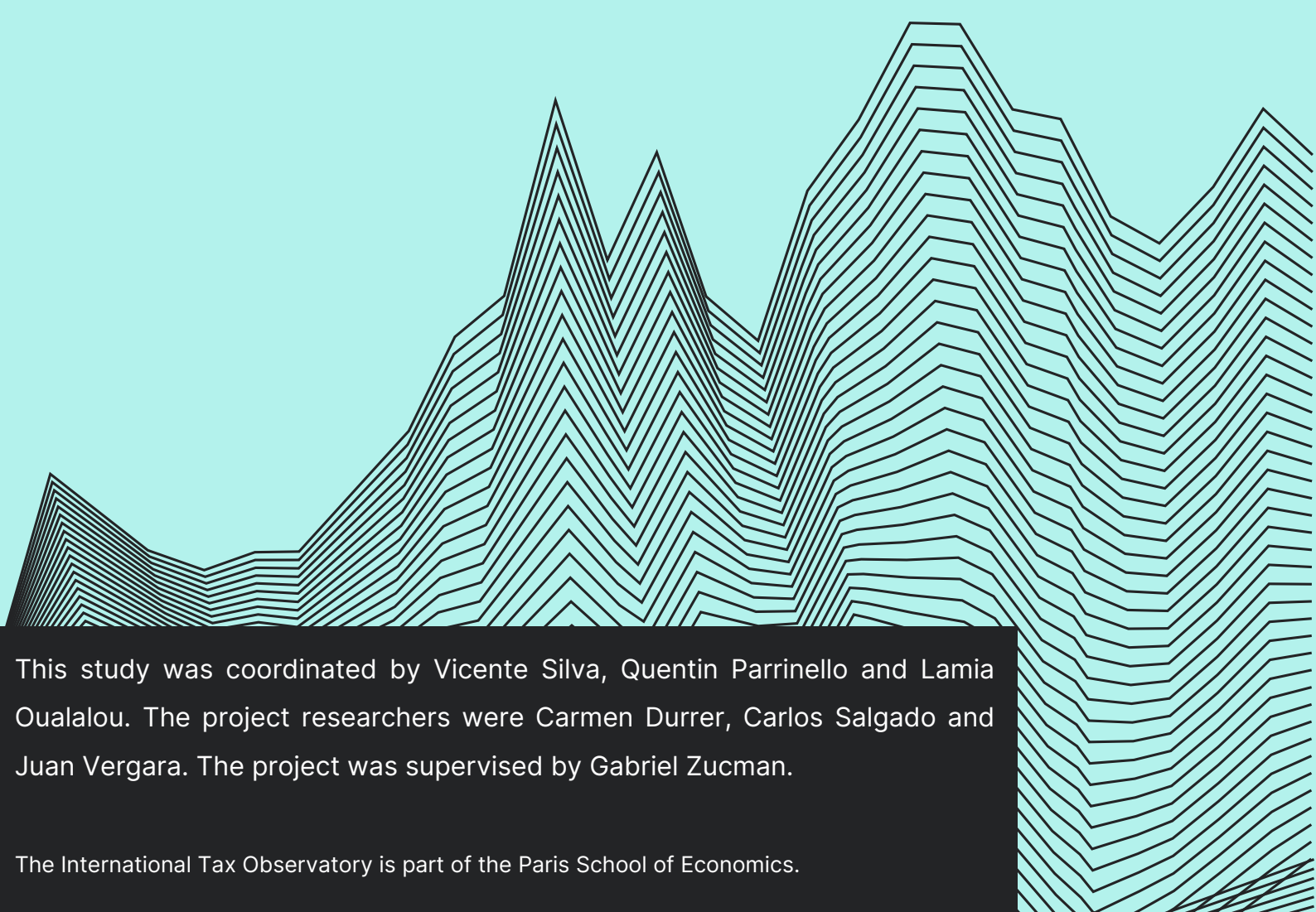


Tax Progressivity and Inequality: Minimum Taxation of High- Net-Worth Individuals in Latin America and the Caribbean



This study was coordinated by Vicente Silva, Quentin Parrinello and Lamia Oualalou. The project researchers were Carmen Durrer, Carlos Salgado and Juan Vergara. The project was supervised by Gabriel Zucman.

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Forward

Ministry of Finance of Brazil

The debate on tax progressivity and inequality in Latin America—especially regarding the minimum taxation of high-net-worth individuals—takes place within a broader context in which growing awareness of the challenges posed by high levels of inequality has driven significant changes in international tax governance.

This study recognizes that tax systems predominantly based on income taxation are not sufficient to reverse the high concentration of wealth characteristic of the region. Therefore, combining tax progressivity with mechanisms to tax large fortunes emerges as a key strategy to reduce structural inequalities and expand the revenue-raising capacity of states, opening space to increase fiscal capacity. This fiscal space becomes particularly urgent in a context where countries in the region must address demographic transitions and climate impacts without abandoning social and development policies.

Income tax applies to the flow of income that a taxpayer receives over time, such as wages, profits, rents, and other sources. In a progressive income tax model, tax rates increase as income brackets rise, so that individuals with greater capacity pay proportionally more taxes.

By contrast, wealth taxation focuses on accumulated capital, including real estate, financial assets, inheritances, and large fortunes. Rather than considering only an individual's income over a given period, this instrument seeks to tax what people already own, directly addressing the persistence of inequality over time—something that income tax alone cannot reverse. Typical instruments include inheritance taxes, asset taxes, or wealth taxes. Its main advantage lies in its focus on wealth as a mechanism that perpetuates inherited inequalities, thereby combating intergenerational inequality, and in its ability to include in the tax base individuals with low declared income but high net worth.

Since the mid-20th century, optimal tax theory has provided a theoretical justification for reducing the tax burden on capital, orienting tax systems to rely predominantly on labour taxation. From the 1970s onward, intensified globalization, increased capital mobility, and the growing sophistication of financial instruments further reinforced this trend, expanding the ability of large corporations and high-net-worth individuals to reduce their tax burden through strategies such as profit shifting and the use of tax havens. This process contributed to the weak taxation of these individuals, leading to rising inequalities within and between countries, while also weakening the revenue capacity of states, particularly in developing economies.

In this context, the G20 emerged as one of the main forums for international coordination to address global tax challenges. Starting in 2013, the group assigned the Organisation for Economic Co-operation and Development (OECD) the leadership of the BEPS (Base Erosion and Profit Shifting) Project, aimed at combating tax base erosion and artificial profit shifting. Despite representing significant progress, the OECD-led process faces challenges, including limited effective participation of Global South countries, implementation difficulties, and the complexity of the proposed rules.

In 2024, the actions of Brazil's Ministry of Finance within the G20 framework brought unprecedented attention to the agenda of inequality and the taxation of the super-rich, transforming it into a concrete, quantifiable, and technically robust proposal in international debates.

In a study commissioned by Brazil's Ministry of Finance as part of its G20 presidency, economist Gabriel Zucman, Director of the International Tax Observatory, proposed the creation of an

international minimum standard for taxing ultra-high-net-worth individuals. The idea is to ensure that individuals with wealth exceeding one billion dollars contribute annually at least 2% of their net worth. Under current conditions, this measure would affect approximately 3,000 individuals worldwide and has the potential to generate significant revenue, estimated between USD 200 billion and USD 250 billion annually (International Tax Observatory, 2024).

Moreover, the Brazilian proposal stands out for combining international coordination with the preservation of national sovereignty, allowing countries to adopt their own instruments—such as income taxation or presumptive wealth taxation—to achieve a common standard of tax fairness.

The progress achieved goes beyond proposing a new rule, as it consolidates the progressive taxation of the super-rich as a key element of the international agenda to combat inequality.

At the same time, negotiations on a United Nations Framework Convention on International Tax Cooperation, whose terms of reference were approved in 2024, represent a milestone in the pursuit of a more inclusive, transparent, and equitable international tax system.

The initiative seeks to ensure greater participation of developing countries in the international tax architecture and emphasizes the need to reduce inequalities not only within countries but also between them, through a fairer allocation of taxing rights. Among the commitments envisaged in the Convention is the effective taxation of high-net-worth individuals, reflecting a growing global consensus on the need to address tax avoidance by individuals with high international mobility.

