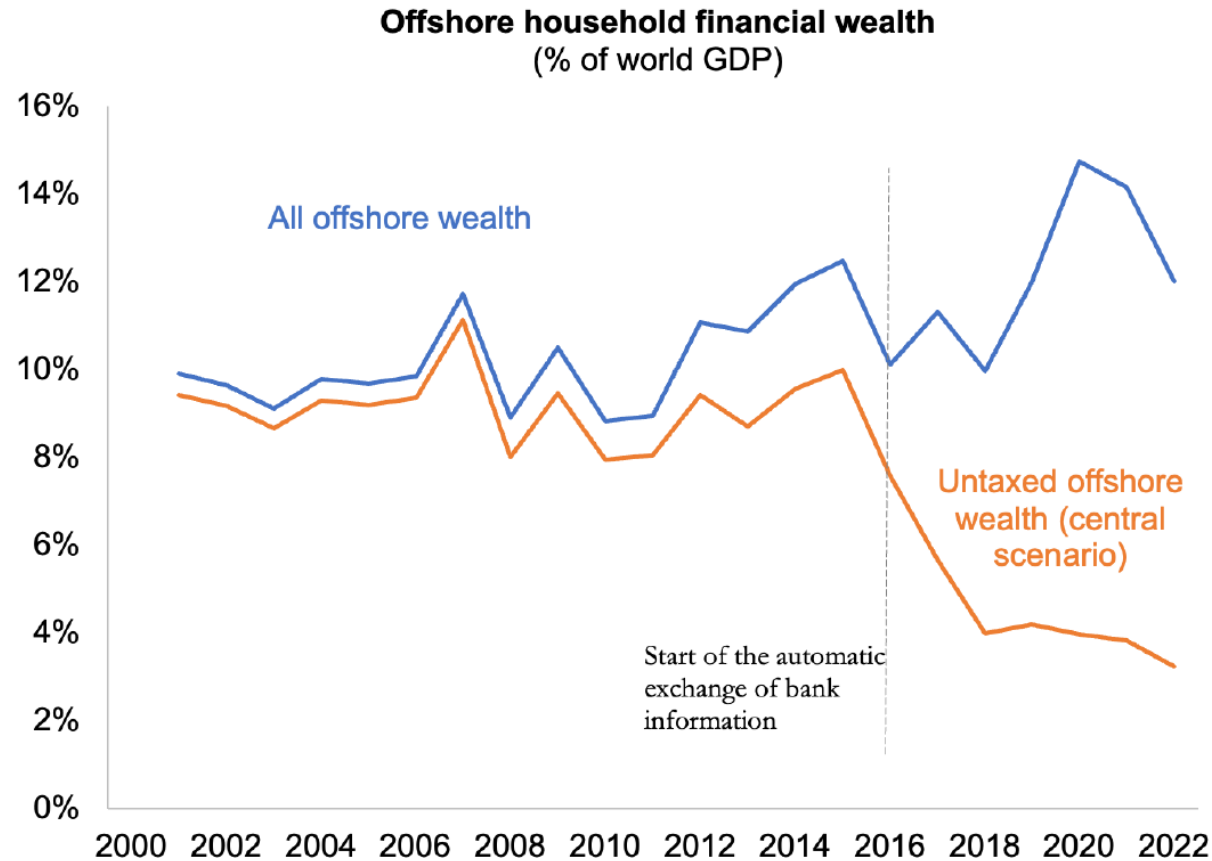
Taxing HNWIs in Africa (ICTD)

- [Small Nets for Big Fish? Tax Enforcement on the Richest – Evidence from Uganda](#)
- [How Might the National Revenue Authority of Sierra Leone Enhance Revenue Collection by Taxing High Net Worth Individuals?](#)
- [Taxing High Net Worth Individuals in Nigeria: Preliminary Insights and the Case of Borno State](#)

Role of International Tax Cooperation

- Transparency (e.g. automatic exchange of bank information)
- Global rules to allocate taxing rights (e.g. OECD Pillar 1)
- Standards for (domestic) tax rates and reduce harmful tax competition (e.g. OECD Pillar 2)

Role of International Tax Cooperation



Progress in tackling offshore tax evasion using Automatic Exchange of Information

Source: Reproduced from EU Tax Observatory, Global Tax Evasion report 2024

UN Tax Convention

The “...*biggest shakeup in history to the broken tax system*” ?

(Mark Bou Mansour, TJN)

- Broader, more equal representation for L&MICs
- Terms of Reference voted in by 110 countries in August 2024, with broad basis for future negotiation, including:
 - fair allocation of taxing rights, including equitable taxation of MNEs;
 - addressing tax evasion and avoidance by high-net worth individuals;
- Requires significant capacity building

Conclusions

- Potential for reform of income taxes, including wealth
- International cooperation helpful (incentives, standards)
- Complementary policies needed
- Complexity requires analysis / evaluation (& capacity building)
- Underpinned by strengthening tax administration