



For the kind attention of António Guterres, Secretary General of the United Nations

17 March 2023

Subject: Implementation of UN General Assembly resolution 77/244 – written inputs to the Tax Report 2023 on *Promotion of inclusive and effective tax cooperation at the United Nations*

Your Excellency,

Oxfam welcomes the UNGA Resolution 77/244 and welcomes the opportunity to submit inputs to the process and the 2023 Tax Report.

As a signatory to the joint submission from the Civil Society Financing for Development Mechanism (www.csoforffd.org) we warmly endorse the inputs contained therein. We especially wish to reiterate the importance of addressing the unjust participation and effective marginalization of developing countries in current international tax cooperation decision-making processes. We fully support the need for a UN Framework Convention on Tax and reiterate the call for a process of intergovernmental discussions that allows for sufficient time to give full consideration to the problems and options to address them, and which allows universal participation for all countries on an equal footing, in a process that is adequately funded, and which is transparent and has meaningful participation of observers. We refer to the full submission from the Civil Society Financing for Development Mechanism for more details.

As Oxfam we also wish to share some inputs in addition to the above which focus more on what we believe should be some of the key issues that inclusive and effective tax cooperation under the United Nations should focus on.

Focusing on ensuring a fair recovery through progressive taxation

We think that taxing the wealthiest and those that have profited from crisis provides a strong rationale for UN-led international tax cooperation as these topics are currently absent in most international cooperation around tax and require urgent attention.

In our report '*Survival of the richest – How we must tax the super-rich now to fight inequality*¹ we have documented how taxes on the wealthiest and corporations have been reduced across most countries in the world over the course of several decades. This has resulted in tax

¹ <https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/2023-01/Survival%20of%20the%20Richest%20Full%20Report%20-English.pdf>



systems that tend to favour the richest, while penalizing those who can least afford to pay. For example, we show in our report how Aber Christine, a flour vendor in Uganda, pays around 40% of her profits in tax while billionaires such as Elon Musk pays a true tax rate of around 3%.

The pandemic, cost-of-living crisis, accelerating impact of climate change and reversal in progress made against global poverty has had a detrimental impact on billions of people. Meanwhile, the global wealth of billionaires has doubled just in the last decade, and the share of new wealth going to billionaires has increased during the pandemic years. Some corporations are also reaping record profits. For example, 95 companies in the energy and food sectors posted \$306 billion in windfall profits in 2022, of which 84% was paid out to shareholders.

There are many aspects of our tax systems that require attention, but if we want to build a fair recovery to the multiple crises and not allow inequality to get further out of control, we believe that we urgently need to promote progressive taxation, and specifically find ways to ensure that wealthiest top 1% and corporations start to pay more taxes.

We are encouraged that the UN's Committee of Experts on International Cooperation in Tax Matters has established a subcommittee on wealth and solidarity taxes.² And we are encouraged by your strong support for redistributing from those that have profited from crisis to those most in need and to support those impacted by climate change.³

Addressing cross-border tax avoidance, evasion and illicit financial flows

According to UNCTAD, African countries each year lose \$88.6 bn. to illicit financial flows, representing half of the financing gap for the continent to realise the Sustainable Development Goals (SDGs).⁴ Corporate tax avoidance has shown little sign of decreasing, despite years of negotiations. Unfortunately, our assessment is that the OECD two-pillar agreement of October 2021 is both unfair to developing countries, extremely short in terms of additional revenues and unlikely to solve the incoherence and loopholes in the international corporate tax systems that allow multinational corporations to not pay their fair share.⁵

We believe that a UN Framework Convention on Tax should seek to address cross-border tax avoidance, evasion and illicit financial flows as a matter of top priority. Genuine and fair solutions to these challenges have so far been difficult to reach in existing forums for international cooperation around tax, anti-money laundering and administrative cooperation, and we believe a UN-led process could help break with old dynamics and that a truly inclusive process with universal participation could help create the momentum needed for genuine and fair solutions.

The solutions to be promoted under a UN Framework Convention on Tax should be adopted to the needs of developing countries that are often most severely impacted by tax havens, tax avoidance and evasion. And the level of ambition in the solutions should match the enormous scale of the challenge faced.

² <https://www.un.org/development/desa/financing/subcommittee-wealth-and-solidarity-taxes>

³ <https://www.theguardian.com/world/2022/sep/20/un-secretary-general-tax-fossil-fuel-companies-climate-crisis>

⁴ https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf

⁵ <https://www.oxfam.org/en/press-releases/oecd-tax-deal-mockery-fairness-oxfam>



A tax framework to contribute to a new social contract

A UN Framework Convention on Tax would be an opportunity to ensure that decisions behind international tax deals are not only based on technical criteria but on their impact in building the social contract. This would involve recognizing the role that tax can play in reducing not just economic inequality, but also racial, gender and colonial inequalities. It would also involve recognizing the role of tax in ensuring human rights, including environmental ones, and in advancing the Sustainable Development Goals. As such, the new UN Framework Convention on Tax should not only be guided by economic efficiency or efficacy criteria but should build on the great work already done by the UN to go beyond, for example on recognizing the links between human rights and illicit financial flows⁶, and the role of taxes in promoting gender equality⁷ or the implications of tax policies for example on the rights of the child⁸. In essence, putting life and planet first.

In that sense, increasing the accountability and transparency around how taxes are collected and spent, including by breaking down political capture by elite interests in tax policy making and negotiations are essential requisites to its success.

Attached to this letter please find our report '*Survival of the richest – How we must tax the super-rich now to fight inequality*' in which many of the recommendations contained above are elaborated. We remain at your disposal should you wish to discuss the above further.

Yours sincerely,

Susana Ruiz and Christian Hallum
Tax Policy Leads for Oxfam

⁶ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G16/006/43/PDF/G1600643.pdf?OpenElement>

⁷ <https://gender-financing.unwomen.org/en/resources/g/e/n/gender-and-taxation-discussion-paper>

⁸

https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CRC%2FC%2FIRL%2FCO%2F5-6&Lang=en



SURVIVAL OF THE RICHEST

How we must tax the super-rich now to fight inequality



OXFAM

Oxfam briefing paper – January 2023

We are living through an unprecedented moment of multiple crises. Tens of millions more people are facing hunger. Hundreds of millions more face impossible rises in the cost of basic goods or heating their homes. Poverty has increased for the first time in 25 years. At the same time, these multiple crises all have winners. The very richest have become dramatically richer and corporate profits have hit record highs, driving an explosion of inequality. This report focuses on how taxing the rich is vital to addressing this unprecedented polycrisis and skyrocketing inequality. The report explores how, in recent history, taxation of the richest was far higher; how talk of taxing the rich and making billionaires pay their fair share is hugely popular; and how taxing the rich claws back elite power and reduces not just economic inequality, but racial, gender and colonial inequalities, too. The report lays out how much tax the richest should pay, and the practical, tried and tested ways in which governments can raise such taxation. It shows us how taxing the rich can set us clearly on a path to a more equal, sustainable world free from poverty.



Seinab heads to the dam to fetch water in Isiolo County, Kenya. The area where she lives has experienced years of drought. She and her family are participants in a cash transfer programme and have also received equipment such as tanks and water purifiers to help with access to clean water. Photo: Loliwe Phiri/Oxfam.

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Interactive use

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Lead authors: Martin-Brehm Christensen, Christian Hallum, Alex Maitland, Quentin Parrinello, and Chiara Putaturo.

Contributing authors: Dana Abed, Carlos Brown, Anthony Kamande, Max Lawson and Susana Ruiz.

Commissioning manager: Chiara Putaturo.

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This paper was written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please email advocacy@oxfaminternational.org.

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Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

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Forewords



Chenai C. Mukumba is the Executive Director of Tax Justice Network Africa and Vice-President of ATAF Women In Tax Network (AWITN).

This report could not have been released at a more important time. Inequality is one of the most important issues today and, left unabated, has the potential to exacerbate many of the social cleavages that exist within our society. Addressing it, therefore, should be at the forefront of our policy agendas, and this report presents an important but insufficiently explored way of doing just that: taxing the rich.

Taxes that target the rich allow tax to play its redistributive function by constraining the growth of income and wealth inequalities. The report provides a concrete solution to the problem of inequality that NGOs have brought to the fore in so many conversations. Having said this, however, countries face significant challenges in taxing wealth, and there is a need for concrete proposals on how to do so, especially for developing countries.

There are very real constraints that revenue authorities face in the uptake. As such, it is important that we discuss the importance of implementing policies to tax the rich alongside the conversations about the capacity required to do so effectively. That is why the report's recommendations around strengthening the capacity of revenue authorities and increasing transparency to allow them to track the wealth that is hidden in tax havens is so vital, especially for developing countries.

As with all policy-related conversations, the key to finding these solutions and tapping into them is political will. My hope is that this report will help governments see the need to take the necessary steps to make their tax systems more equitable and ensure that those who, as we say within civil society circles, 'earn the most pay the most'.



José Antonio Ocampo
Minister of Finance and Public Credit, Colombia

Taxing the wealthiest is no longer an option—it's a must. Global inequality has exploded, and there is no better way to tackle inequality than by redistributing wealth. As Oxfam's report shows, the richest 1% bagged nearly two-thirds of all new wealth over the past two years, nearly twice as much money as the bottom 99% of the world's population.

Fairness is at the heart of Colombia's tax reforms. Concretely, this means a new wealth tax, higher taxes for high-income earners and large corporations reaping extraordinary profits in international markets, and ending tax incentives that exist without clear social or environmental justification. We are also implementing digital services taxes and adopting a corporate minimum tax rate, building on the international tax deal.

By abolishing decades-long tax privileges and loopholes that benefit only the richest, there will be more money to invest in free, quality public services like education and healthcare. To invest in agriculture. In climate and nature. And in peace. This is not something symbolic; it's not just talk about increasing taxes on the rich to support the poor. It's an historic shift. And it's long overdue. Colombia is one of the most unequal countries in the world. It's no surprise that inequality was a catalyst for the nationwide protests in 2021. Ordinary Colombians have had enough and demanded change.

We've listened. We've listened to the millions of Colombians working hard every day to feed their families. To women, youth and those that have been internally displaced. To the small businesses that are the backbone of our economy. There can be no sustainable future for us all without fair taxation. And while most of the world is backpedalling on shifting away from fossil fuels, our commitment to Colombia's energy transition remains firm.

We will be doing our part at home, and will work with our Latin American neighbors to end the race to the bottom in the region. We need tax cooperation, not tax competition. The same holds true for international tax deals, which should benefit all countries, not just the richest.

As humanity we are facing unprecedented crises. I would encourage the leaders of all nations to ensure the richest in society pay their fair share of tax, to enable us to face these crises, overcome them, and build a better future for all.

Executive summary

Elon Musk, one of the world's richest men, paid a 'true tax rate' of just over 3% from 2014 to 2018.¹ Aber Christine, a market trader in Northern Uganda who sells rice, flour and soya, makes \$80 a month in profit. She pays a tax rate of 40%.²

Survival of the richest

We are living through an unprecedented moment of multiple crises. Tens of millions more people are facing hunger. Hundreds of millions more face impossible rises in the cost of basic goods or heating their homes. Climate breakdown is crippling economies and seeing droughts, cyclones and floods force people from their homes. Millions are still reeling from the continuing impact of COVID-19, which has already killed over 20 million people.³ Poverty has increased for the first time in 25 years.⁴ At the same time, these multiple crises all have winners. The very richest have become dramatically richer and corporate profits have hit record highs, driving an explosion of inequality.

- Since 2020, the richest 1% have captured almost two-thirds of all new wealth – nearly twice as much money as the bottom 99% of the world's population.⁵
- Billionaire fortunes are increasing by \$2.7bn a day,⁶ even as inflation outpaces the wages of at least 1.7 billion workers, more than the population of India.⁷
- Food and energy companies more than doubled their profits in 2022, paying out \$257bn to wealthy shareholders,⁸ while over 800 million people went to bed hungry.⁹
- Only 4 cents in every dollar of tax revenue comes from wealth taxes,¹⁰ and half the world's billionaires live in countries with no inheritance tax on money they give to their children.¹¹
- A tax of up to 5% on the world's multi-millionaires and billionaires could raise \$1.7 trillion a year, enough to lift 2 billion people out of poverty, and fund a global plan to end hunger.¹²

This report focuses on how taxing the rich is vital to addressing this unprecedented 'polycrisis'¹³ and skyrocketing inequality. It shows how taxing the rich can set us clearly on the path to a more equal, sustainable world free of poverty.

The report explores how, in recent history, taxation of the richest was far higher; how talk of taxing the rich and making billionaires pay their fair share is hugely popular; how taxing the rich claws back elite power and reduces not just economic inequality, but racial, gender and colonial inequalities, too. The report lays out how much tax the richest should pay, and the practical, tried and tested ways in which governments can raise such taxation.

An age of crisis, causing huge suffering for most of humanity

As billionaires, government leaders and corporate executives jet in to meet atop their mountain in Davos, Switzerland, the world faces a dramatic, dangerous and destructive set of simultaneous crises. These are having a terrible impact on the majority of people, something Oxfam sees in its work across the world.