The taxation of the super-rich and international tax cooperation has gained prominence in the global development agenda, as demonstrated by the Fourth International Conference on Financing for Development, held in Spain in 2025. Brazil actively participated in the negotiation of the Seville Commitment, securing explicit commitments to promote tax progressivity and effective taxation of high-net-worth individuals. During the event, the Coalition for Advancing the Taxation of the Super-Rich was launched as part of the Seville Action Platforms, an initiative supported by South Africa, Spain, Uruguay, and Chile.

In this context, the Latin American and Caribbean Tax Platform (PTLAC) has consolidated itself as a key space for technical exchange and regional coordination. Through cooperation among countries, PTLAC has sought to advance common agendas aimed at strengthening progressivity, increasing tax transparency, and reducing tax base erosion at the top of the distribution. This effort reflects the recognition that the region's challenges require coordination and the sharing of experiences.

Finally, the analytical initiatives associated with this effort—such as assessing the distribution of the tax burden and estimating the revenue potential of instruments like the Minimum Wealth Tax (MWT)—are essential to inform public debate and support reforms. By highlighting regressivity at the top of the distribution and exploring the institutional conditions needed to implement new instruments, this type of analysis helps transform a normative agenda for promoting tax justice into concrete and operational proposals aligned with the development needs of Latin America and the Caribbean.

Gabriel Zucman, Director of the International Tax Observatory

Around the world, the wealth of high-net-worth individuals is growing rapidly. Few regions illustrate this more clearly than Latin America and the Caribbean. The extreme concentration of wealth in the region is not accidental. It is the result of policy choices, particularly in how tax systems treat the richest members of society. While Latin America has made progress in

reducing poverty, it has failed to significantly reduce the concentration of wealth and power at the top. Its tax systems are central to this outcome: by failing to effectively tax ultra-high-net-worth individuals, they reinforce and exacerbate inequality.

This report comes at a critical moment. It shows that, in a context of low growth, high inequality, and increasing fiscal pressures, the wealthiest individuals in society pay disproportionately low effective tax rates, leaving public services underfunded and democracies increasingly vulnerable to capture by the interests of a few.

The solution requires a determined political effort to ensure that the ultra-rich contribute at least as much as the rest of the population. As this report argues, a minimum tax on such fortunes could help transform Latin America's fiscal landscape. This is not about returning to past wealth taxes, but about a new generation of reforms designed to correct the failures of existing tax systems at the top and to raise the substantial revenues the region urgently needs.

The proposals presented here are both pragmatic and ambitious. They build on a growing global recognition that extreme inequality is not inevitable, and that tax policy remains one of the most powerful tools for achieving justice.

Executive Summary

Tax policy is an essential instrument for reducing inequality. This report, commissioned by Brazil under the PTLAC Presidency¹ from the International Tax Observatory (ITO), analyses the progressivity of tax systems in Latin America and the Caribbean (LAC), with special emphasis on the limitations they face in taxing very high-net-worth individuals. This failure contributes to the region ranking as the second most unequal in the world.

After evaluating various reform options to correct regressivity at the top, the report concludes that the most effective instrument is the Minimum Wealth Tax (MWT). Revenue estimates are

¹ Regional Platform for Tax Cooperation for Latin America and the Caribbean:
<https://www.cepal.org/en/projects/regional-platform-tax-cooperation>

presented for Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Uruguay: a minimum tax of 2% on centimillionaires would generate a total of approximately USD 24 billion annually, equivalent to roughly 0.6% of GDP across the analysed countries.

The MWT is not an additional tax: it is a floor mechanism and represents a new proposal. If taxes already paid on income and wealth do not reach a minimum threshold, the difference is charged. No tax system in the region currently incorporates such a mechanism. Its logic is not to replace other taxes, but to correct the anomaly whereby large fortunes face lower effective rates than the rest of the population.

The report is organized around five central ideas:

1. Wealth inequality in the region is characterized by a marked concentration of wealth at the top of the distribution. The wealth of the region's billionaires multiplied six-fold between 2000 and 2026, rising from USD 117 billion to approximately USD 700 billion. By contrast, the wealth of the poorest 50% has remained virtually stagnant. If this trajectory of accelerated concentration observed during that period continues, billionaire wealth could approach USD 2 trillion by 2040.

2. Tax systems in the region do not correct inequality and are, in general, regressive. The poorest 50% devotes on average around 30% of their income to taxes, making it the group that proportionally contributes the most. In contrast, the richest 1% pays on average around 22%.

3. The ultra-wealthy pay considerably lower tax rates than the rest of the population. The richest 0.01% pays, on average, just 20% in Brazil and 11% in Chile — in both cases, half the population average. This is because they can structure their wealth so that it generates little or no taxable income. By not declaring income, they end up paying less tax — considering the total tax burden — than the rest of the population.

4. Traditional reforms are insufficient to correct low taxation at the top of the distribution. The report evaluates various reform proposals to address tax regressivity at the top. Conventional alternatives, such as increases to the personal income tax, show little effectiveness in correcting this anomaly. The most effective way to do so is through a minimum wealth tax.

5. A minimum wealth tax has high revenue potential in the region. In a central scenario, a minimum tax of 2% on net worth exceeding USD 100 million could generate approximately USD 24 billion annually (equivalent to 0.6 percentage points of regional GDP). A more ambitious version, with a rate of 3%, would reach USD 36 billion (0.9 percentage points of regional GDP).

Introduction²

Latin America and the Caribbean faces a fiscal paradox that is difficult to sustain: it is one of the most unequal regions in the world, yet also one of those that collects the least from those who concentrate the greatest share of income and wealth. New empirical evidence shows that very high-net-worth households face systematically lower effective tax rates than the general population (EU Tax Observatory, 2024). When those at the top of the income distribution pay proportionally less, the promise of progressivity loses credibility and the legitimacy of the fiscal system is weakened.

This tension is particularly relevant in a context of severe fiscal constraints. Between 2015 and 2024, regional GDP grew at an average of around 1% per year — less than 0.3% in per capita terms — one of the weakest performances in its recent history (IMF, 2025; ECLAC, 2025a). At the same time, following the spending increases during the pandemic and the rising cost of international financing, public debt and the interest burden have grown steadily, reducing the space available for investment, social protection, and productive transformation (ECLAC, 2025b).

But the problem is not only how much the region collects, but how it does so. The average tax burden in Latin America and the Caribbean stands at around 21.3% of GDP, well below the OECD average of approximately 34% (OECD, 2025). Moreover, the structure of that revenue continues to rely disproportionately on regressive taxes, such as those on consumption and labour, while accumulated capital and wealth remain relatively protected.

In recent years, the taxation of large fortunes has regained prominence in the international debate. After decades during which wealth taxes were repealed due to design failures (Varaschin, Parrinello, and Zucman, 2025), the issue has regained traction, driven by the accelerated growth of wealth at the top and by the difficulty states face in collecting more from those who have the most. Countries such as Brazil, France, Denmark, the Netherlands, and Spain have intensified scrutiny of the effective tax burden at the top of the distribution. At the global level, the proposal for minimum standards promoted under the G20 framework (Zucman, 2024) and progress toward a UN Framework Convention on International Tax Cooperation (United Nations, 2023) reflect a growing effort to address this problem in a coordinated manner.

In Latin America and the Caribbean, this global momentum has found fertile ground. Through PTLAC, various countries and institutions have begun to explore coordinated pathways to strengthen progressivity, increase fiscal transparency, and limit the erosion of tax bases at the top of the distribution.

This report responds to this political moment. Its purpose is to provide empirical evidence on how the tax burden is distributed across the income distribution, with special attention to its behaviour at the top of the distribution. On that basis, the report estimates the revenue potential of a Minimum Wealth Tax, analyses its capacity to correct the regressivity observed in the upper brackets of the distribution, and examines the institutional conditions under which this instrument could become a viable reform option.

² This study was coordinated by Vicente Silva, Quentin Parrinello and Lamia Oualalou. The project researchers were Carmen Durrer, Carlos Salgado and Juan Vergara. The project was supervised by Gabriel Zucman.

