

EXECUTIVE SUMMARY

Tax policy is an essential instrument for reducing inequality. This report, commissioned by Brazil under the PTLAC¹ Presidency 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 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).