In 2022, the World Bank announced that we will fail to meet the goal of ending extreme poverty by 2030, and that 'global progress in reducing extreme poverty has come to a halt,' amid what it said was likely to be the largest increase in global inequality and the largest setback in addressing global poverty since World War II.¹⁴ The IMF is forecasting that a third of the global economy will be in recession in 2023.¹⁵ For the first time, the UNDP has found that human development is falling in nine out of 10 countries.¹⁶

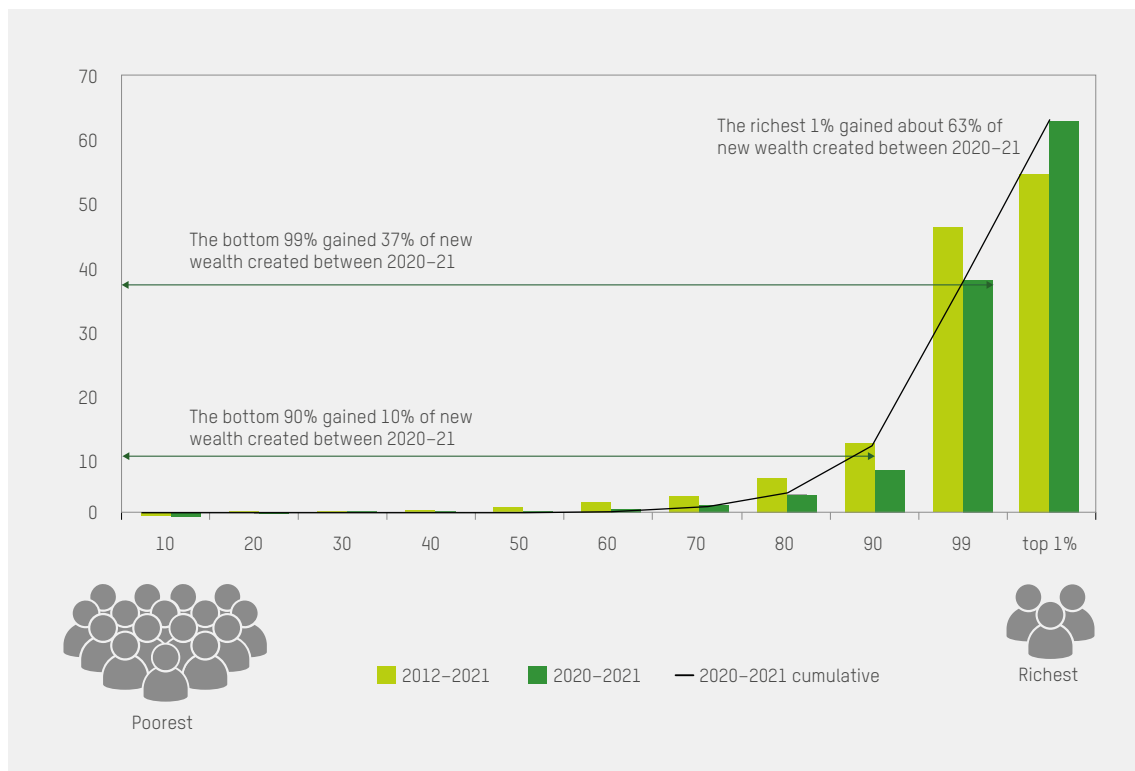
Oxfam analysis shows that at least 1.7 billion workers worldwide will have seen inflation outpace their wages in 2022,¹⁷ a real-terms cut in their ability to buy food or keep the lights on.

Whole nations are facing bankruptcy, with debt payments ballooning out of control. The poorest countries are spending four times more repaying debts – often to predatory, rich, private lenders – than on healthcare.¹⁸ Many are also planning brutal spending cuts. Oxfam has calculated that over the next five years, three-quarters of governments are planning to cut spending, with the cuts totalling \$7.8 trillion dollars.¹⁹

An age of crisis, creating huge fortunes for a tiny few

Meanwhile, the scale of wealth being accumulated by those at the top, already at record levels, has accelerated. The global polycrisis has brought huge new wealth to a tiny elite. Over the last 10 years, the richest 1% of humanity has captured more than half of all new global wealth.²⁰ Since 2020, according to Oxfam analysis of Credit Suisse Data, this wealth grab by the super-rich has accelerated, and the richest 1% have captured almost two-thirds of all new wealth. This is six times more than the bottom 90% of humanity.²¹ Since 2020, for every dollar of new global wealth gained by someone in the bottom 90%, one of the world's billionaires has gained \$1.7m.²²

FIGURE 1 SHARE OF NEW WEALTH GAINED (% OF TOTAL NEW WEALTH)

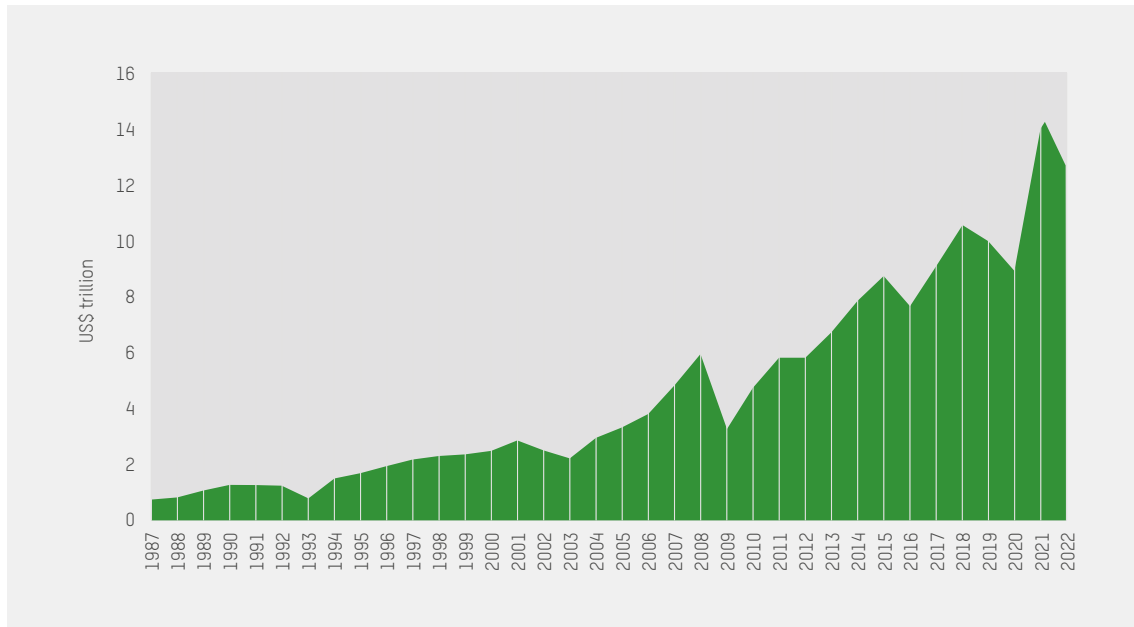


Source: Oxfam calculation based on Credit Suisse Global Wealth Report.²³

Billionaires have seen huge gains during the pandemic. A flood of public money pumped into the economy by rich countries, which was necessary to support their populations, also drove up asset prices and wealth at the top. This meant that in the absence of progressive taxation, the super-rich pocketed unprecedented fortunes.

Although billionaire fortunes have fallen slightly since their peak in 2021, they remain trillions of dollars higher than before the pandemic.²⁴ This crisis-driven bonanza for the super-rich has come on top of many years of dramatically growing fortunes at the top, and growing wealth inequality.

The current cost-of-living crisis, with spiralling food and energy prices, is also creating dramatic gains for many at the top. Food and energy corporations are seeing record profits and making record payouts to their rich shareholders and billionaire owners. Corporate price profiteering is driving at least 50% of inflation in Australia, the US and Europe, in what is as much a 'cost-of-profit' crisis as a cost-of-living one.²⁵

FIGURE 2 INCREASE IN BILLIONAIRE WEALTH 1987–2022 IN US\$ TRILLION (REAL TERMS)

Source: Forbes World's Billionaires list.²⁶

Every billionaire is a policy failure

Extreme concentrations of wealth undermine economic growth, corrupt politics and the media, corrode democracy and propel political polarization. New Oxfam research also shows that the richest are key contributors to climate breakdown: a billionaire emits a million times more carbon than the average person,²⁷ and billionaires are twice as likely as the average investor to invest in polluting industries like fossil fuels.²⁸

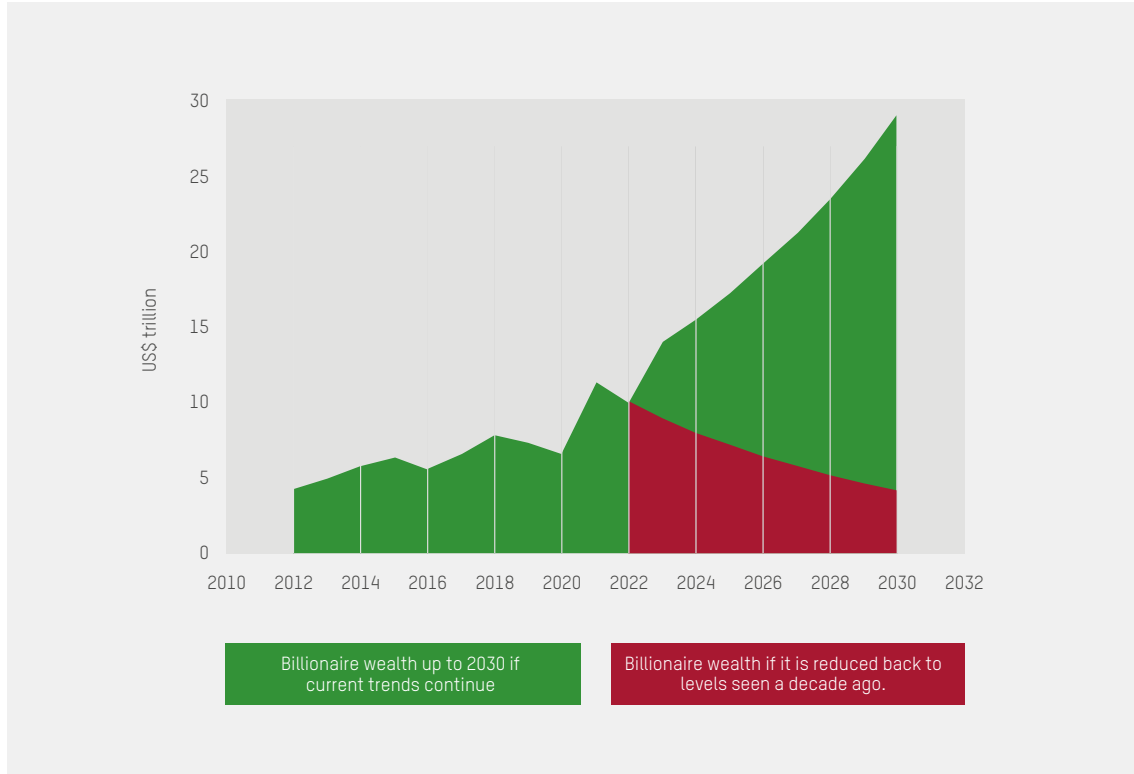
The very existence of booming billionaires and record profits, while most people face austerity, rising poverty and a cost-of-living crisis, is evidence of an economic system that fails to deliver for humanity. For too long, governments, international financial institutions and elites have misled the world with a fictional story about trickle-down economics, in which low tax and high gains for a few would ultimately benefit us all. It is a story without any basis in truth.

It is a story, and an economic system that has left us without the tools or even the imagination to face this new age of crisis. It is a system that is largely discredited, yet continues to monopolize the minds of our leaders. It is a system that continues to work very well indeed for a small group of people at the top – predominantly rich, white men based in the global north.²⁹

To break the discredited cycle of never-ending billionaire wealth accumulation, governments need to address all the many ways in which the economy is rigged in their favour, including on labour laws, privatization of public assets, CEO compensation and much more. While all of this is needed, Oxfam is using this report to shine a light on one of the key solutions that it believes to hold immense potential: taxing the rich. Oxfam believes that, as a starting point, the world should aim to halve the wealth and number of billionaires between now and 2030, both by increasing taxes on the top 1% and adopting other billionaire-busting policies. This would bring billionaire wealth and numbers back to where they were just a decade ago in 2012. The eventual aim should be to go further, and to abolish billionaires altogether, as part of a fairer, more rational distribution of the world's wealth.

Tax will play a crucial role in delivering that vision, but it will only happen if we make a drastic break with decades of tax cuts for the rich and corporations.

FIGURE 3 THE OTHER SIDE OF THE MOUNTAIN: TWO SCENARIOS FOR BILLIONAIRE WEALTH BETWEEN NOW AND 2030

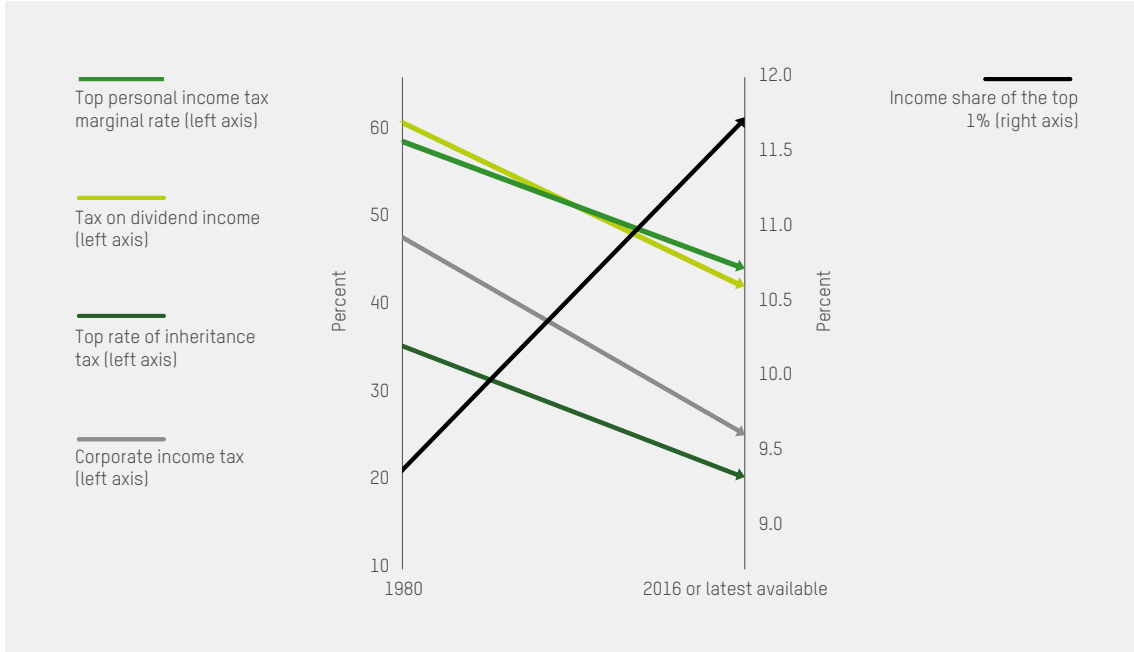


Source: Oxfam calculations based on analysis of the Forbes World's Billionaires list.³⁰ Figure 3 illustrates two scenarios: in the first one, billionaire wealth continues to grow at the same rate it has over the last decade. In the second, taxes and other measures are used to reduce billionaire wealth back down to where it was 10 years ago.