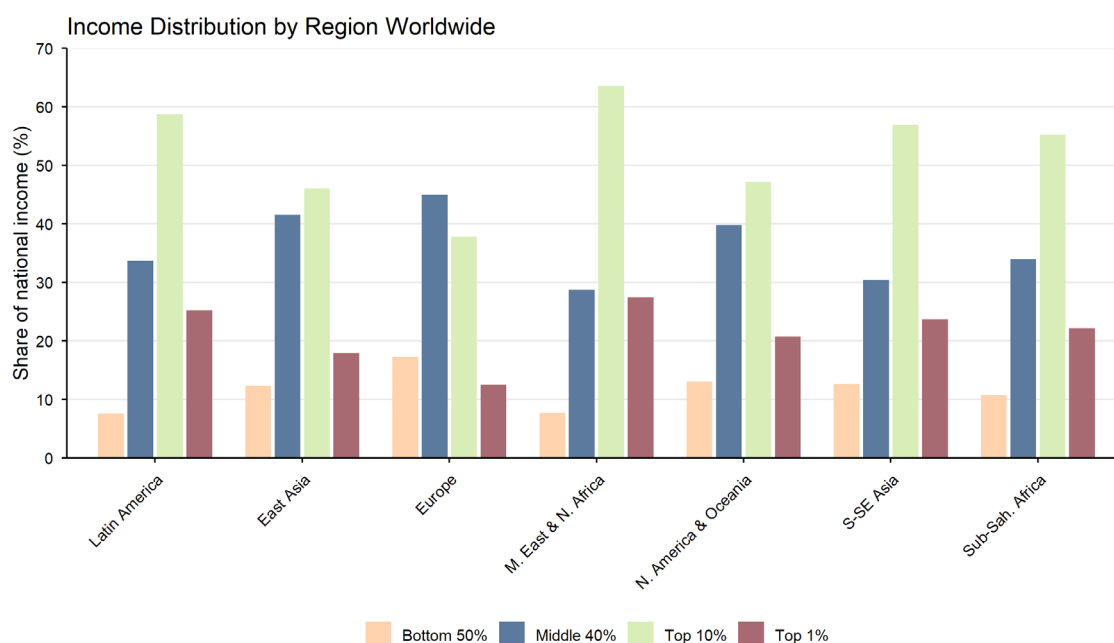
1. Income and Wealth Distribution

1.1. Latin America and the Caribbean in the Global Income Distribution

Income is a flow that reflects resources generated and received during a given period — generally a year — and includes wages, capital income, mixed income, and transfers.

Figure 1 presents the share of national income held by different distribution groups — the bottom 50%, the middle 40%, the top 10%, and the top 1% — across different world regions, using the harmonized series from the World Inequality Database.

Figure 1: Income Distribution by World Region



Source: Authors' own elaboration based on World Inequality Lab (2024) data

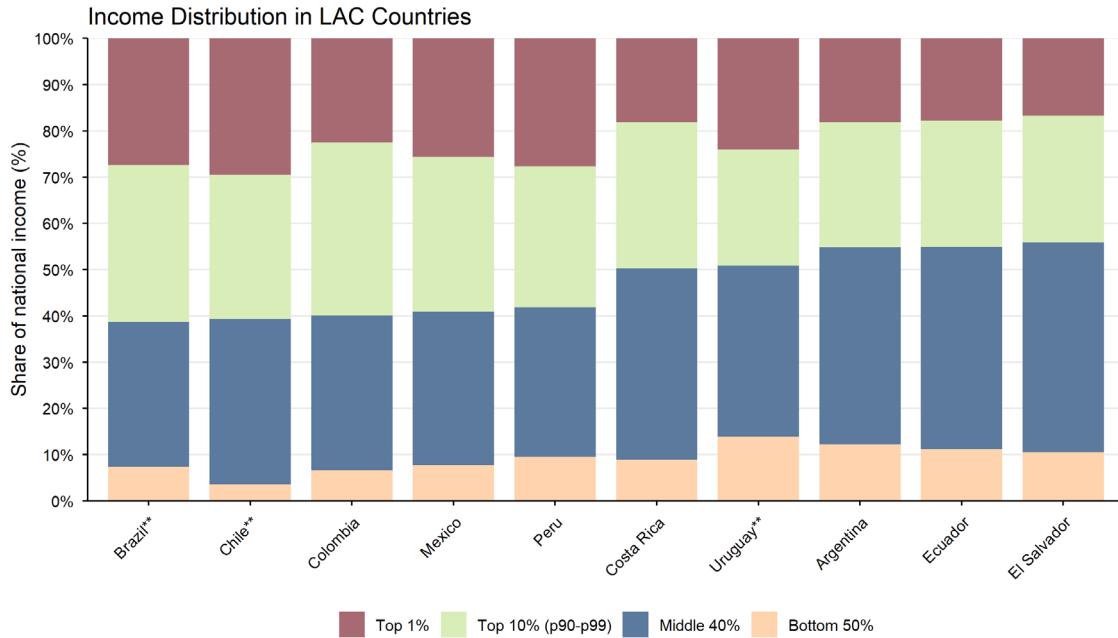
Latin America consistently ranks among the most unequal regions in the world. The top 10% captures around 60% of national income, a proportion comparable only to that observed in the Middle East and North Africa, and far above that of Europe, North America, or East Asia. The bottom 50% receives barely 7% of total income, while the top 1% concentrates around 25% of income, placing the region above levels observed in other regions.

1.2. Income Distribution Within the Region

The high-income concentration observed at the regional level is consistently reproduced across countries in the region. Figure 2 shows the share of national income held by different distribution groups in a selection of countries. Brazil, Chile, and Uruguay use studies based on more precise administrative tax data.

Figure 2

Income Distribution in LAC Countries

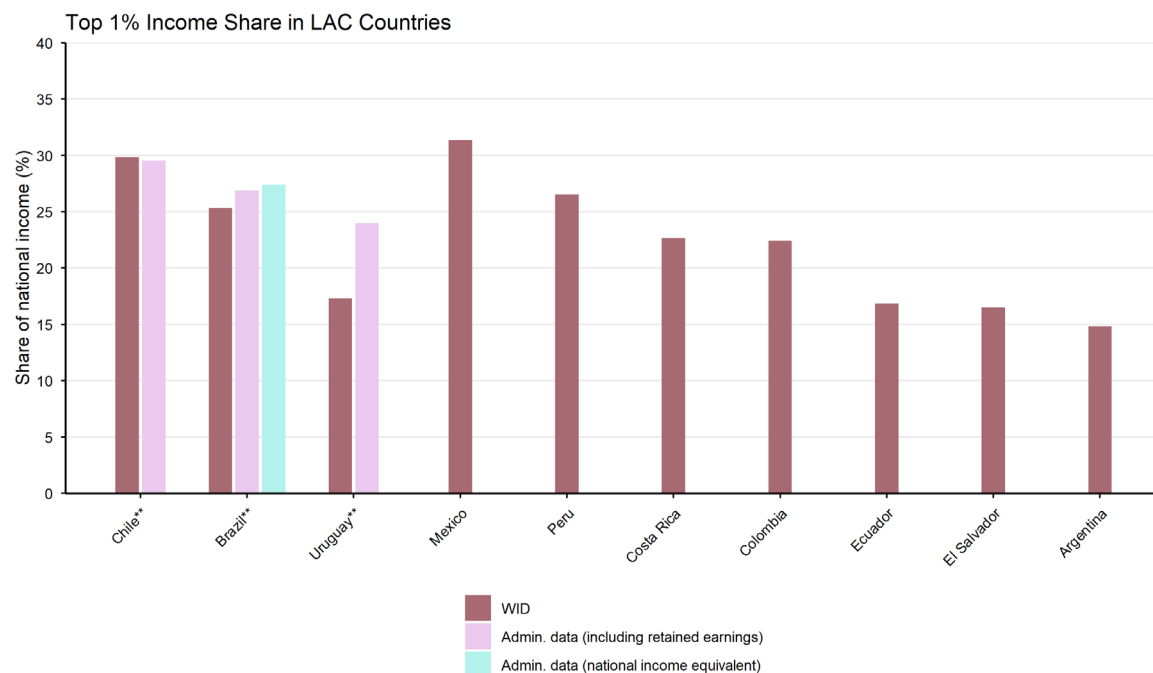


Source: Authors' own elaboration based on World Inequality Database (2024); De Rosa, Flores, and Morgan (2024); Palomo et al. (2025); and Vergara et al. (2022).

The data in Figure 2 indicate that the bottom 50% captures only between 3% and 14% of national income, while the middle 40% concentrates around 31%–46%. This leaves the top 10% with shares ranging from 44% to 62% depending on the country. The top 1% concentrates between 17% and 30% of national income, placing most Latin American countries among the most unequal globally.

It is important to note that household surveys and harmonized databases, such as that of the World Inequality Lab (WID), do not fully capture income at the top. The WID imputes retained corporate earnings, but does so based on who receives dividends or appears as a registered owner — an approximation that introduces additional assumptions. Studies that directly link each company to its ultimate owners require fewer assumptions and can produce higher estimates of the top 1%'s share.