Photo: Josep Monter Martinez/Pixabay

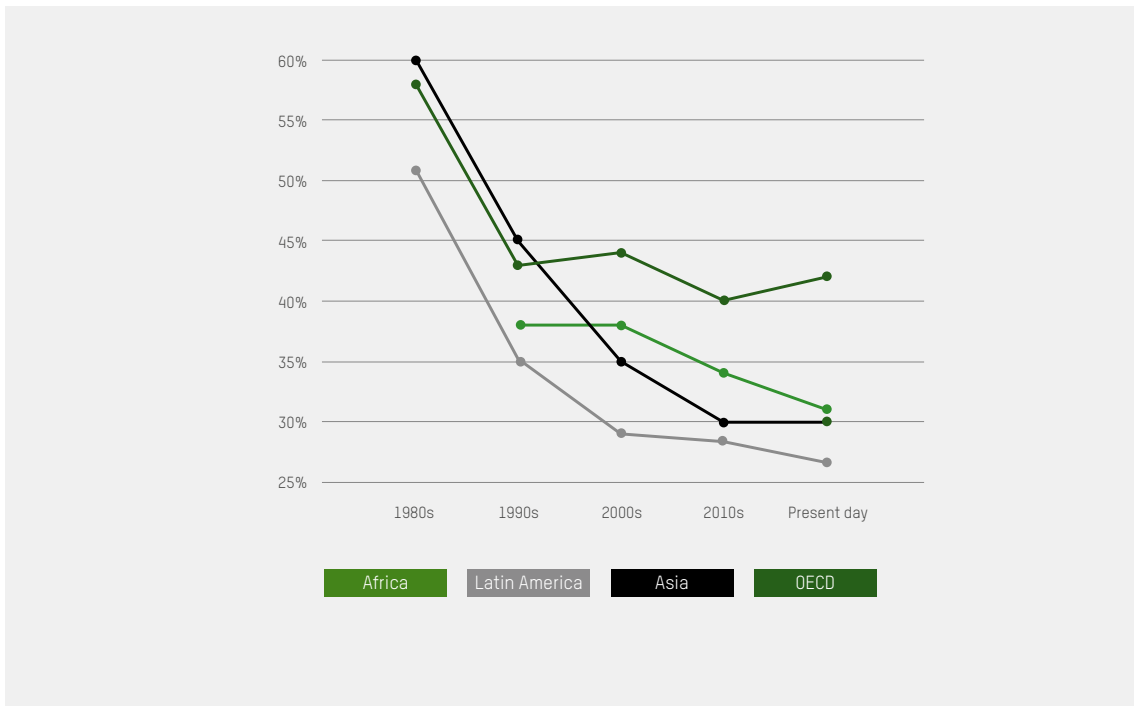
FIGURE 4 IN RICH COUNTRIES, FALLING RATES OF TAX ON THE RICH HAVE COINCIDED WITH A RISING SHARE OF INCOME GOING TO THE TOP 1%



Source: Oxfam calculations based on data from the World Inequality Lab, IMF, OECD, and Scheve and Stasavage (2016).³¹

The spectacular rise of wealth and income at the very top has coincided with a collapse in taxes on the richest 1%. While there are differences between countries, the general trend towards lower taxes for the rich has been remarkably similar across all regions of the world.

FIGURE 5 TOP PERSONAL INCOME TAX RATES FOR THE RICH



Source: Oxfam calculations based on data from OECD.Stat, UNESCAP and ODI.³²

- For every \$1 raised in tax, only four cents comes from taxes on wealth.³³ The failure to tax wealth is most pronounced in low- and middle-income countries, where inequality is highest.³⁴
- Two-thirds of countries do not have any form of inheritance tax on wealth and assets passed to direct descendants.³⁵ Half of the world's billionaires now live in countries with no such tax, meaning \$5 trillion will be passed on tax-free to the next generation, a sum greater than the GDP of Africa.³⁶ A new, powerful, and unaccountable aristocracy is being created in front of our eyes.
- Top rates of tax on income have become lower and less progressive, with the average tax rate on the richest falling from 58% in 1980 to 42% more recently in OECD countries. Across 100 countries, the average rate is even lower, at 31%.³⁷
- Rates of tax on capital gains – in most countries the most important source of income for the top 1% – are only 18% on average across more than 100 countries. Only three countries tax income from capital more than income from work.³⁸

The results have been staggering. Zooming in at the very top exposes that many of the richest men on the planet today get away with paying hardly any tax. For example, one of the richest men in history, Elon Musk, has been shown to pay a 'true tax rate' of 3.2%,³⁹ while another of the richest billionaires, Jeff Bezos, pays less than 1%.⁴⁰ In contrast, one of the market traders that Oxfam works with in Uganda, Aber Christine, pays 40% of her profits in tax.⁴¹

Box 1: It doesn't have to be this way – when the top rate of US tax was 90%

Taxes on the richest used to be much higher. In the United States, the top marginal rate of federal income tax was 91% from 1951 to 1963; top inheritance tax rates stood at 77% until 1975; and the corporate tax rate averaged just above 50% during the 1950s and 1960s.⁴² There were similar levels of tax in other rich nations. These high levels of tax were supported across the political spectrum and existed side by side with some of the most successful decades of economic development we have seen.

One of the most strategic tools to fight inequality and combat polycrisis: taxing the rich

Greater taxation of rich people and corporations is the exit door for today's polycrisis. It can avert austerity, it can be used to fight inflation and higher prices,³⁹ and it can avoid the unnecessary cruelty of mass destitution and hunger.

Greater taxation is a precondition for successful, strategic governments, giving them the resources to invest in universal healthcare and education; happier, healthier societies; innovation, research and development; the transition to green economies; and stopping climate breakdown.

Together with the Institute for Policy Studies, the Patriotic Millionaires and the Fight Inequality Alliance, Oxfam has used data from Wealth-X and Forbes to calculate that a wealth tax of 2% on the world's millionaires, 3% on those with wealth above \$50m, and 5% on the world's billionaires would raise \$1.7 trillion dollars annually. This would be enough to lift 2 billion people out of poverty. In addition, it could fill the funding gap for emergency UN humanitarian appeals and fund a global plan to end hunger. Beyond this, the tax could help with financing the loss and damage caused to low- and lower-middle-income countries by climate breakdown, and deliver universal healthcare and social protection for all the citizens of low- and lower-middle-income countries (3.6 billion people).⁴³

Taxing the super-rich directly reduces the numbers and wealth of the richest, creating more equal societies, and preventing the emergence of powerful, unaccountable and semi-aristocratic elites. It also reduces corrosive social inequalities.

Previous moments of global crisis have seen increases in taxation of the richest, in the spirit of solidarity. Disappointingly, this did not happen during the peak of the pandemic. Instead, 95% of countries either did not increase, or even *lowered*, taxes on rich people and corporations.⁴⁴

The tide is turning...

This polycrisis is now finally shaking up old thinking. The case for taxing the rich more to support people through these crises is increasingly being made across old political divides, including from unlikely institutions such as the International Monetary Fund (IMF) and the European Central Bank (ECB). When the UK government had to backpedal on a battery of proposed tax cuts for the wealthy in October 2022, after an economic and political crisis erupted, it marked a real turning point.⁴⁵

Visible cracks are now appearing in the decades-long consensus that has driven the agenda of tax cuts for the rich and corporations, but the wall will not break without an active push from ordinary people. The truth is that tax cuts for the rich were never driven by popular demand: polling in many countries has shown that citizens all over the world have long seen taxing the rich more as necessary and common-sense (see Box 2). For change to happen, we need to roll back the political capture that has driven the agenda of ever-lower taxes for the rich and corporations.

Box 2: Taxing the rich – a wildly popular idea, even with rich people

Polling consistently finds that most people support taxing the rich.⁴⁶ Polling in the US shows that in the last decade, for the first time, the majority of Americans have begun to agree that their 'government should redistribute wealth by heavy taxes on the rich'.⁴⁷ An estimated 80% of Indian citizens are in favour of increasing taxes on the rich,⁴⁸ and 85% of Brazilians are in favour of increasing taxes on the super-rich to finance essential services.⁴⁹ In Africa, 69% of people polled across 34 countries agreed that it 'is fair to tax rich people at a higher rate than ordinary people in order to fund government programs to benefit the poor'.⁵⁰

Even the super-rich agree. In January 2022, over 100 millionaires signed a letter calling for higher taxes.⁵¹

As we face these new crises, we must learn the lessons of COVID-19. Governments worldwide should rapidly increase taxation of the richest.

Time for a new common sense

We need to reimagine, reinvent and repurpose our economies to face these crises, in order to urgently build a more equal world and save our planet. In particular, we need to relearn the lessons of our own history, when the rich paid their fair share of tax and those taxes helped fund the expansion of rights such as universal access to healthcare and education.

Inequality is not inevitable. Inequality is a policy choice. Governments can take clear and concrete, practical steps to radically reduce inequality and give themselves the fiscal firepower to protect their people. They can choose to help them safely through crises, instead of imposing unnecessary suffering on them through austerity policies.

How much tax should the richest pay?

Oxfam is calling for every country to implement a mix of taxes that would ensure the richest 1% pay significantly higher rates of tax, paying, for example, 60% of their income in tax, and for multi-millionaires and billionaires to pay higher rates still. This would be a percentage of their total income, from work and from their capital investments.

Rates of around this level would require at least a doubling of today's average tax rate of just 31% on the personal income of the highest earners across 100 countries, and a quadrupling of the rate on capital gains, which is currently only 18% on average across 123 countries.⁵² Marginal tax rates of 60% and above on personal income of the rich were the norm for large parts of the 20th century.⁵³ For the super-rich – that is, those with multi-million or billion-dollar fortunes – tax rates should be 75% or higher, to discourage sky-high executive pay.

If governments are to tax income comprehensively, they must ensure that they tax gains from capital at least as much, and preferably more, than income from work. Income from capital is, in most countries, the most important source of income for the rich, and in most jurisdictions it is currently taxed at much lower rates than income from work.

Governments should urgently implement one-off solidarity wealth taxes on the super-rich to claw back pandemic gains driven by public money. Permanent wealth taxes should be implemented, and set at a rate high enough to reduce the numbers of the super-rich. Oxfam has calculated that to simply keep the wealth of billionaires constant over the last five years, governments would have needed to tax their wealth at a rate of 12.8% each year.⁵⁴ Reducing the numbers of billionaires and the super-rich should not be achieved by tax alone; other measures are needed to construct an economy that does not produce such extreme disparities of wealth in the first place. Nevertheless, wealth taxes can and should play a pivotal role in closing the gap.

Wealth taxes should include strengthening property and land taxes. Every country also needs a high level of inheritance tax on the super-rich, to prevent inequality being perpetuated for generations and the creation of a new aristocracy. Beyond these taxes, governments should also explore the use of net-wealth taxes.

Time to tax the rich

Greater taxation of rich people is not the only answer to the inequality crisis, but it is a fundamental part of it. It is time for governments to shake off decades of failed ideology and rich elite influence, and to do the right thing: tax the rich.

The revenues raised from this new wave of progressive taxes could then be used to build a fairer, more equal and sustainable future for us all.

Governments must use the tax tools at their disposal to turn back this tide of inequality, following these four steps to a more equal world:

1. Introduce one-off solidarity wealth taxes and corporate windfall taxes as well as much higher taxes on dividend payouts to stop crisis profiteering.
2. Permanently increase taxes on the richest 1%, for example to a minimum of 60% of their income from both labour and capital, with higher rates for multi-millionaires and billionaires.
3. Tax the wealth of the super-rich at rates high enough to systematically reduce extreme wealth and lower power concentration and inequality.
4. Use the revenues from these taxes to increase government spending on inequality-busting sectors, such as healthcare, education and food security, and to fund the just transition to a low-carbon world.

Chapter 1: The inequality explosion – survival of the richest

In recent decades, economic inequality has soared to extreme and dangerous levels. It has become an existential threat to our societies, crippling our ability to end poverty, corroding politics and putting the future of our planet in peril.

Crisis after crisis has driven an ever-greater wedge between the haves and the have-nots, exposing the consequences of entrenched inequalities. Most recently, the COVID-19 pandemic and runaway food and fuel prices have led to poverty and a cost-of-living crisis for the many, while driving relentless wealth and income growth for the richest.

Governments have a responsibility for this inequality explosion. Most have failed to implement progressive policies that prevent or reduce inequality, that redistribute money and power, and that break the vicious cycle of the wealthiest capturing politics and policy making. Trillions of dollars have been pumped into propping up the economies of wealthy nations. While this prevented economic disaster and further hurt for the poorest people, it has been largely captured by those at the top.

Today, every government in the world has a responsibility to urgently implement a comprehensive action plan to reduce inequality. This must include measures to ramp up taxes on the wealthiest, and to significantly curb their ability to amass undue levels of wealth and power in the future.

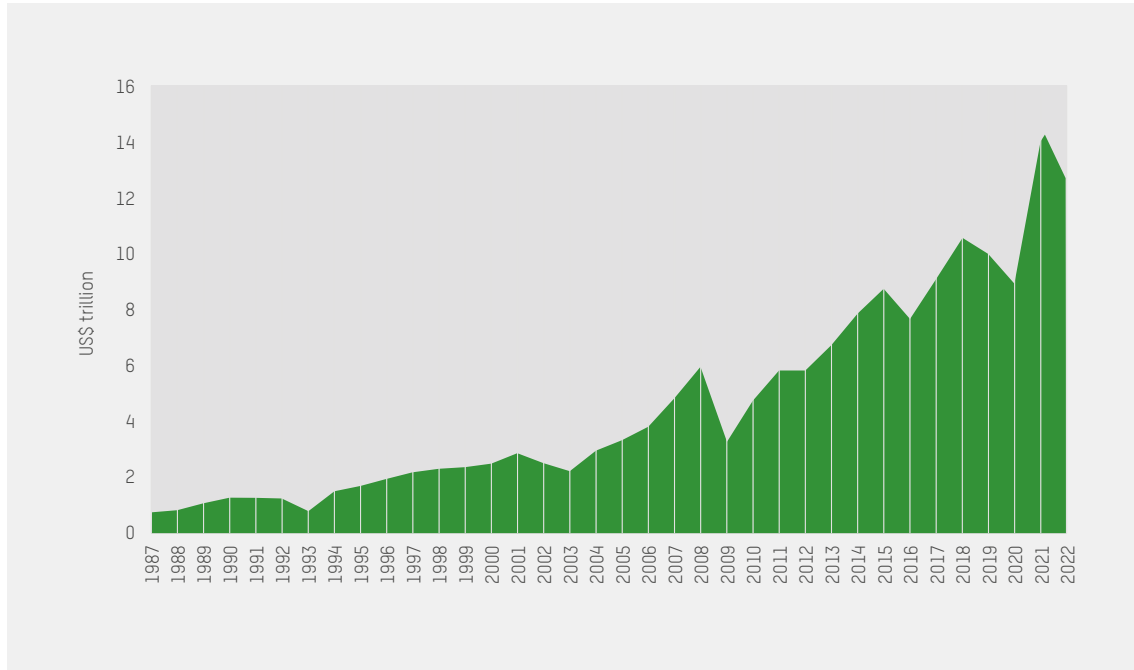
1.1 Soaring wealth for the few

Ten years ago, Oxfam first sounded the alarm at the Davos World Economic Forum – a meeting of the world's wealthy elite – about extreme levels of inequality. Back then, the income and wealth of the world's richest people were shooting up as they captured post-financial-crisis growth,⁵⁵ in a context of austerity and economic hardship for the majority of people. Today, the richest are benefiting from a global pandemic followed by a war-fuelled cost-of-living crisis that the world's richest are benefiting from.

- In the last 10 years, billionaires have doubled their wealth, making nearly six times more than the increase in wealth seen by the bottom 50%.⁵⁶
- For every \$100 of wealth created in the last 10 years, \$54.40 went to the top 1% and \$0.70 went to the bottom 50%.⁵⁷
- The top 1% have gained 74 times more wealth than the bottom 50% in the last 10 years.⁵⁸

Most recently, the COVID-19 pandemic and rising food and fuel-price crisis have made inequality even worse.

- Since 2020, for every dollar the bottom 90% have gained, billionaires have gained \$1.7m.⁵⁹
- For every \$100 of new wealth created in the global economy between December 2019 and December 2021, \$63 went to the top 1%, while the bottom 90% gained \$10.⁶⁰
- Since 2020, billionaire wealth has grown by \$2.7bn a day.⁶¹
- During the worst of the pandemic, according to the World Bank, the income losses among the poorest 40% of humanity were twice as large as among the richest 20%, and global income inequality has risen for the first time in decades.⁶²

FIGURE 6 INCREASE IN BILLIONAIRE WEALTH 1987–2022 IN US\$ TRILLION (REAL TERMS)

Source: Forbes World's Billionaires list.⁶³

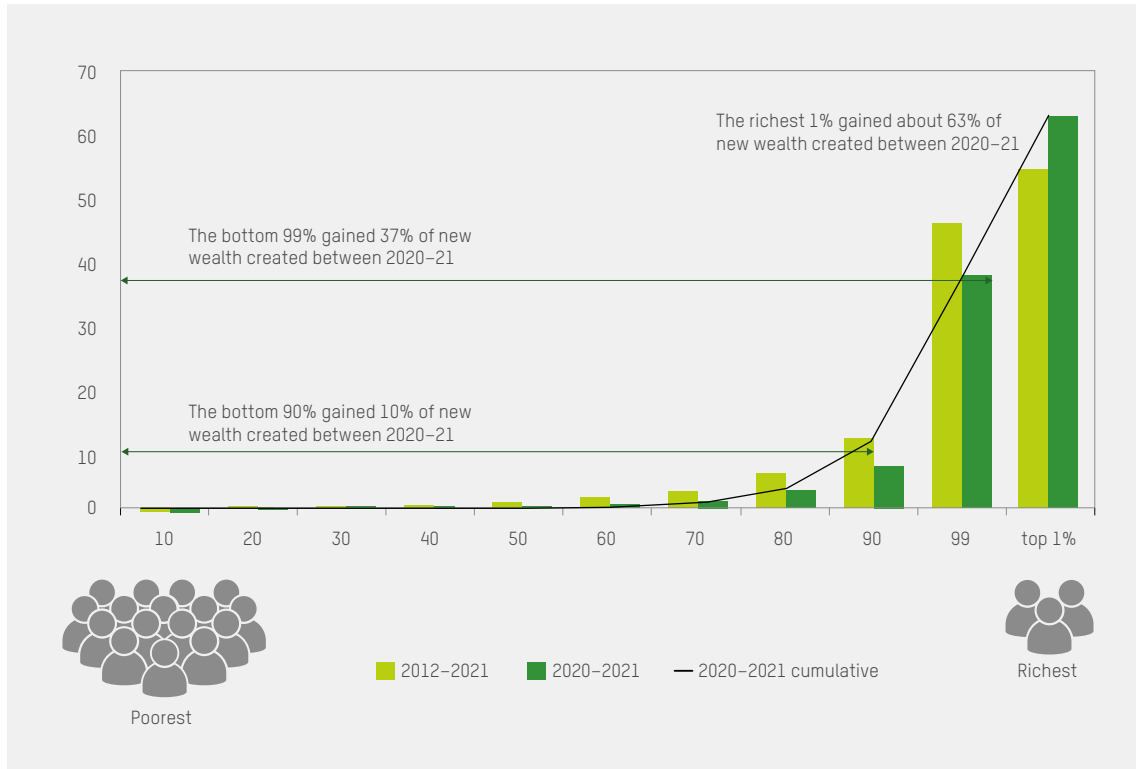
Some of the world's biggest corporations and their shareholders are directly profiting from these intersecting crises. Many pharmaceutical companies continue to hold the world to ransom by fiercely defending their monopolies and charging inflated prices for COVID-19 vaccines. This has delivered them record profits while leaving poorer nations shut out and unprotected. Millions of people are dying unnecessarily because of unequal access to vaccines caused by pharmaceutical greed and hoarding by rich countries.⁶⁴ The soaring cost-of-living crisis is creating new profiteers; many companies are using rising external costs as cover to enhance their profit margins, exacerbating inflation (see Box 3). This all serves to boost the wealth of rich company owners and shareholders.

The recent wealth explosion has been exacerbated by governments and central banks, who injected trillions of dollars of public money into the global economy after the 2008 financial crisis, and have done so again since the start of the COVID-19 pandemic. This drove up the price of assets⁶⁵ and, with this, the fortunes of the richest people. While governments did the right thing in supporting their economies through the crisis, they have done little to ensure this stimulus was subsequently clawed back from the richest.

Although billionaire fortunes have fallen slightly since their peak in 2021, they remain trillions of dollars higher than before the pandemic, and have in recent months already begun to rise again.⁶⁶

- The richest 1% hold 45.6% of global wealth, while the poorest half of the world have just 0.75%.⁶⁷
- 81 Billionaires hold more wealth than 50% of the world combined.⁶⁸
- 10 billionaires own more than 200 million African women combined.⁶⁹

FIGURE 7 SHARE OF NEW WEALTH GAINED (% OF TOTAL NEW WEALTH)



Source: Oxfam calculation based on the Credit Suisse Global Wealth Report.⁷⁰



Gusts of wind passing over the plains of Somaliland. East Africa is suffering from a severe drought. There has been very little rainfall for the past three years. Photo: Petterik Wiggers/Oxfam Novib.

Box 3: 'Greedflation' – how corporate profits are driving inflation and profiting from pain

Corporate profits have been following an upward trend for decades. Prior to the pandemic, the Global Fortune 500 firms increased their profits by 156%, from \$820bn in 2009 to \$2.1 trillion in 2019.⁷¹ Corporate profits are now soaring to ever higher levels and are a major contributor to the cost-of-living crisis.

The traditional explanation for soaring inflation is that it occurs when demand exceeds supply and pushes up prices, but this logic only partly explains the rising cost of energy and food. The invasion of Ukraine by Russia, with all its geopolitical consequences did lead to reduced gas supply from Russia, which in turn contributed to an increase in the global price of energy. In the case of food, prices were already rising sharply long before the war broke out, and the interruption of grain supplies from Ukraine just exacerbated the problem.⁷²

However, to better understand the rise in energy and food prices, we need to look beyond the logic of supply and demand. A growing body of evidence points to corporate profits and margins as a significant driver of inflation. Not only are companies passing increased input costs on to consumers, but they are also capitalizing on the crisis, using it as a smokescreen to charge even higher prices. In the US,⁷³ the UK⁷⁴ and Australia,⁷⁵ studies have found that 54%, 59% and 60% of inflation, respectively, has been driven by increased profits. In Spain, the CC00 (one of the country's largest trade unions) found that corporate profits were responsible for 83.4% of price increases during the first quarter of 2022.⁷⁶

Traditional economic theory argues that companies will be forced to lower their prices to compete in the market. However, many sectors, especially food and energy, are dominated by a small number of corporations that have effective oligopolies, which allows them to maintain high prices without the threat of being undercut by competition. When external costs fall, these savings are passed on to shareholders rather than consumers, who instead bear the brunt of increased prices. This is why we can have falling oil prices while the cost of fuel at the pump stays high.

Food and energy costs are the main drivers of inflation, so Oxfam looked at the profits of some of the world's largest food and energy companies. We found eye-watering levels of windfall profits (defined as 10% above their 2018–2021 average net profit). Our analysis of 95 companies who made a windfall profit found that:⁷⁷

- they made \$306bn in windfall profits;
- their profits increased by more than two-and-a-half times (256%) in 2022 compared with the 2018–2021 average;
- they paid \$257bn to shareholders in 2022 – 84% of their windfall profits were paid directly to shareholders; and
- 76% of the companies increased their profit margins.

Soaring profits of companies bring fortunes for the very richest. Share ownership is skewed towards higher-income groups – for example, in the US, the richest 1% own 53% of shares.⁷⁸ In some cases, these rich companies are also owned and controlled by a small group of super-rich individuals and families, and increasing profits make them even richer. The Walton dynasty, for example, which owns half of Walmart, the US retailer, received \$8.5bn in dividends and buybacks over the course of 2022.⁷⁹ Indian billionaire Gautam Adani, whose portfolio includes energy companies, has seen his wealth soar by 46% in 2022.⁸⁰

1.2 Mounting crises for the poorest people

While the wealthiest people and companies continue to thrive, recent crises have caused huge setbacks in the fight against poverty and hunger, cuts to jobs and wages, and a fiscal squeeze that threatens the lives and livelihoods of the world's poorest people. Now, in the midst of a cost-of-living crisis, it is clear that the world cannot continue on this trajectory.

The crises driving increased poverty and exacerbating hunger

One constant of the last two-and-a-half decades has been the steady decline in extreme poverty. This progress has now ground to a halt – the government responses to the pandemic, and food and energy crises, have undermined hard-won gains in the fight against poverty. For the first time in 25 years, extreme wealth and extreme poverty have sharply increased simultaneously.⁸¹ In 2020, over 70 million additional people were pushed into extreme poverty (living on less than \$2.15 per day), an 11% rise.⁸² Although poverty reduction resumed in 2021, at the slow pace similar to before the pandemic, this trend may be interrupted again by the food and energy price crisis.⁸³

'Gas cylinders (for household use) used to cost Rs 450, but now they cost slightly more than a thousand rupees. Now we have to choose between feeding our children or educating them.'

Yusuf, taxi driver, and Shahana, housewife, Ghosiya Colony, India

'Last year for instance, I could buy things and still get a lot of change; but right now, when you go to the market, you buy one or two thing and the money is finished.'

Juliet Bagariko, nurse, Accra, Ghana

Supply-chain bottlenecks caused by the pandemic and the war in Ukraine, corporate behaviour, and climate change have pushed food and energy prices to an all-time high, with food prices expected to be 18% higher in 2022 than in 2021, and those for energy 59% higher.⁸⁴ This deals another blow to the world's poorest people. The UN Development Programme estimates that soaring inflation could have pushed 71 million people into poverty in the three months between March and June 2022.⁸⁵

The world is also facing an immoral, long-standing and growing and hunger crisis. Even prior to the soaring costs of food in 2022, almost 3.1 billion people could not afford a healthy diet, and this figure has been increasing.⁸⁶ People living in extreme poverty are more affected by the increase in food prices because they spend about two-thirds of their resources on food.⁸⁷ In addition, the rise in food prices has hit several low-income countries harder than the world average, with food price inflation in Ethiopia (44%), Somalia (15%) and Kenya (12%) exceeding that in the G7 (10%) and the global average (9%), according to Oxfam analysis conducted in July 2022.⁸⁸ It is estimated that between 702 and 828 million people were affected by hunger in 2021 – almost a tenth of the global population.⁸⁹ In every region, the prevalence of food insecurity is higher among women than men.⁹⁰ In 2020, it was estimated that nearly 60% of the people who go hungry are women and girls,⁹¹ and the gender gap has only increased since then.⁹²

Cuts to jobs and wages

When economic crisis hits, ordinary working people are first in line for pay cuts and job losses. In 2020, COVID-19 sparked lockdowns and an unprecedented global economic slowdown. This led to working-hour losses approximately four times greater than during the global financial crisis,⁹³ with women and racialized groups hardest hit.