Figure 3
Comparison of Methods and Estimates Based on the Top 1%'s Share



Source: Authors' own elaboration based on World Inequality Lab (2019); Palomo et al. (2025); Vergara et al. (2022); De Rosa & Vilá (2023).

For example, in Uruguay, the top 1%'s share rises from around 18% in WID estimates to approximately 24%. In Brazil, two independent estimates based on fiscal microdata — which differ in the method of imputing retained earnings — converge at levels above the WID figure, with a gap of close to three percentage points. In Chile, differences are smaller.

1.3. Wealth Concentration

We define wealth as the net worth of an individual, consisting of the market value of all assets (housing, land, deposits, stocks, bonds, business interests) minus total liabilities. Unlike income, which measures a flow received over a period, wealth measures an accumulated stock.

Table 1 presents estimates of the distribution of pre-tax, pre-transfer national wealth for Mexico, Chile, Colombia, Uruguay, Argentina, Brazil, and Peru. For the latter three, only aggregates for the wealthiest groups are presented.

Table 1
Wealth Concentration in LAC

Country	Wealth Group	Number of Individuals	Minimum Wealth Threshold (USD)	Average Wealth (thousands USD)	Aggregate Wealth (millions USD)
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MEX	Top 10%	3,664,437	151,495	641.5	2,350,863.9
	Top 1%	366,454	734,600	4,083.0	1,496,233.8
	Millionaires	251,955	1,000,000	5,551.2	1,398,651.7
	Deca-millionaires	15,368	10,000,000	54,830.4	842,633.1
	Centi-millionaires	933	100,000,000	539,545.8	503,396.2
	Billionaires	52	1,000,000,000	5,695,868.6	296,185.2
CHL	Top 10%	486,077	207,378	1,233.6	599,603.5
	Top 1%	48,689	1,503,071	8,691.9	423,201.9
	Millionaires	63,352	1,000,000	6,989.0	442,769.1
	Deca-millionaires	5,681	10,000,000	50,043.9	284,299.5
	Centi-millionaires	416	100,000,000	376,433.0	156,596.1
	Billionaires	29	1,000,000,000	2,169,885.7	62,926.7
COL	Top 10%	393,413	597,868	2,082.0	819,070.5
	Top 1%	40,329	2,355,832	11,238.6	453,240.3
	Millionaires	200,771	1,000,000	3,312.0	664,945.9
	Deca-millionaires	4,876	10,000,000	62,913.8	306,767.6
	Centi-millionaires	170	100,000,000	1,210,142.2	205,724.2
	Billionaires	4	1,000,000,000	10,975,000.0	43,900.0
URY	Top 10%	113,113	249,093	951.8	107,662.2
	Top 1%	11,335	1,299,802	5,408.0	61,299.4
	Millionaires	15,952	1,000,000	4,171.2	66,538.9
	Deca-millionaires	794	10,000,000	40,409.1	32,084.8
	Centi-millionaires	40	100,000,000	372,649.5	14,906.0
	Billionaires	3	1,000,000,000	2,160,117.2	6,480.4
ARG	Millionaires	116,700	1,000,000	1,936.6	226,000.0
	Deca-millionaires	2,631	10,000,000	20,524.5	54,000.0
	Centi-millionaires	138	100,000,000	173,913.0	24,000.0
	Billionaires	5	1,000,000,000	3,880,000.0	19,400.0
BRA	Millionaires	542,900	1,000,000	2,407.4	1,307,000.0

	Deca-millionaires	24,630	10,000,000	19,407.2	478,000.0
	Centi-millionaires	1,360	100,000,000	244,117.6	332,000.0
	Billionaires	70	1,000,000,000	3,782,857.1	264,800.0
PER	Millionaires	64,490	1,000,000	2,372.5	153,000.0
	Deca-millionaires	2,715	10,000,000	19,521.2	53,000.0
	Centi-millionaires	153	100,000,000	235,294.1	36,000.0
	Billionaires	4	1,000,000,000	1,500,000.0	6,000.0

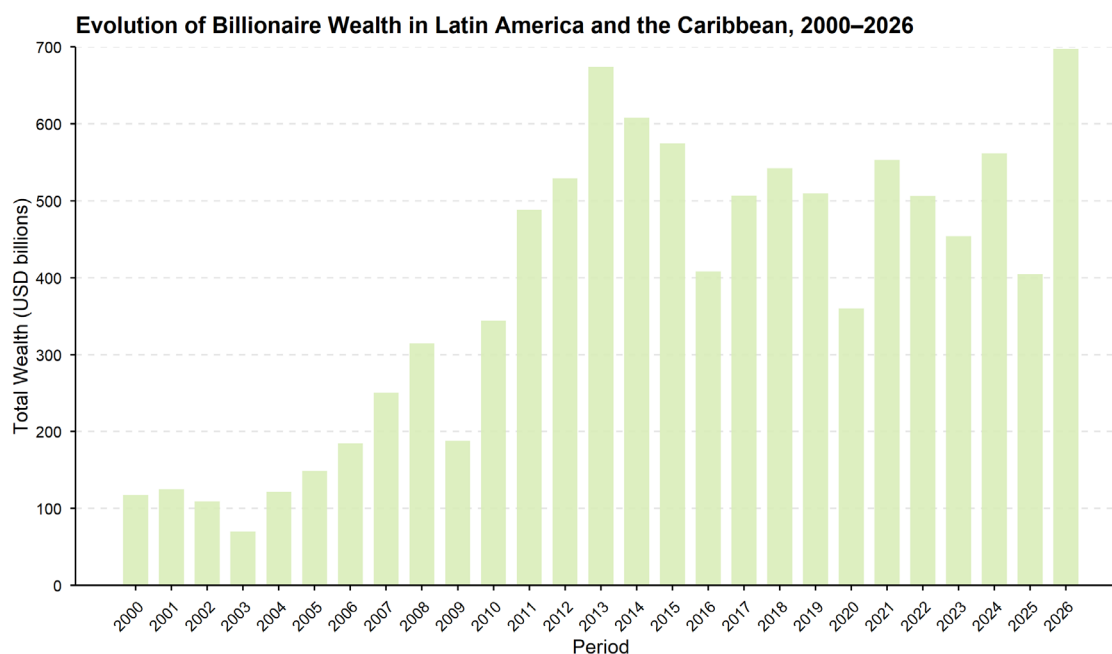
Source: For Mexico, Chile, Colombia, and Uruguay, the report draws on harmonized distributions developed by De Rosa and Vilá (2026), which combine wealth surveys with large-fortune lists adjusted to national aggregates for different years. For Brazil, Argentina, and Peru, we use WIL wealth estimates corrected with the Forbes list.

Wealth concentration in LAC reaches extreme levels: in the analyzed countries, the wealthiest 10% controls up to 80% of national wealth, while the top 1% concentrates up to half of the total. Chile and Colombia sit at the upper end of that range. These figures show that a very small fraction of households holds the majority of accumulated assets, reinforcing dynamics of intergenerational transmission and economic power that cannot be fully observed from income data.

The breakdown by wealth brackets further shows that this concentration intensifies sharply toward the top. In Mexico, for example, the entry threshold for the top 10% is around USD 150,000, but average wealth within that group amounts to approximately USD 650,000; in the top 1%, it exceeds USD 4 million. The jump is even more pronounced among extreme wealth: the average centi-millionaire accumulates more than USD 530 million and the average billionaire nearly USD 5.7 billion.

Concentration within the top 1% itself is, in turn, extraordinary. In Mexico, Chile, Colombia, and Uruguay, centi-millionaires and billionaires represent less than 1% of the top 1% yet concentrate between 35% and more than half of that group's wealth. In Mexico, for example, 985 households — 0.27% of the top 1% — hold 53.4% of its wealth. This suggests that inequality within the top 1% is almost as extreme as the distance between the top and the rest of society.

Figure 4
Evolution of Billionaire Wealth in Latin America and the Caribbean, 2000–2026



Source: Authors' own elaboration based on data compiled by Oxfam, using Forbes data.