In India, for example, at the beginning of the pandemic, the increase in the unemployment rate was higher for people belonging to more disadvantaged castes and tribes, and for Muslims.⁹⁴

Globally, women lost 64 million jobs, costing them at least \$800bn in forgone income,⁹⁵ and twice as many young women lost their jobs during the pandemic as young men.⁹⁶ Women's employment is characterized by much greater levels of informality than men's employment, particularly in the global south, which makes them more vulnerable to job dismissal.⁹⁷

The cost-of-living crisis is set to exacerbate these trends. Soaring inflation is creating a real-terms pay cut for many workers.⁹⁸ Analysis by Oxfam of wage data from 96 countries finds that in 2022, at least 1.7 billion workers lived in countries where inflation was outpacing wage growth, a real-terms pay cut which will likely drive up inequality and poverty.⁹⁹ Another Oxfam analysis, based on ILO data, shows that workers face the prospect of \$337 billion being wiped from their wages in real terms.¹⁰⁰ Women¹⁰¹ and racialized groups are again expected to be hit hardest. For example, in the UK, research shows that ethnic minority workers are at greater risk of experiencing poverty during the cost-of-living crisis because they are concentrated in jobs paying below the real Living Wage.¹⁰²

Although mainstream neoliberal economists across the world have rushed to put the blame for inflation on rising wages, the International Labour Organization (ILO) finds no evidence to support claims of the so-called 'wage-price spiral' effect.¹⁰³ Yet this lack of evidence has not stopped many politicians and other commentators from attempting to scapegoat trade unions and those demanding a fair pay deal.¹⁰⁴

Finally, growth in informal work, particularly for women, is now outpacing that of formal work.¹⁰⁵ This is leaving more workers vulnerable to low pay and poor conditions.¹⁰⁶

An uneven recovery and a looming debt disaster

During the pandemic, many low-income countries were unable to afford fiscal support even for those most in need. Per capita stimulus spending in high-income countries was 579 times more than in the lowest-income countries,¹⁰⁷ and less than 20% of the \$16 trillion of government stimulus and recovery funds made available by the end of 2020 was spent in 'developing countries'.¹⁰⁸

These very real fiscal constraints translated into some deeply concerning public spending decisions. For example, during the pandemic, half of low- and lower-middle-income countries cut their budget share allocated to healthcare.¹⁰⁹ However, as highlighted in the 2022 Commitment to Reducing Inequality Index, some poorer nations took steps to mitigate the impact of the crisis. For example, Togo and Namibia provided monthly cash grants to informal workers who lost their jobs because of lockdown measures,¹¹⁰ and Nepal increased its health budget by more than 50% between 2019 and 2021.¹¹¹

It is also notable that while high-income economies bounced back in 2021, poorer economies did not. Much of this was due to COVID-19 vaccine inequality; vaccination rates have been found to be a strong predictor of economic recovery.¹¹² It is projected that one-fifth of 'developing countries' will have a lower per capita GDP in 2023 than in 2019.¹¹³ Many are also in an increasingly vulnerable position because of spiralling debts: rising interest rates against a strengthened US dollar are driving up the cost of debt servicing to unsustainable levels. Today, 25% of 'emerging' economies and 60% of low-income countries are in or near debt distress.¹¹⁴ Compounding crises make countries ever more vulnerable, especially to climate-related shocks like flooding and droughts, which in turn have huge economic costs and can render debts unpayable.

Choosing cuts for the many over taxes on the wealthy

Looking forward, we are on the brink of a policy-induced recession, caused by a mix of monetary and fiscal policies.¹¹⁵ Never has there been a greater need to increase public spending to tackle poverty, hunger, climate change and inflation, and to invest in a fair recovery for all. Yet too many governments are choosing, or are being forced by international financial institutions, to cut public spending and implement other austerity measures, rather than increasing taxation on the richest.

Oxfam has calculated that over the next five years, three-quarters of governments are planning to cut spending, with total cuts of \$7.8 trillion.¹¹⁶ Women are likely to be worst affected by austerity measures, from cutting the public wage bill, when the majority of public sector employees are women, to cutting health expenditure and social protection that women and their families rely on for their survival.¹¹⁷ For instance, more than 54% of the countries that are planning to further cut their social protection budget in 2023 as part of new austerity measures already offer minimal to no maternity and child support.¹¹⁸

It does not have to be this way. Governments could instead choose to implement a range of progressive taxes that both raise much-needed revenue and reduce extreme economic inequality. Previously, moments of global crisis such as World War II have seen increases in taxation of the richest, in the spirit of solidarity. Sadly, this did not happen during the height of the pandemic. Oxfam has shown that instead, 95% of countries either failed to increase, or even lowered, taxes on rich people and corporations.¹¹⁹ A brave few did take bold steps to increase taxation of the wealthiest, however. Costa Rica increased its top rate of income tax by 10 percentage points, from 15% to 25%, and Bolivia and Argentina introduced wealth and solidarity taxes, respectively, on their richest citizens.¹²⁰ These progressive governments were sadly the exception during the pandemic, but the cost-of-living crisis is bringing new countries to reconsider taxation on the richest, as we will see in the next chapter.

These are the kinds of redistributive measures that are needed to curb the excessive wealth and power of the few, and to boost public spending to address the corrosive consequences of multiple crises for the many. The rest of this report focuses on the huge potential of increasing the tax paid by the wealthiest people in society.



Protestors call to tax the rich and impeach Governor Andrew Cuomo following allegations of sexual misconduct and the covering-up of COVID-19-related nursing home deaths. 20 March 2021, New York City. Photo: Alexi Rosenfeld/Shutterstock.

Chapter 2: The case for fighting inequality by taxing the wealthiest

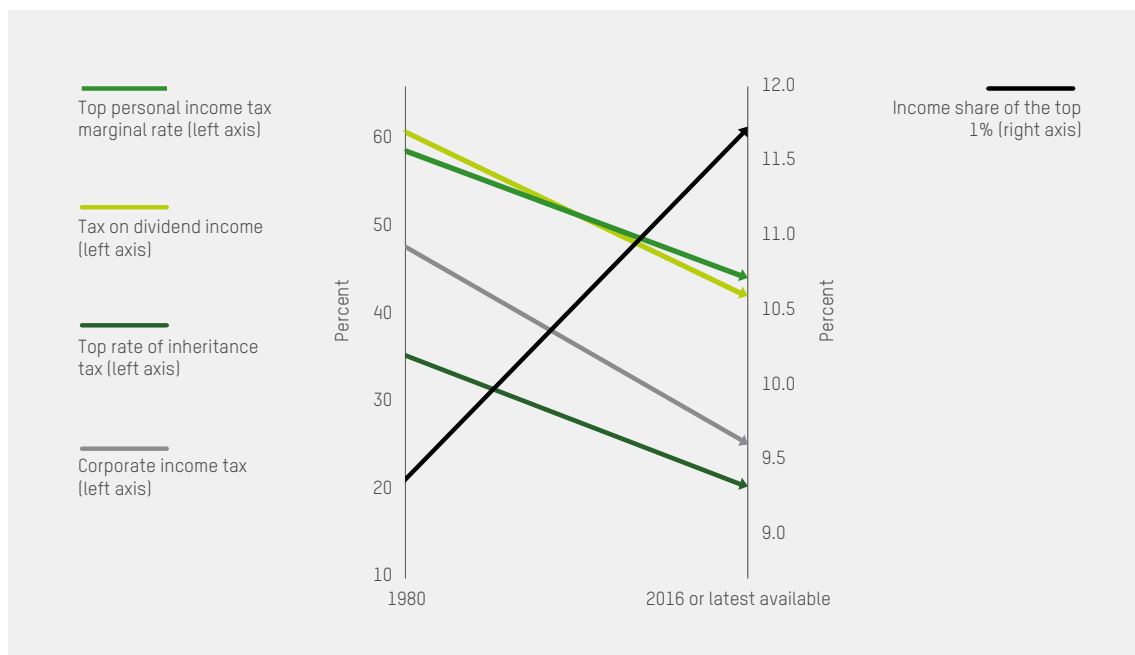
2.1 The collapse of progressive taxation

Tax policy is one of the most important levers that a government has at its disposal to reduce economic inequality. Historically, taxation of the wealthiest has helped to create more equal societies and prevent an extreme gulf emerging between the haves and the have-nots. However, in the decades prior to the pandemic, progressive taxation collapsed. The wealthiest individuals and companies were favoured with low-tax regimes, while taxes on billions of ordinary citizens increased.

A low-tax joyride for the rich...

Across all the taxes that mainly apply to the richest, the rates have been falling since the early 1980s. Meanwhile, the share of wealth going to the 1% has grown sharply.

FIGURE 8 IN RICH COUNTRIES, FALLING RATES OF TAX ON THE RICH HAVE COINCIDED WITH A RISING SHARE OF INCOME GOING TO THE TOP 1%



Source: Oxfam calculation based on data from the World Inequality Lab, IMF, OECD, and Scheve and Stasavage (2016).¹²¹

For several decades, the neoliberal argument behind such tax cuts for the super-rich and big corporations was that it would 'trickle down' and benefit society. Politicians and business leaders assured us that the wealthy would help create jobs, and spur investment and innovation that was in all our shared interests.

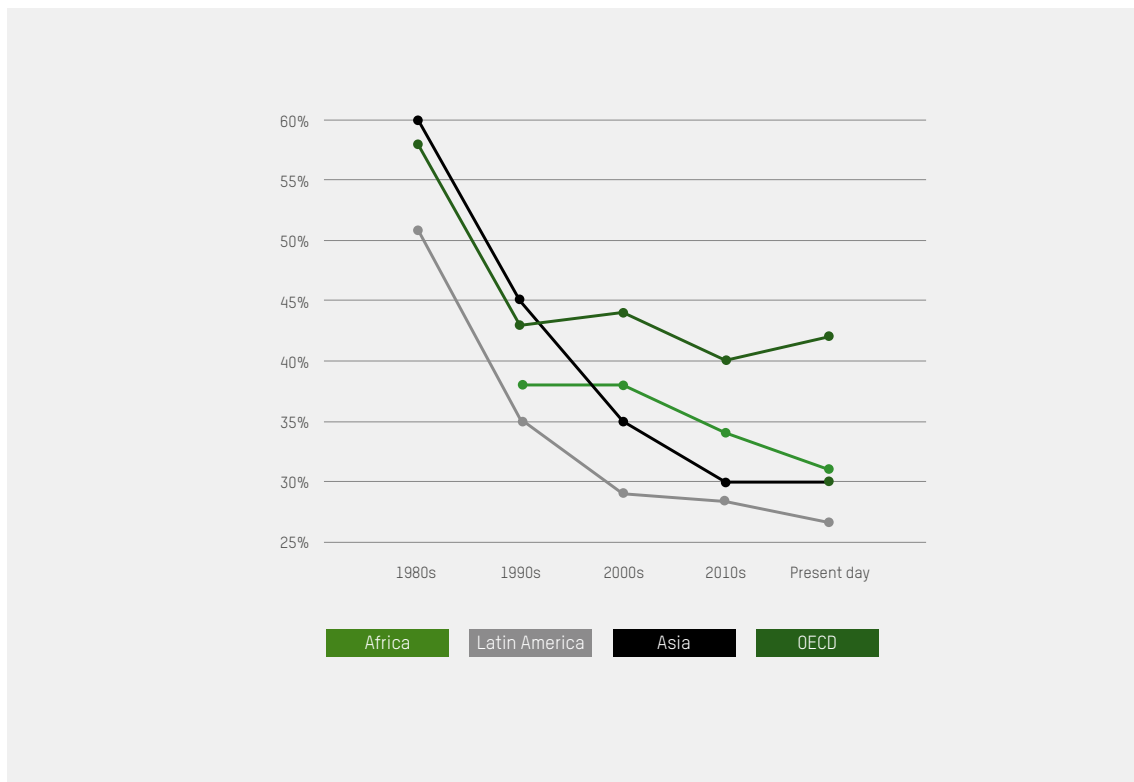
The inequality explosion outlined in Chapter 1 starkly illustrates how flawed this theory is. Instead of using the benefits of low taxes to create jobs and investment, the wealthy have saved even more wealth for themselves.

Promoting low taxation for the rich and big corporations has not always been at the top of the agenda. In fact, after the middle of the last century, very high taxation of wealthy people was the norm. For example, in the US, the top marginal rate of federal income tax was 91% from 1951 to 1963, the top inheritance tax rate stood at 77% until 1975, and the corporate tax rate averaged just above 50% during the 1950s and 1960s.¹²² Even as recently as 1980, the top marginal income tax rate on the richest was 70% in the US (at the federal level) and 60% in the UK.¹²³

These high tax rates coincided with some of the most successful years of economic development in the US and Europe, and played a key role in funding the realization of basic rights such as access to education and healthcare for citizens, while keeping inequality in check.

However, marginal tax rates that affect the richest have since plummeted – and not just in rich countries, but across much of the world. In Africa, the average marginal tax rate on the highest incomes has fallen from 38% to 31% over the last 25 years,¹²⁴ and in Latin America it had fallen from 51% in the early 1980s to less than 27% by 2015.¹²⁵

FIGURE 9 TOP PERSONAL INCOME TAX RATES ON THE RICH



Source: Oxfam calculations based on data from OECD.Stat, UNESCAP and ODI.¹²⁶

In addition, taxes on big corporations, which are primarily owned by the richest people and families, experienced a similar decline around the world.¹²⁷

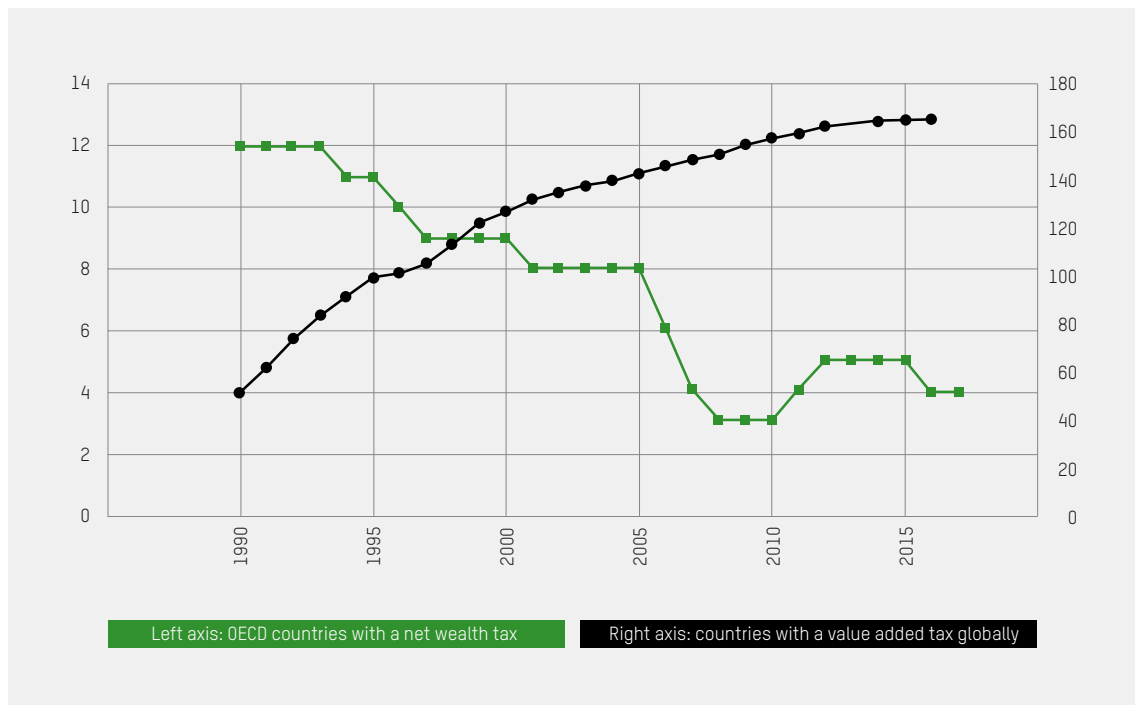
Tax havens have played an instrumental role in driving this race to the bottom in tax. By offering low to zero tax rates for corporations and the wealthy, they have pushed other countries to lower their tax rates, bleeding revenues out of government coffers (See Box 4).¹²⁸

... paid for by increased taxes on ordinary citizens

As tax rates on the rich and corporations have fallen, governments have compensated by increasing regressive taxes on goods and services, like value added tax (VAT). These taxes fall disproportionately on the poorest people, who spend a higher share of their income on consumption.¹²⁹ They also exacerbate gender inequality. For example, a study carried out in Guatemala, Honduras and El Salvador found that hikes in VAT resulted in an increase in poverty in female-dominated households.¹³⁰

A recent study by the Research School of International Taxation (RSIT) covering 142 countries found that for every 1% in tax cuts for corporations, governments increased consumption taxes by 0.35%.¹³¹ India recently cut taxes on corporations, while introducing a centralized tax system on goods and services that led to an increase in indirect taxation of households.¹³² In less than three decades – between 1990 and 2017 – the number of countries with VAT tripled (from 50 to more than 150), while the number of countries with a net wealth tax fell by three times (from 12 to four).

FIGURE 10 THE RISE OF VAT GLOBALLY AND DECLINE OF NET WEALTH TAXES IN OECD COUNTRIES, 1990–2017, NUMBER OF COUNTRIES

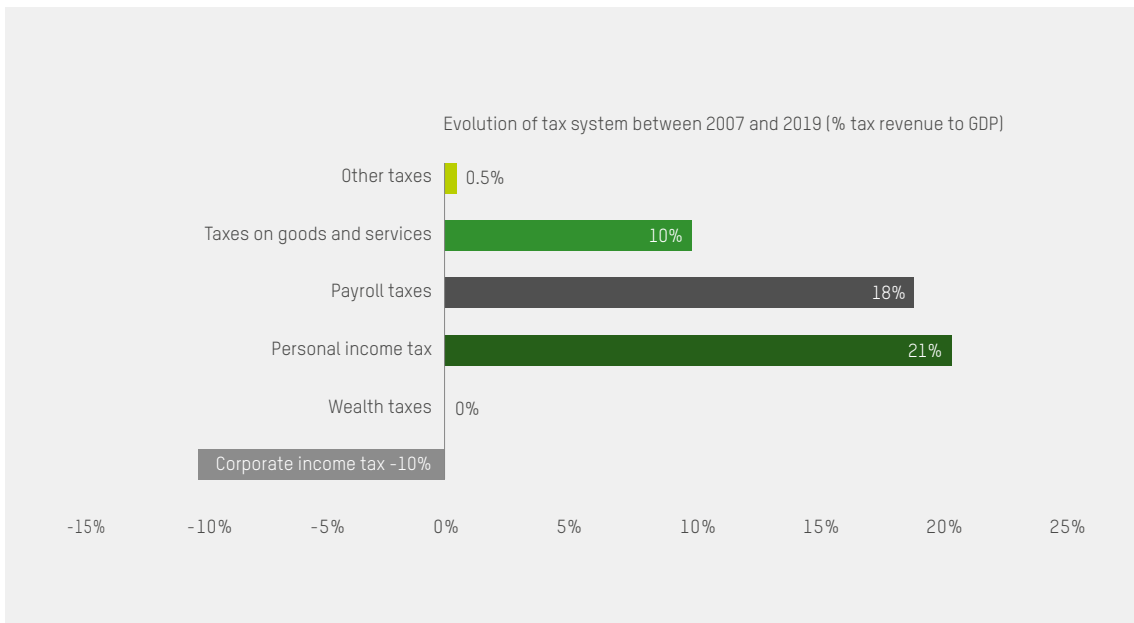
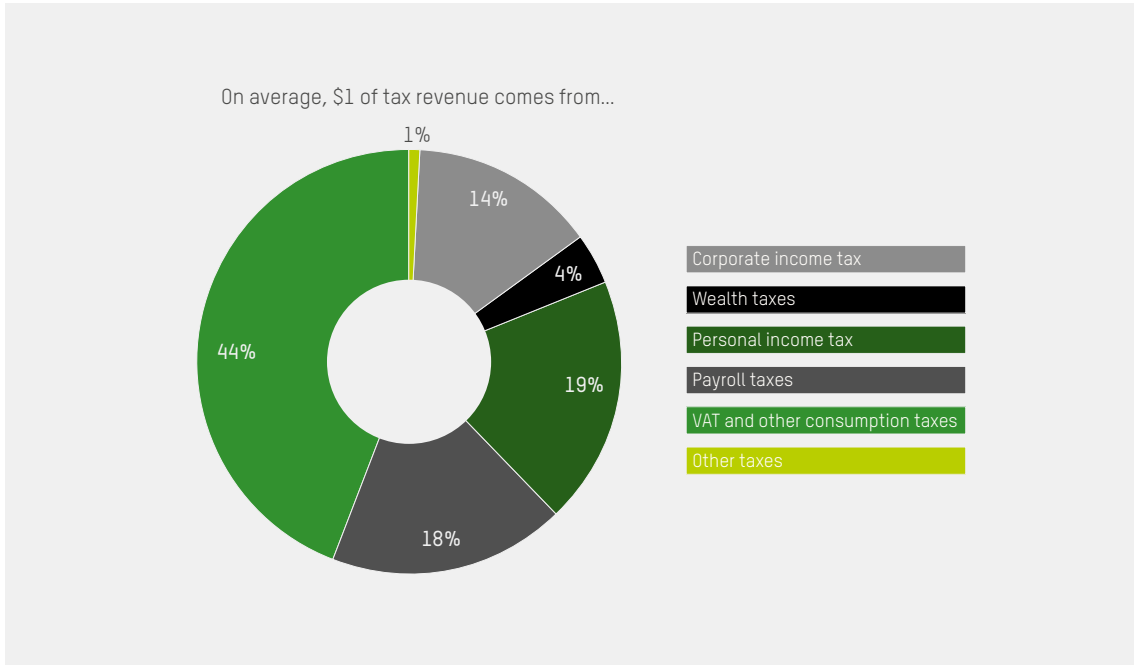


Source: Oxfam calculation based on data from the World Bank and OECD.¹³³

The introduction of inequality-increasing consumption taxes has been particularly prominent in the poorest countries, where the IMF has played an important role in promoting them as the main tool to yield revenues.¹³⁴

Today, taxes falling on citizens, be it through personal income, payroll or consumption, account for more than 80% of total tax revenue, while taxes on corporations contribute around 14%, and taxes on wealth 4%.

FIGURES 11 AND 12 DISTRIBUTION OF TAX REVENUES PER TAX CATEGORY



Source: Oxfam calculations based on OECD data, taking into account 35 OECD countries and 45 non-OECD countries.¹³⁵

Taxation has a pivotal role to play in reducing inequality by ensuring that the richest pay their fair share.¹³⁶ Yet tax policy choices have gradually exacerbated inequality over the past decades, by shifting the tax burden from the shoulders of those who can afford to pay onto the shoulders of those who cannot.

TWO DIFFERENT TAX SYSTEMS: ONE FOR THE RICH AND ONE FOR THE REST



Aber Christine, a market trader and community mobilizer in Northern Uganda. Photo: Oxfam in Uganda.

Aber Christine sells a mix of millet flour, rice and soya used for making porridge at her market stall in Northern Uganda. In a good month she makes a profit of around 300,000 Ugandan Shillings (USh), about \$80. She does not pay any income tax, but she does pay market dues collected by the local government of USh 4,000 a day. This means that she pays around 40% of her profits in tax.

Christine is a community mobilizer with Oxfam's Fiscal Justice for Women and Girls project, through which she pushes for local budgets and tax policies to address the ingrained gender inequalities that women and girls face.¹³⁷



Elon Musk at the Axel Springer Award Ceremony in Berlin, Germany, December 2020. Credit: Britta Pedersen/dpa-Zentralbild/dpa-pool/dpa/Alamy Live News.

Elon Musk is one of the world's richest men. In 2022 he vacationed in Greece on a yacht that would have cost Aber Christine over 12 years of work to rent for just one day.¹³⁸ Despite his significant earnings, his 'true tax rate' was just 3.27% for 2014–18, according to calculations by the American media organization ProPublica.¹³⁹

Musk was able to pay so little tax as a result of, at least in part, most of his wealth being tied up in his company's stocks. An increase in the value of a stock is considered 'unrealized capital income' and is not taxed until the stock is sold (see section 3.2.1). Nevertheless, stocks can be used as collateral for loans, as in the case of Musk's purchase of the social media platform Twitter in a deal worth \$44bn.¹⁴⁰

2.2 How the rich avoid paying taxes – alias how to become a billionaire!

As soon as you join the ranks of the super-wealthy, you have a whole range of exciting tools to avoid paying tax and to help you and your family get even wealthier! Here are some top tips to help you and yours reach billionaire status.



You may consider the 'buy, borrow, die' strategy of income tax avoidance

First, buy an asset, like a company. But instead of paying yourself a salary from the company, which you would have to pay tax on, why not borrow money from a bank or other third-party lender against that asset? Because loans are tax-free! Also, it is easy for you to access credit, because you are already very rich.

Remember not to sell any of your assets, though. Otherwise, you will generate capital income that is likely to be taxed. Instead, you can benefit from the fact that most countries do not tax *unrealized capital gains*. So, your asset can go up in value, and that extra value is all yours and untaxed as long as you do not sell it. For example, if the stock price of Amazon doubles, Jeff Bezos makes billions of dollars. But because this earning is not seen as *income* in a legal sense, no tax needs to be paid as long as Mr Bezos does not sell any stocks.

After a happy life relaxing on your superyacht, you should be able to pass on all or most of your wealth – untaxed – to your heirs when you die, because two-thirds of the world's countries have no inheritance tax on money you give to your children,¹⁴¹ and the remaining nations tax it weakly. This means you can really build up family wealth across the generations and make it easier for your heirs to avoid paying taxes in all the same ways you did.

There are also a number of more aggressive strategies you might wish to consider

First, you could hide your income and wealth in tax havens (see Box 4).

Second, you could lobby for tax exemptions and loopholes that will benefit you. Your wealth should give you easy access to decision makers, or you can pay professional lobbyists to help you out.¹⁴²

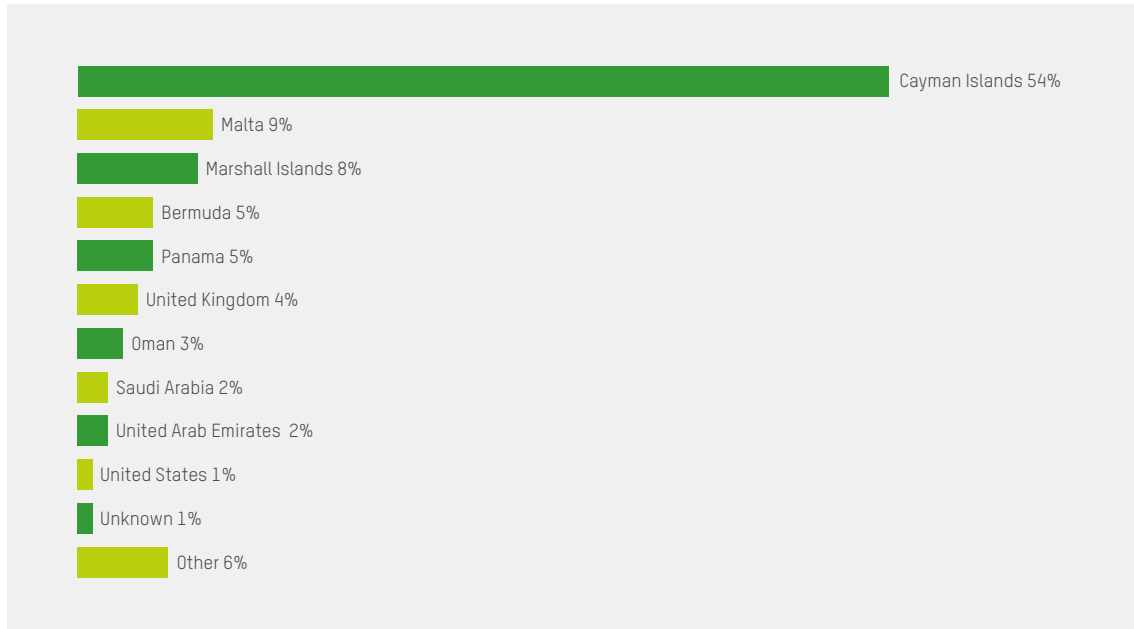
Third, in some contexts you could get away with simply ignoring your tax obligations! This works well if you have political power and good connections, or if tax administrations are starved of resources and cannot properly enforce tax rules. A study of wealthy individuals in Uganda found that only 5% of the directors of top tax-paying companies had paid personal income tax, as were less than a third of the top 60 lawyers.¹⁴³ And even in the richest countries, you might get lucky. Between 2008 and 2018, European countries cut 100,000 staff from their tax administrations. In the US, staff and funding shortages for tax administration were key reasons why the audit rate for the wealthiest Americans fell. It dropped from over 16% in 2010 to 2% in 2019 for those earning more than \$5m.¹⁴⁴

Box 4: Tax havens allow the rich to not pay taxes

It is estimated that 8% of the world's household financial wealth, or 10% of global GDP, is held in tax havens.¹⁴⁵ Leaks such as the Pandora Papers and Panama Papers have exposed this offshore world that allows the wealthiest people to escape their tax liabilities.¹⁴⁶ Researchers have found that tax havens are almost exclusively used by the world's richest 0.01%, and that they evade around a quarter of their taxes in this way.¹⁴⁷ The Pandora Papers, for instance, also exposed how the global elite is going beyond the usual suspects (e.g. Luxembourg, the British Virgin Islands or Panama¹⁴⁸), and increasingly turning to more neutral territories like South Dakota, Nevada, Delaware or even Alaska in the US.¹⁴⁹

And it is not just money that is stored in tax havens. Wealthy individuals are also flocking to tax havens to hide physical assets such as houses, yachts and art. For example, a recent leak of property records from the tax haven of Dubai showed that 5,555 rich Jordanians own more than 13,000 properties there, worth a total of over \$5bn. This is more than four times the Jordanian government's annual education budget.¹⁵⁰

Similarly, most superyachts are registered in tax havens, and the larger the yacht is, the more likely it is to be registered in a tax haven;¹⁵¹ this underlines that offshoring is not a game for the less-than-extremely-rich.