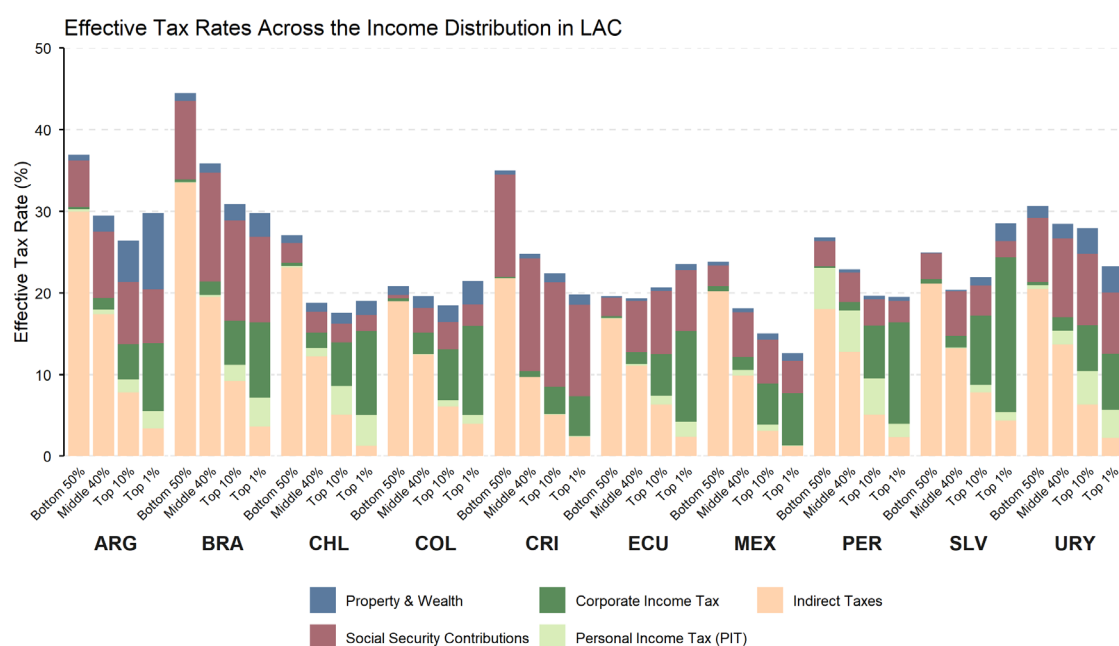
Between 2000 and 2026, the accumulated wealth of billionaires in Latin America and the Caribbean multiplied six-fold: it rose from USD 117 billion to USD 698 billion, the highest level ever recorded, equivalent to 10% of regional GDP. Over the same period, the wealth of households in the bottom 50% remained virtually stagnant. If this trajectory of accelerated concentration continues, billionaire wealth could approach USD 2 trillion by 2040.

2. Effective Tax Rates and Fiscal Progressivity

2.1. Effective Tax Rates Across the Income Distribution

Section 1 documented that Latin America exhibits an exceptional concentration of income and wealth, particularly at the upper end of the distribution. The question that follows is whether the region's tax systems correct this concentration or, on the contrary, reproduce it. To answer this, the report analyses effective tax rates across the income distribution, understood as the total tax burden faced by each income group as a proportion of their pre-tax, pre-transfer income. This analysis is presented at two levels. Figure 5 shows the general pattern up to the top 1%; Figures 6 and 7 examine what occurs within the top 1% itself in countries with more granular data.

Figure 5
Effective Tax Rates Across the Income Distribution in LAC



Source: Authors' own elaboration based on De Rosa, Flores, and Morgan (2024) and Fisher-Post and Gethin (2023). Effective rates for indirect taxes, personal and corporate income taxes, and property and wealth taxes are based on De Rosa, Flores, and Morgan (2024), while effective rates for social security contributions are from Fisher-Post and Gethin (2023)³

The effective rates presented in the figure are grouped into five broad tax categories: indirect taxes, personal income tax, property and wealth taxes, social security contributions, and corporate income tax.

The first observation is the high level of taxation faced by the bottom half of the distribution, relative to their income. On average, the poorest 50% faces an effective rate of around 30%, with Brazil, Argentina, and Costa Rica at the upper extreme. These levels primarily reflect the weight of consumption taxes, which fall proportionally more heavily on lower-income households, and social security contributions, which bear mainly on low- and middle-income workers.

The second feature is that, once the bottom half of the distribution is exceeded, the tax structure becomes flat or slightly regressive. The middle 40%, the top 10%, and the top 1% face fairly similar effective rates in most countries. At the regional level, the middle 40% pays on average around 23% of their income, while the top 10% and the top 1% pay approximately 22%.

At first glance, the closeness of these rates might suggest that the tax structure is also flat at the highest end of the distribution. But this impression is misleading. The top 1% is far from a homogeneous group: within it coexist net worth just barely above the 1% threshold alongside fortunes hundreds of times larger. Looking only at the average rate for this group conceals what is happening at the top of the distribution. In countries where more detailed estimates are

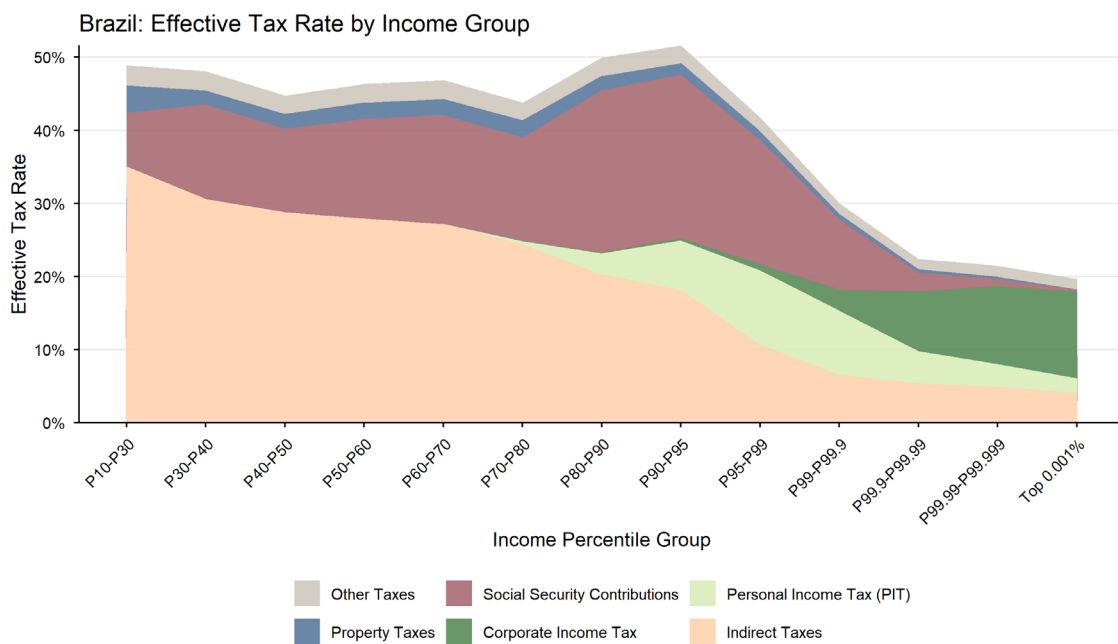
³ The unit of observation in this figure is the household, in accordance with the methodology preferred by the authors of the study, De Rosa, Flores & Morgan (2024). The unit of observation in the detailed figures for Brazil and Chile is the respondent (individuals). The choice of unit of observation may have a moderate impact on the estimates: levels of inequality are lower when measured between households than when measured between individuals. Similarly, the distribution of effective rates may appear more equal when the unit of observation is the household.

available — particularly Brazil and Chile — it is possible to disaggregate the top 1% and examine how effective rates evolve as one ascends within that group.

2.2. Effective Rates Within the Top 1%

Figures 6 and 7 deepen the analysis within the top 1% for Brazil and Chile, where we have better estimates.

Figure 6
Brazil: Effective Tax Rate by Income Group



Source: Authors' own elaboration based on Palomo et al. (2025).

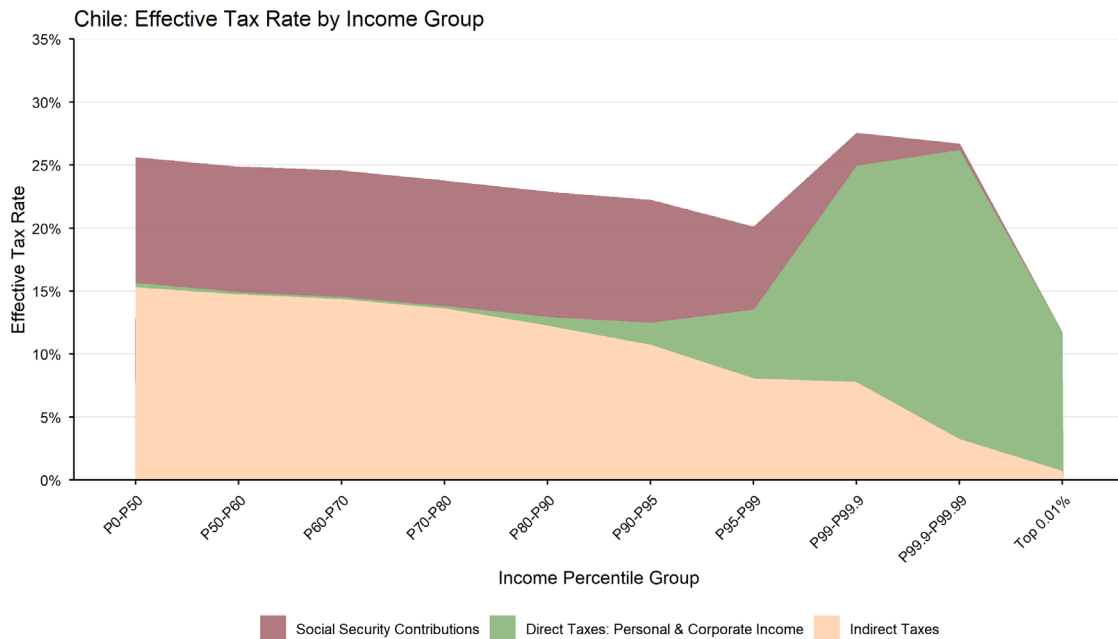
Brazil has the most comprehensive analysis in the region, developed by Palomo et al. (2025), which allows for an assessment of the incidence of the tax system as a whole.⁴ Figure 6 shows that the effective rate declines sharply within the top 1%. In the p99–p99.9 bracket it stands at around 42%, falling to approximately 30% in the p99.9–p99.99 bracket and reaching 19.7% for the top 0.001%. In other words, although income continues to grow rapidly at the top, the fraction of income devoted to taxes falls by more than 20 percentage points, which evidences a regressive tax system.

In Chile, the available evidence comes from Vergara et al. (2022) in their distributional diagnosis of income and wealth for the Chilean Ministry of Finance.⁵

⁴ The study reconstructs pre-tax income using the concept of pre-tax national income as defined in the national accounts, and allocates both distributed and undistributed corporate profits to individuals. On this basis, it calculates effective tax rates using a full tax incidence approach, incorporating personal income tax, corporation tax, indirect taxes, social security contributions, property taxes and other levies associated with production.

⁵ The study adopts an accrual-based definition of income, which includes earned income, investment income, capital gains and imputed undistributed corporate profits. The effective rates incorporate personal and corporate

Figure 7
Chile: Effective Tax Rate by Income Group



Source: Authors' own elaboration based on Vergara et al. (2022)⁶

The figure reveals that effective tax rates remain relatively stable at around 25% up to the p99.9–p99.99 percentile. The system reaches its only progressive peak around P95–P99 to P99.99, where personal income tax and corporate income tax play a greater role. But from there, the burden collapses: the top 0.01% — the country's highest-income group — ends up paying a total effective rate of approximately 11%, less than any other group in the distribution.

2.3. The Mechanism Behind the Decline in Effective Rates at the Top

As we move toward the top 1%, the composition of the tax burden changes radically. In the p99–p99.9 brackets, personal income tax and social contributions still carry significant weight. But in

income taxes together – without the possibility of distinguishing between them – as well as indirect taxes. Social security contributions and property taxes are not included.

⁶ The breakdown of social security contributions is not included in the original study and has been reconstructed by the authors of this report. Given that the Chilean pension system combines elements of a public system with private funds, only those elements that the OECD classifies as such have been included under the heading of tax-like social security contributions. That is to say: Health (7%): classified as a tax when paid to FONASA (public system). It is not a tax when paid to a private ISAPRE. This cannot be distinguished in the data, so it is included in its entirety. SIS (1.41%): group disability and survivors' insurance. Work-related accidents (0.93%): group insurance against work-related accidents. Unemployment – employer's contribution to the solidarity fund (0.8%): collective fund. To recover the contributions paid by each part of the distribution, the following simple calculation has been made: estimate earnings from employment based on the breakdown of total income detailed in the report by Bohme et al. (2022), and apply the statutory social security contribution regime detailed in the preceding section to gross earnings from employment.

the upper percentiles, both decline sharply: the personal tax virtually disappears, and social contributions become marginal.

This occurs because a growing proportion of the income of the wealthiest is generated within companies they own and is not distributed as personal income. Those earnings pay corporate tax, but while they remain within the company, they are not subject to personal income tax. Moreover, since the wealthiest save the majority of their real income through their companies, they also do not pay consumption taxes proportionally. Corporate tax alone does not compensate for these absences. As a result, the total tax burden decreases as one ascends within the top 1%.

The result is a paradox: those who accumulate the most wealth end up paying a smaller fraction of their income in taxes. Not because they are exempt, but because the system is designed to tax wages and consumption — which dominate in middle brackets — far more than the business and wealth accumulation that characterizes the wealthiest.

3. Addressing Fiscal Regressivity at the Top

3.1. Why Traditional Reforms Fail to Tax the Ultra-Wealthy?

Below, three instruments frequently proposed as responses to the problem of regressivity at the top of the distribution are analysed.

1) Increasing the personal income tax

Raising marginal rates of the personal income tax can improve taxation of certain high-income groups, but has very limited capacity to correct regressivity at the extreme upper end of the income distribution (Zucman, 2024). As long as accumulation via retained earnings remains outside the income tax base, reforming its rates will affect only a minor fraction of wealth effectively generated at the top.

2) Strengthening inheritance taxes

Even when well designed and applied, inheritance taxes have a limited effect on the effective rates of the ultra-wealthy: they are applied only once, at the moment of transfer, and do not capture the continuous accumulation of wealth over the taxpayer's lifetime. In LAC, where rates are low and exemptions abound, their reform is a relevant piece of a progressive agenda, with additional benefits in terms of intergenerational equity. However, a strengthened inheritance tax does not substitute for an instrument that acts year after year on accumulation at the top. The state cannot plan its public spending based on who dies each year.

3) Closing loopholes and illegal evasion channels

Closing tax loopholes and illegal evasion channels is necessary, but not sufficient. At the top of the distribution, the highest-net-worth taxpayers typically reorganize their income or assets when a planning route is closed. Evidence shows this pattern both in personal income reporting and in offshore evasion and corporate profit shifting (Gruber and Saez, 2002; Saez, Slemrod, and Giertz, 2012; Johannesen and Zucman, 2014; Beer, Mooij, and Liu, 2020). For this reason, reforms focused solely on closing gaps tend to produce partial advances but fail to correct the underlying problem.

3.2. A New Instrument: The Minimum Wealth Tax

3.2.1 MWT Design

The minimum wealth tax is designed precisely to correct the failures of tax systems at the top. Its logic is straightforward. A minimum contribution floor is established — for example, 2% of net worth — and compared with the total personal taxes effectively paid by the taxpayer during the year. If the tax burden already reaches that threshold, no additional obligation arises. If it falls short, the taxpayer pays only the difference. The instrument thus operates as a top-up, designed to correct the disconnect between economic income and the taxable bases at the top.

Table 2
Who Pays the Minimum Tax?

SCENARIO A	SCENARIO B
Taxpayer already reaches the threshold	Taxpayer does not reach the threshold
Net worth: USD 500M Threshold (2%) Minimum required: USD 10M Total taxes paid: USD 12M <hr style="width: 20%; margin: 10px auto;"/> Additional MWT: USD 0	Net worth: USD 500M Threshold (2%) Minimum required: USD 10M Total taxes paid: USD 4M <hr style="width: 20%; margin: 10px auto;"/> Additional MWT: USD 6M

To calculate this minimum, the personal taxes effectively borne by the taxpayer would be considered, including income tax, inheritance tax, capital gains, and other economically equivalent levies.

3.2.2. Anchored to Wealth, Not Income

The decision to anchor the threshold to net worth, rather than income, directly responds to the problem the instrument seeks to correct. Taxable income can be minimized through tax planning decisions — wealth, by contrast, is much harder to conceal. Setting the minimum against the wealth stock allows a contribution threshold to be established that is independent of the deferral and retention strategies that erode the income tax base. It does not matter how much taxable income the taxpayer declares this year: if their net worth exceeds the application threshold, they must meet the minimum taxation standard.