FIGURE 13 COUNTRIES WHERE THE LARGEST SUPERYACHTS ARE REGISTERED

Source: Oxfam calculations based on information from <https://www.vesselfinder.com/>¹⁵²

2.3 The case for increasing taxes on the rich

There are two main reasons why taxing rich people more than poor people in every society reduces inequality, and why tax rates should rise steeply in relation to income and wealth. Taxation can both directly reduce inequality, and generate revenue for governments to spend on policies that reduce inequality.

First, the tax system itself can play a key role in directly reducing inequality, which is of critical importance given how extreme the gap between the rich and the rest has become. By directly reducing inequality, progressive taxation has a critical impact on poverty reduction. By reducing the share of all new wealth going to the top, and instead distributing this wealth more evenly, the pace of poverty reduction is rapidly increased. This is why the World Bank has said that goals to end poverty will not be achieved without concerted action to reduce inequality.¹⁵³

Progressive taxation decreases the incomes and fortunes of the wealthiest, as well as the number of super-rich individuals in our societies, preventing extremes of economic inequality, which in turn benefits the majority in many positive ways. Scandinavian countries have successfully kept inequality low thanks in large part to long-standing regimes of progressive taxation.¹⁵⁴ Very high rates of tax on very high incomes can also help prevent the existence of runaway pay at the top and suppress the wage gap. This was the explicit objective of taxes on very high incomes in the US after World War II, for example.

Progressive taxation also tackles underlying inequalities of power. For instance, a tax on windfall profits of corporations can reduce inflation by limiting companies' monopoly power, including their power to set prices (see Box 3 in Chapter 1). A high tax on dividend payouts can discourage companies from filling the already full pockets of shareholders,¹⁵⁵ as seen in the food and energy sectors, and instead encourage them to invest in better labour conditions and green technologies. Inheritance tax plays a key role in preventing the emergence of aristocratic inherited wealth, levelling the playing field and providing equality of opportunity for each generation. Wealth taxes help to deconcentrate an economy and reduce the prevalence of monopoly power, which further reduces economic inequality. Property taxes, when well-designed and effectively implemented, prevent the concentration of land in a small number of hands. Inequality of land ownership is a key factor in causing high levels of inequality in low-income countries, often as a legacy of colonialism.¹⁵⁶ By reducing wealth concentration, taxation can also curb the influence of super-rich people and companies over politics, the economy and the media, as well as reducing corrupt practices like clientelism that increase inequality.¹⁵⁷

In addition, taxing the wealthy has a positive effect on reducing corrosive social inequalities. The richest people in society are always majority male: of the top 1,000 billionaires, only 124 are female.¹⁵⁸ Very few of the super-rich are racialized people. Only five of the top 1,000 billionaires are Black;¹⁵⁹ in the US, 89.2% of shares are owned by white families, compared with just 1.1% owned by Black families.¹⁶⁰ When the rich enjoy disproportionately low tax rates on wealth, inheritance, capital gains and corporate income, this constitutes a redistribution not only from poor to rich, but also from women to men and from racialized people to white people (see Box 5).

Furthermore, taxing the rich has a positive impact also on global inequality and on the gap between high- and low-income countries. Despite big increases in the number of billionaires in East Asia, particularly in recent decades, the majority of billionaires still live in the global north, in North America or Europe.¹⁶¹ The wealth of these nations, especially in Europe, can be traced back in part to slavery, colonialism and empire.¹⁶² Much of today's distribution of rich people in the world directly reflects the ongoing neocolonial and extractive nature of the world economy.¹⁶³

Box 5: How can tax policy fuel sexism and racism?

Minimal or no taxation on income and wealth reinforce centuries of oppression and discrimination against women and racialized groups. The shift away from taxes on the rich to flat taxes like VAT, which are disproportionately paid by the poorest people – who are more likely to be women and racialized groups – further compounds gender and racial inequalities. In addition, as the richest pay less tax, tax revenues fall and governments are forced to cut spending. This means that money is taken away from public services, and such cuts hurt poor people, women and racialized groups disproportionately.

Women and racialized groups are also excluded from tax policy-making processes, and in the institutions that oversee tax systems. For example, 73% of executive positions in revenue administration in 35 African countries were held by men in 2020,¹⁶⁴ and the board of the institution in charge of income taxation in India has not had a single Dalit¹⁶⁵ or tribal member in the last 30 years.¹⁶⁶

All over the world, civil society and the tax justice movement are demanding that tax systems not only fight economic inequality, but also address gender and racial justice.¹⁶⁷ Feminist economists have been raising their voices against current taxation frameworks, which are inherently gender-ignorant. Tax has always been a feminist issue, and it is becoming increasingly so. Women shoulder a bigger burden under the current neoliberal and patriarchal economic and social system.¹⁶⁸ The current tax system tends to disadvantage women, as women earn less, do a greater amount of unpaid care work and spend greater proportions of their income on consumption and care goods.¹⁶⁹ Tax reforms through a feminist lens allow policy makers to put the needs of women, girls and gender non-conforming people at the heart of policy making, addressing their needs through publicly available and accessible gender-responsive services, and undoing millennia of oppressive measures.¹⁷⁰

The IMF – long criticized for failing women through its tax advice to low-income countries¹⁷¹ – has in a recent report acknowledged that ‘the gender perspective provides an additional argument for raising capital income taxes’ since ‘lower capital income taxation disproportionately benefits men’.¹⁷²

In Australia, civil society is challenging tax cuts for the rich by pointing out they will mainly benefit men,¹⁷³ and similarly, when it comes to racial justice, wealth taxation is being raised as a tool to address the legacy of apartheid in South Africa.¹⁷⁴

The second reason to tax the rich is to raise revenue for governments to spend on policies that reduce inequality and build more equal, sustainable societies. In the current cost-of-living crisis, taxes on the wealthiest and most profitable corporations could support the many people affected by inflated prices without hurting the economic recovery. This would avoid austerity measures, which are borne by the majority of society, especially the poorest people, and increase inequality. Taxes on the richest in wealthier nations could also raise revenue to help their governments live up to existing aid and climate finance commitments, and to deliver much-needed additional investment to fight poverty, inequality, climate change and humanitarian crises. For example, they could help tackle the hunger crisis in East Africa, where the worst-hit areas are hurtling towards famine.

Increased government spending on inequality-busting sectors, such as healthcare, education and food security, and to fund the just transition to a low-carbon world, is needed more now than ever. Given that governments have issued huge amounts of debt and printed trillions of dollars, much of which has ended up in the pockets of the richest, there is a compelling case to recover this public money through progressive taxation and put it to good use building a more equal world. For this to be possible, we need transparency and citizen participation in how resources are spent (See Box 6).

Beyond reducing inequality, there is also a strong case for increasing taxes on the rich in order to help combat the climate crisis. In 2020, Oxfam and the Stockholm Environment Institute showed that the richest 1% generate more emissions than the whole of the bottom half of humanity, and that their share of global emissions is growing rapidly.¹⁷⁵ In 2022, Oxfam revealed new analysis showing that a billionaire emits over one million times more carbon than the average citizen.¹⁷⁶ This is largely due to the emissions linked to their stakes in some of the biggest corporations – billionaires are twice as likely to invest in polluting industries like oil or cement than the average investor.¹⁷⁷ Their lavish lifestyles and investments in a fossil-fuel-dominated economy are putting humanity at risk of climate catastrophe, leaving billions of ordinary people, who are the least responsible for climate breakdown, to face its worst consequences. Taxing the rich could reduce unsustainably high emissions by rich people and reduce their power and influence over the fossil fuel-addicted economy. General wealth taxes and other taxes on the rich are effectively green taxation, as they reduce the huge consumption of carbon by the richest. In addition, as suggested by leading economists, steeply higher rates of taxation on investments in polluting industries could deter billionaires and others from investing in them.¹⁷⁸

Box 6: Transparency and citizen participation in the use of public resources

We need trustworthy and accountable governments and institutions to ensure the resources collected through taxes are used in the public interest. Corrupt institutions are indeed more vulnerable to the undue influence of the wealthiest individuals; they do not perform well on tax collection, and they tend to spend less on social services.¹⁷⁹ One tool to encourage accountability of public institutions, prevent corruption and political capture in the collection and use of public funds, and increase public trust in governments, is transparency and citizen participation. According to a survey by the International Budget Partnership, only 31% of countries provide sufficiently detailed information for citizens and civil society to understand how the budget addresses poverty; just 14% of governments present their expenditure disaggregated by gender; and only eight countries (out of 120) have formal channels to engage underserved communities in budget processes.¹⁸⁰ However, the same survey shows that there have been significant improvements in terms of transparency and that reforms in some countries – such as the Dominican Republic, Benin, Nigeria and the Gambia – are illustrating that where there is political will, there is a way. Some examples collected by Oxfam show the success of initiatives for citizen engagement on tax and public funds. In Peru, a public campaign disclosed how public resources can be better used if directed to medication and cancer treatments for women rather than towards tax benefits for pharmaceutical companies.¹⁸¹ And in Uganda, civil society actors managed to get a renewed commitment from the IMF and the World Bank to work with local civil society to promote fair tax systems, and to support civil society and citizen engagement in budget, fiscal transparency and accountability processes.¹⁸²

2.4 Growing support for taxing the wealthy

Citizens in favour of taxing the rich

Public polling consistently finds that a majority of people support increased taxation of the wealthy; this is the case across many countries.¹⁸³ Polling in the US shows that in the last decade, for the first time, the majority of Americans have said they think that their 'government should redistribute wealth by heavy taxes on the rich'.¹⁸⁴ An estimated 80% of Indian citizens are in favour of increasing taxes on the rich,¹⁸⁵ and 85% of Brazilians are in favour of increasing taxes on the super-rich to finance essential services.¹⁸⁶ In Africa, 69% of people polled across 34 countries agreed that it 'is fair to tax rich people at a higher rate than ordinary people in order to fund government programs to benefit the poor'.¹⁸⁷

Even some of the super-rich themselves are now calling for governments to tax them: in January 2022, more than 100 millionaires signed a letter calling for higher taxes.¹⁸⁸

Attempts to impose regressive taxes on ordinary citizens, rather than taxing the rich and big corporations, have also met with strong citizen resistance. Over the past five years, governments in countries around the world have faced protests from mass social movements that originated in opposition to regressive taxes. In Lebanon, people took to the streets against a new tax on messaging services, dubbed the 'WhatsApp tax'.¹⁸⁹ In France, the 'yellow vest' movement emerged as a response to unfair tax increases on fuel.¹⁹⁰ There were similar outcries in Ecuador¹⁹¹ and Kazakhstan¹⁹² after cuts to subsidies on fuel for the poorest people were announced. This widespread public support for taxation of the wealthiest, and growing opposition to regressive tax policies, should be a wake-up call for governments globally. It is time for change.

The end of the road for trickle-down economics?

Perhaps even more compelling is the evidence that the economic establishment itself is shifting.

Although many governments have continued to cut taxes on the rich and corporations in the hope of spurring new investment, even in the face of strong evidence that trickle-down economics is not working,¹⁹³ it seems the tide is turning. Historical opponents of taxing the richest are changing their position, and a wave of governments are pushing forward with measures to tax the wealthiest. Even the IMF has shown in its research that 'if the income share of the top 20 percent (the rich) increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle down'.¹⁹⁴

In October 2022, the then-British government was forced to reverse its promises to slash taxes for the rich, after financial markets plummeted in reaction to the announcement. The plans prompted widespread critique, with the IMF warning that the promised tax cuts were likely to increase inequality and were not recommended.¹⁹⁵ The Bank of England was also forced to make a £65bn emergency intervention to prevent material risk to the UK's financial stability as a result,¹⁹⁶ and ultimately, the Chancellor and Prime Minister who promised the tax cuts were forced to resign.¹⁹⁷

This is not the only indication that international institutions are changing their views on taxing the wealthy. Taking a similar stance to the IMF, the chief economist of the European Central Bank recently stated that he favours higher taxes on corporations and the rich to support those hit hardest by the energy crisis.¹⁹⁸ World Bank research has shown that reducing each country's Gini index by 1% per year has a larger impact on global poverty than increasing each country's annual growth by one percentage point above forecasts. This could mean that taxing the wealthy is a more efficient way to reduce poverty than boosting growth.¹⁹⁹

In Sri Lanka, when a set of unfinanced tax cuts for the richest contributed to the country going into debt default in 2022, the IMF encouraged the government to increase taxes on the richest instead.²⁰⁰ Now, Sri Lanka will join the ranks of countries moving forward on taxing the wealth of the richest, such as Argentina,²⁰¹ Bolivia²⁰² and Spain.²⁰³

In Chile, the government is discussing a tax reform to introduce a net wealth tax on the largest fortunes, increasing tax on high incomes (from both labour and capital) to up to 43%, and increasing taxes on mines.²⁰⁴ In Colombia, government reforms have introduced a new net wealth tax up to 1.5%, increased taxes on capital income (up to 15% for nationals and 20% for foreigners) and foreign digital companies, and brought in windfall

profit taxes on the energy sector of between 5% and 15%.²⁰⁵ These two countries are showing governments around the world that taxing wealth is possible. Their political leadership could start a domino effect that creates a new fiscal pact which tackles extreme inequality and invests in building fairer societies.