3.2.3. Difference from a Traditional Wealth Tax

The MWT is not a traditional wealth tax superimposed on the income tax, but rather an effective taxation standard that operates as a corrective complement: it ensures that very high-net-worth individuals face a minimum annual tax burden consistent with the scale and returns of their wealth.

Table 3
Comparison of Traditional Tax vs. Minimum Tax

Dimension	Traditional Wealth Tax	Minimum Wealth Tax
Nature of the tax	Additional tax on the stock of net wealth	"Top-up" mechanism: ensures total taxes paid reach a minimum as a percentage of net worth
Explicit objective	Increase revenue	Correct regressivity at the top + increase revenue
Thresholds	Around USD 1 million	Higher thresholds (e.g., ≥USD 100 million)
Exemptions and carve-outs	Frequent: business assets, unlisted shares, valuation discounts	No exemptions or carve-outs
Interaction with other taxes	Operates as a parallel tax alongside the income tax	Already-paid taxes are deducted (income, capital gains, inheritance, corporate taxation, etc.)
Mobility / fiscal exile	Evidence is limited, but historical cases lacked credible anti-exit measures	Explicitly incorporates exit taxes and extended residency rules
Anti-evasion and transparency	Historical cases were designed in a low financial transparency context	Integrated with CRS, beneficial ownership registries, and international cooperation tools

3.3. Lessons from Traditional Wealth Taxes

Latin America has experimented with net wealth taxes in the past, although today only four countries maintain this type of levy: Argentina, Colombia, Uruguay, and Bolivia. Other countries in the region — El Salvador (1986–1993), Nicaragua (1983–1992), and Peru (1987–1992) — introduced them but ultimately repealed them after brief periods of operation (Jorratt, 2021). In all cases, revenue was limited, averaging around 0.3% of GDP (Jorratt, 2021; Benítez and Velayos, 2018; Barreix et al., 2023).

Europe has an even more extensive track record. From the mid-twentieth century onward, at least twelve OECD countries levied recurrent taxes on the net wealth of natural persons, but by the 2010s, the vast majority had eliminated them due to low revenue results and questions about their effectiveness (OECD, 2018). The literature shows that these limitations were

associated with specific design problems. Traditional wealth taxes operated with narrow tax bases, broad exemptions for business assets and unlisted shares, and valuation rules that significantly eroded the tax base (Varaschin, Parrinello, and Zucman, 2025). In practice, they ended up excluding precisely the asset categories where ultra-wealthy net worth is concentrated — business interests, complex corporate structures, and offshore financial assets — which reduced their revenue capacity and weakened their political legitimacy.

The MWT is proposed as a direct response to these limitations. Rather than reproducing the model of traditional wealth taxes, it introduces three design innovations:

3.3.1. Strict Targeting of the Upper Brackets

The MWT should apply to a reduced universe of taxpayers: individuals with exceptional levels of net worth and unusually low effective rates. The definition of the activation threshold is critical. Setting a low threshold to broaden the base may seem, at first glance, the strategy that maximizes revenue. However, the historical experience with similar instruments shows the opposite occurs in practice: the broader the universe, the greater the political pressure to introduce exemptions justified around small family businesses or specific assets, which end up eroding the base and weakening the instrument. A high threshold applies to fewer taxpayers, but also leaves less room for negotiating exceptions

3.3.2. Broad Wealth Base Without Exemptions for Business Assets

This is the most important structural condition for ensuring effectiveness. In the region, the dominant fraction of ultra-wealthy net worth is concentrated in unlisted private companies, family holding companies, stakes in industrial conglomerates, and financial assets managed through corporate structures. An MWT that exempts these assets — on the grounds of protecting productive investment or the family business — will hollow out the base precisely where the wealth it seeks to tax is concentrated.

The viability of the instrument depends on its capacity to value and tax business assets. If these assets fall outside the base, the MWT would repeat the principal problem that weakened traditional wealth taxes: wealth will shift toward exempt categories and the taxable base will end up excluding precisely where the majority of net worth is concentrated.

3.3.3. Capital Flight

An indispensable condition for the effectiveness of the MWT is preventing the tax base from being eroded through strategic changes of fiscal residence. Empirical evidence shows that tax-induced fiscal mobility has historically been low: more than 98% of affected taxpayers do not change residence (Jakobsen et al., 2024), and similar results are observed in Switzerland, Colombia, and the United Kingdom (Brühlhart et al., 2022; Londoño-Vélez and Ávila-Mahecha, 2024; Friedman et al., 2024). Before emigrating, these taxpayers typically find more accessible mechanisms to reduce their burden, such as exemptions, offshore structures, income deferral, and modifications to how they structure or declare their wealth rather than their place of residence (Seim, 2017; Zucman et al., 2020). However, a tax that closes these avenues must anticipate that fiscal emigration may become a more likely response. For this reason, the MWT requires an anti-exit framework as an indispensable design condition.

That framework has two components. The first is the exit tax, which taxes unrealized capital gains and accumulated wealth at the moment of emigration, preserving the state's right to tax wealth generated under its jurisdiction. Its effectiveness depends on not reproducing the same carve-outs that weakened traditional wealth taxes.

The second component — and the most powerful — is extended residency rules: mechanisms under which taxpayers who transfer their domicile abroad remain subject to taxation in their country of origin for a given period, typically between five and ten years. The most extreme case is that of the United States, which taxes its citizens on their worldwide income regardless of where they reside, and imposes an exit tax on those who renounce citizenship to disengage from the system. Unlike the exit tax, which operates at a single point in time, extended residency permanently eliminates the incentive to emigrate. France, Germany, Norway, and Spain have variants of this mechanism. In Latin America its adoption is still limited, and that is precisely the gap that countries in the region must close for the anti-exit framework to be credible.

3.4. Implementation Challenges

3.4.1. Valuation of Unlisted Assets

The valuation of unlisted assets constitutes the main practical challenge in estimating the wealth of very high-net-worth individuals. The G20 report on minimum taxation of the ultra-wealthy (Zucman, 2024) addresses this challenge pragmatically. Since a substantial portion of ultra-wealthy wealth is concentrated in large private companies, their valuation can be carried out by applying sector multiples observed in comparable listed companies — market value to earnings, assets, or sales — a methodology widely used in corporate finance, mergers, and acquisitions. However, this approach can generate high implementation costs and potential litigation. Another alternative could be to adopt simplified formulas already used in wealth taxes in countries such as Norway, Switzerland, or Denmark, as well as in inheritance taxes, which can offer a reasonable approximation to market value and are less contentious than comparable-based valuation.

3.4.2. Tax Administration Capacity

The effective implementation of the MWT depends on the capacity of the tax administration to value unlisted assets, audit corporate structures, and cross-reference information between commercial registries, cadastres, and financial declarations. However, tax administrations are not starting from scratch. Through income tax auditing and international information exchange systems, many already have relevant data on real estate, corporate shareholdings, and financial investments. In fact, countries in the region have identified at least EUR 27.8 billion in additional revenue between 2009 and 2023 thanks to international fiscal information exchange (OECD 2024). These advances show that the infrastructure for tracking financial assets — including those held abroad — has been significantly strengthened.

At the same time, the introduction of a minimum tax can act as an institutional catalyst for improving asset traceability and developing administrative capacities. In this sense, state capacity is not a fixed condition, but a variable that can be expanded through the reform itself.

3.5. Impact on Regressivity at the Top

The central effect of the MWT is to safeguard tax progressivity at the top. The simulation presented in Tables 4 and 5 focuses on Chile and Brazil, countries for which more robust estimates are available at the upper percentiles of the distribution.

Table 4
Brazil — MWT vs. Personal Income Tax Increase: Impact on Effective Rate at the Top

	Effective Rate
Average (entire population)	42.5%
Top 0.001%	19.7%
Top 0.001% with 50% personal income tax increase	21%
Top 0.001% with 2% MWT (> USD 100 million)	50%

Table 5
Chile – Chile — MWT vs. Personal Income Tax Increase: Impact on Effective Rate at the Top

	Effective Rate
Average (entire population)	24 %
Top 0.01%	11.7%
Top 0.01% with 50% personal income tax increase	12.6%
Top 0.01% with 2% MWT (> USD 100 million)	33.7%

Note: The estimated average effective rate for Chile appears low compared to Brazil. This is partly because the estimate does not include property taxes or some other minor taxes, so the total tax burden may be understated.

Both countries show a similar pattern. In Brazil, the average effective rate is close to 42% of income for the population as a whole. For the top 0.001%, it falls to 19.7%. A 2% minimum tax on net worth exceeding USD 100 million would immediately change this result. The effective rate of the top 0.001% would rise to approximately 50%. That is, the decline in progressivity is reversed. By contrast, raising the personal income tax by 50% barely raises the effective rate from 20% to around 21%. The instrument is ineffective, as it does not touch the base in which wealth is concentrated.

In Chile, the same pattern occurs. The average effective rate is 24%, but for the top 0.01% it falls to 11.7%. With a 2% minimum, that rate would rise to 33.7%. With a 50% increase in personal income tax, the rate would only reach 12.6%.⁷

⁷ These estimates assume the same breakdown between personal income tax and corporation tax at the top of the distribution as that used for Brazil.

3.6. Revenue Simulations

- The following figures present the results of wealth minimum tax simulations, including:
- wealth thresholds considered (\geq USD 100 million and \geq USD 1 billion);
- assumptions about minimum rates (1%, 2%, and 3% of net worth);
- results presented both in absolute terms and as a percentage of GDP and as a share of total tax revenue.

3.6.1. Revenue by Country

The table presents revenue estimates for the minimum tax for the seven analyzed countries. At the regional level, a 2% MWT would generate approximately USD 24 billion annually; with a rate of 3%, that figure rises to approximately USD 37 billion. In absolute terms, Mexico and Brazil account for the largest share of regional revenue, followed by Colombia and Chile, consistent with the greater number of high-net-worth individuals registered in those countries.

Table 6
Estimated Minimum Tax Revenue by Threshold and Tax Rate
(in millions USD)

		1% tax rate	2% tax rate	3% tax rate
	Wealth Group	Projected Revenue (Million USD)	Projected Revenue (Million USD)	Projected Revenue (Million USD)
Mexico	> USD 100M	3,965	9,958	14,992
	> USD 1,000M	2,616	5,888	8,850
Chile	> USD 100M	1,267	2,833	4,399
	> USD 1,000M	574	1,204	1,833
Colombia	> USD 100M	1,816	3,874	5,931
	> USD 1,000M	419	858	1,297
Uruguay	> USD 100M	111	260	409

	> USD 1,000M	57	122	187
Argentina	> USD 100M	217	457	697
	> USD 1,000M	181	375	569
Brazil	> USD 100M	2,776	6,096	9,416
	> USD 1,000M	2,339	4,987	7,635
Peru	> USD 100M	305	665	1,025
	> USD 1,000M	57	117	177
LAC Region (7 countries)	> USD 100M	10,457	24,143	36,869
	> USD 1,000M	6,243	13,550	20,547

Note: Once already-paid income taxes are deducted, the minimum tax is calculated on the entire wealth of natural persons whose total net worth exceeds the threshold.

3.6.2. Revenue as a Share of GDP and National Income

Despite applying to a very small number of taxpayers, the revenue potential is significant. In the central scenario — a 2% minimum tax on net worth exceeding USD 100 million — the instrument would collect on average around 3% of total fiscal revenues, equivalent to approximately 0.6% of GDP in the analyzed countries. If the rate were raised to 3%, average revenue would increase to approximately 4.8% of fiscal revenues, equivalent to around 0.9% of GDP.

Table 7
Relative Impact of the Minimum Tax: Share of Total Fiscal Revenues and GDP⁸

	1% tax rate		2% tax rate		3% tax rate	
Wealth Group	% of Total Tax Revenue	% of GDP	% of Total Tax Revenue	% of GDP	% of Total Tax Revenue	% of GDP

⁸ Las estimaciones de riqueza corresponden a distintos años según el país, en función de la disponibilidad de datos. Los ratios de recaudación fiscal y PIB se calcularon para el año correspondiente a cada estimación de riqueza, por lo que las comparaciones entre países deben interpretarse con cautela.

Mexico	> USD 100M	2.76%	0.38%	5.58%	0.76%	8.40%	1.15%
	> USD 1,000M	1.64%	0.22%	3.30%	0.45%	4.96%	0.68%
Chile	> USD 100M	2.27%	0.46%	5.07%	1.03%	7.87%	1.59%
	> USD 1,000M	1.03%	0.21%	2.15%	0.44%	3.28%	0.66%
Colombia	> USD 100M	3.01%	0.54%	6.41%	1.16%	9.81%	1.78%
	> USD 1,000M	0.69%	0.13%	1.42%	0.26%	2.15%	0.39%
Uruguay	> USD 100M	1.02%	0.18%	2.39%	0.41%	3.76%	0.65%
	> USD 1,000M	0.52%	0.09%	1.12%	0.19%	1.71%	0.30%
Argentina	> USD 100M	0.21%	0.04%	0.44%	0.09%	0.66%	0.14%
	> USD 1,000M	0.17%	0.04%	0.36%	0.08%	0.54%	0.12%
Brazil	> USD 100M	0.58%	0.14%	1.27%	0.31%	1.96%	0.48%
	> USD 1,000M	0.49%	0.12%	1.04%	0.26%	1.59%	0.39%
Peru	> USD 100M	0.73%	0.12%	1.60%	0.27%	2.47%	0.42%
	> USD 1,000M	0.14%	0.02%	0.28%	0.05%	0.42%	0.07%

Conclusions

Latin America is one of the most unequal regions in the world; it taxes the poorest heavily and proportionally less those who concentrate the most. When tax systems allow large fortunes to pay lower effective rates than the rest of the population, not only is revenue lost, but the social contract upon which democratic legitimacy rests is eroded. At a time when more than 75% of the population considers the distribution of wealth to be unjust (Latinobarómetro 2024), and the concentration of economic and political power at the top continues to grow (Oxfam 2026), the margin for inaction has become very costly.

The minimum wealth tax is a precise response to that anomaly. The report's simulations show that the instrument works: it yields significant revenue and corrects regressivity at the top. In countries like Brazil and Chile — where more robust estimates exist for the upper percentiles — the instrument substantially raises effective rates for the highest-net-worth groups.

None of this implies presenting the proposal as a silver bullet. Its strength lies in acting with precision at the moments when concentration is most extreme and no other instrument reaches the same effectiveness. It does not replace a broader progressivity agenda that includes dividends, capital gains, inheritances, preferential regimes, and a review of the excessive dependence on consumption taxes. But it does correct a specific failure: the possibility that, at the top of the distribution, wealth remains systematically undertaxed.

The analysis also shows that the effectiveness of any reform depends not only on the design of the instrument, but also on the state's capacity to measure wealth. That we can today measure with greater precision what happens within the top 1% in countries like Brazil or Chile is explained, in large part, by access to administrative records and better information systems. Strengthening that infrastructure at the national level is a central condition for advancing the effective taxation of wealth.

Strengthening states' capacity to observe wealth requires integrating different sources of information. In practice, this means connecting tax records with commercial registries, property cadastres, and beneficial ownership databases, so that authorities can identify more precisely who owns what assets and through which corporate structures. Greater traceability of business assets allows detection of where the largest net worth is concentrated and where tax bases are eroded.

In this process, partnerships between tax administrations and research centers can play an important role. Secure access to fiscal and corporate microdata enables the development of more precise methodologies for estimating wealth at the top of the distribution, improving the diagnosis of inequality, and strengthening states' capacities to tax wealth.

Regional cooperation also matters. When wealth is mobile, and corporate structures cross jurisdictions, coordination among countries can strengthen the effectiveness of progressive reforms. In that scenario, PTLAC can play a relevant role as a space for articulation: convening tax administrations, facilitating the exchange of experiences and good practices, and helping to build common frameworks for analysis and technical cooperation. The region needs greater shared capacity to identify where progressivity breaks down, how avoidance is organized at the top, and what institutional responses can be designed based on the best available evidence.

At the same time, countries can begin to act domestically right now, adopting measures to tax extreme wealth more effectively, strengthen their wealth registries, and improve their audit capacities. Regional cooperation can amplify these efforts, but it does not constitute a prerequisite for initiating them.

Ultimately, the question is political. Tax systems reflect the power relations of each society. If states aspire to greater capacity for action, more progressive fiscal systems, and more legitimate democracies, ensuring that large fortunes contribute proportionally is a fundamental part of that project.

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