Other countries are already considering introducing wealth taxes. In Kenya, the new President, William Ruto, has revived the idea of wealth taxes to fix the budget.²⁰⁶ Similar debates are taking place in Canada,²⁰⁷ China,²⁰⁸ the Netherlands²⁰⁹ and Malaysia.²¹⁰

Box 7: Billionaire media moguls protect the interests of the super-rich

With wide popular support, why doesn't a common-sense policy like taxing the rich move to the top of the political agenda? Unsurprisingly, not all of the super-wealthy are in favour of being taxed more, and they have the influence to protect their own interests. They do this directly through informal pressure on political leaders, as well as political donations and lobbying,²¹¹ but also indirectly through their control and ownership of the media.

In France, 11 billionaires own news organizations representing over 80% of newspapers sold daily, 57% of television market shares and 47% of radio market shares.²¹² In the US, a handful of billionaires – among them Jeff Bezos, Michael Bloomberg and Rupert Murdoch – have significant control over a large proportion of the national news industry.²¹³ A sizeable share of Mexico's media is owned by the country's richest man, Carlos Slim.²¹⁴ Kenya's former president Daniel Arap Moi, considered one of the richest men²¹⁵ in the country, owned several newspapers with large reach, including the Standard,²¹⁶ before he passed away in 2022. In India, 72 TV channels reaching over 800 million people are owned by one billionaire: Mukesh Ambani.²¹⁷

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. 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.²¹⁸

Chapter 3: How countries can make the wealthiest pay more tax

This chapter proposes how much tax the richest should pay as a proportion of their incomes, and outlines some of the most practical and common-sense ways in which governments around the world – including low-income countries – can choose to act now to increase taxation of the wealthiest people. We look at different taxes on income and wealth. Both are necessary to curb extreme economic inequality, and both have the potential to raise the scale of revenue that governments sorely need in this time of crisis. Finally, we look at what governments can do to crack down on the many ways in which the richest dodge tax.

We are not attempting to offer a blueprint or a one-size-fits-all approach to how to tax the rich more. Different governments will necessarily take different approaches and use different tax mixes to achieve the desired level of taxation of the richest. The aim of this chapter is instead to show the many practical options available to governments.

3.1 How much tax should the wealthiest people pay?

There is a strong case for governments to build on the wave of progressive taxes in various countries and usher in a broader era of progressive taxation, in which the wealthiest pay their fair share. While governments will tailor the finer details of tax rates according to their national contexts, we believe a minimum level of ambition is needed to reduce the extreme economic inequality we see today, and release much needed resources to fight inequality and fund the green transition.

Income

First, taxes on the incomes of the richest must be dramatically increased. In order to significantly reduce the levels of economic inequality and raise much needed revenue from the richest to benefit the many, Oxfam believes that the top 1% should pay much higher rates of tax on their income from work and capital, for example, rates of at least 60%. To raise tax to such levels will require at least a doubling of today's average top marginal rate of just 31% on the personal incomes of the highest earners across 100 countries,²¹⁹ and a quadrupling of the rate on capital gains, which are currently taxed at only 18% on average across 123 countries.²²⁰ For large parts of the 20th century, marginal tax rates of 60% and above on the personal incomes of the rich were the norm.²²¹ Moreover, the IMF includes the 60% rate in its range of optimal personal income tax rates for raising revenue from top earners, while Thomas Piketty and others go even further, suggesting an optimal rate of 80%.²²²

In addition, the highest earners beyond a certain threshold (e.g. those making \$5m a year or those belonging to the top 0.1%) should pay a marginal rate of at least 75%. The primary intention of this would be to limit high wages, as well as reduce the highest-to-median wage ratio to 20:1, and help societies move towards a maximum income level.

Wealth

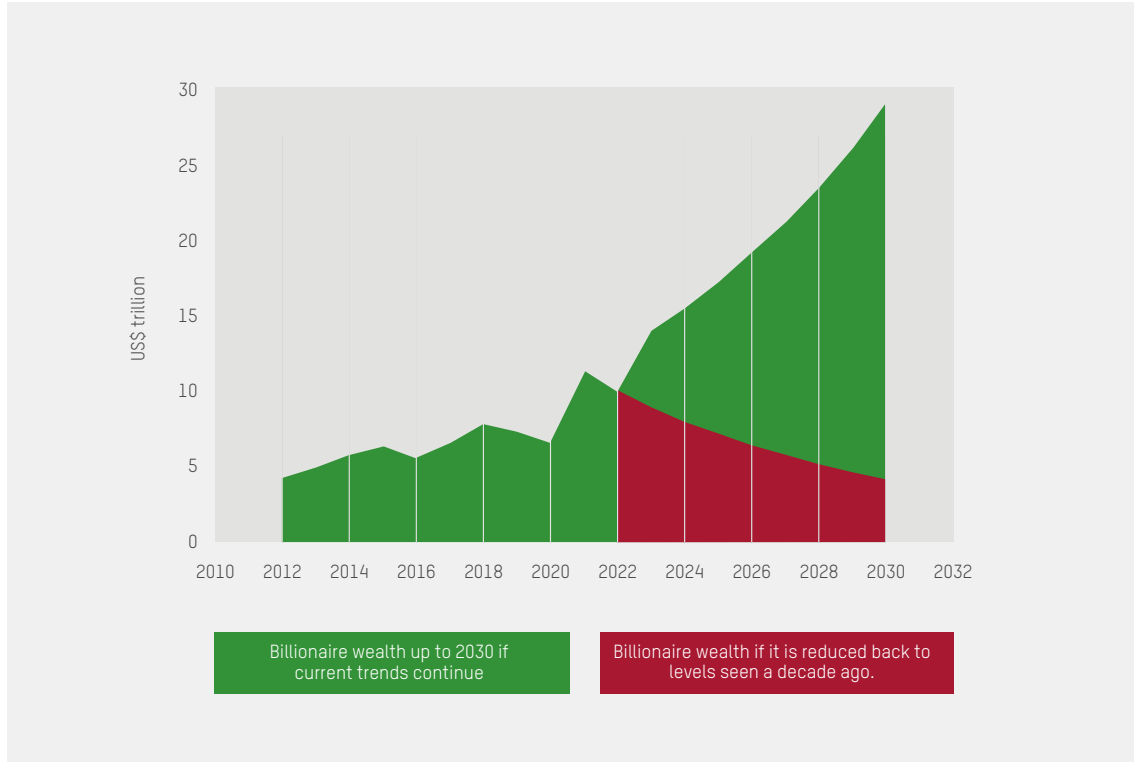
Wealth should be taxed at rates that both progressively redistribute wealth and genuinely reduce extreme wealth inequality. This would, for example, sharply reduce the number of billionaires.

These taxes on wealth should include steeply progressive inheritance taxes on the largest fortunes to deter the emergence of a new aristocracy, as well as progressive taxes on property, including land.

Oxfam believes that, as a starting point, the world should aim to halve the wealth and number of billionaires between now and 2030, both by increasing taxes on the top 1% and by adopting other billionaire-busting policies. This would bring billionaire wealth and numbers back to where they were just a decade ago in 2012.

Figure 14 illustrates two scenarios: in the first one, billionaire wealth continues to grow at the same rate it has over the last decade. In the second, taxes and other measures are used to reduce billionaire wealth back down to where it was 10 years ago.

FIGURE 14 THE OTHER SIDE OF THE MOUNTAIN: TWO SCENARIOS FOR BILLIONAIRE WEALTH BETWEEN NOW AND 2030



Source: Oxfam calculations based on analysis of the Forbes World's Billionaires list.²²³

3.2 How to tax the rich

3.2.1 Taxing the incomes of the richest

Oxfam calls for progressive taxation on the incomes of the wealthiest, including income from:

1. Personal income;
2. Capital gains; and
3. Unrealized capital gains.

The idea of *income* is central to understanding why the super-rich pay less tax than the rest of us. Normally, people earn most of their income through employment or self-employment; in other words, through their own personal effort. The super-rich derive most of their income from financial flows that arise from their ownership of assets like land, property, companies and stocks. Through interest, dividends and gains in the value of the capital they own, the rich can earn income without lifting a finger, and this *unearned income* tends to be taxed at a far lower rate than wages and salaries – see section 2.1.

Progressive personal income tax

Personal income tax (PIT): Tax collected on the basis of individuals' wages and salaries; here we also include financial incomes from dividends.²²⁴

To achieve a world where the ultra-rich pay at least 60% on their total income in tax, PIT has to be designed in a progressive way.

First, PIT should have rates that increase stepwise as income goes up, to make sure that those with very high incomes are not taxed at the same rate as ordinary workers or middle-class employees. The trend over the past decades has been the reverse, and since the mid-1990s nearly 27 countries have even adopted flat tax

systems, meaning that the same tax rate applies to everyone, no matter how high their income is.²²⁵ In other countries, the PIT system contains bands, but they are set too low to effectively tax those with the highest incomes. For example, in Brazil, the marginal PIT rate is set at 27.5% for total incomes above 55,976 Brazilian reais (\$10,825) annually.²²⁶ This translates into a very low tax rate on the super-wealthy, in a country with high levels of economic inequality and more billionaires than any other Latin American nation.

Second, unfair allowances, deductions and tax credit schemes that benefit those at the top of the income range should be scrapped. In Mexico, for example, 86% of medical and dental health allowances only benefit the richest 10%.²²⁷

Globally, the average top marginal PIT rate in the world's 100 largest economies is still only around 31% for the highest incomes.²²⁸

Dividends are another type of personal income. Tax on income from dividends should be at least as high as tax on income from wages. Currently, however, dividend income tends to be treated separately for tax purposes, and is only taxed at 41.7% on average in OECD countries.²²⁹ In Brazil, for example, dividends are not taxed, so professionals such as doctors and journalists can set up companies and pay themselves through dividends to reduce their tax payments.²³⁰ Taxing dividends at a higher rate could discourage generous payouts to shareholders in periods of crisis, as discussed in Chapter 1 in relation to the food and energy sector. Taxing dividends progressively could generate a significant amount of revenue. Oxfam has explored the scale of this potential by estimating how much additional revenue could be raised if 5 of the richest billionaires paid a 60% tax on dividends instead of the rates they currently pay.

TABLE 1 ILLUSTRATION OF POTENTIAL REVENUE THAT COULD BE RAISED FROM FIVE BILLIONAIRES, ALL OF WHOM ARE AMONG THE 20 RICHEST PEOPLE IN THE WORLD.

Name	Country	Net wealth (\$bn)	Net wealth tax rate in country*	Revenue from a 5% net wealth tax on billionaires (\$bn)**	Revenue from a 60% tax on dividends (\$m)***	Revenue from a 20% one-off tax on 5 years' unrealized capital gains (2017–2022) (\$bn)****
Bernard Arnault	France	158	0	7.9	638	13.45
Mukesh Ambani	India	91	0	4.6	84	10.46
Gautam Adani	India	90	0	4.5	25	21.95
Carlos Slim	Mexico	81	0	4.1	559	0.38
Françoise Bettencourt Meyers	France	75	0	3.8	229	4.94

* French billionaires are subject to a tax on non-financial wealth with a marginal rate of 1.5%. According to Bloomberg, non-financial wealth represents a negligible share of the total wealth of the billionaires featured in the table.

** The 5% tax rate was chosen as an example to illustrate revenue potential.

*** The 60% tax rate was chosen as an example to illustrate revenue potential.

**** The 20% tax rate follows the Biden administration's proposal and was chosen as an example to illustrate revenue potential.

Sources: Oxfam calculation based on data from various sources.²³¹

Capital gains: taxing the incomes most important to the wealthiest

Capital gains tax (CGT): Tax levied on the increased value of an asset when it is sold. The most common capital gains are on stocks or bonds.

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.

For example, in the US, capital gains, together with interest and dividends, account for more than half of the income of the top 0.1%.²³² Capital gains are even more unequally distributed than income and wealth.²³³ This is even true in one of the most equal countries in the world, Denmark, where the richest 1% receive more than half of all capital gains.²³⁴

Oxfam's analysis of 123 countries shows that one in five countries do not tax capital gains, and that the average tax rate on capital gains is only 18% – far less than taxes on income from work.²³⁵ Our research found only three countries that tax capital income more than work income.²³⁶ This is despite some countries having done it in the past, for example the US (until 2018).²³⁷

Low tax rates on capital gains are a feature of the tax system in many low-income countries. For example, capital gains are currently only taxed at 5% in Kenya,²³⁸ 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.²³⁹ However, in Latin America, a new wave of progressive governments have set their sights on increasing the CGT rate, which could make taxation much fairer.²⁴⁰

Unrealized capital gains

Tax on unrealized capital gains: Tax levied on the increased value of an asset that has not been sold.

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. As the example in Table 1 shows, 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.²⁴¹

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.²⁴²

Unlike the other taxes described in this report, a 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.

Box 8: How can Jeff Bezos pay less than 1% in tax?

In 2021, leaked tax returns²⁴³ showed that Jeff Bezos – one of the richest men in the world – had been paying a ‘true tax rate’ of less than 1% (0.98%) when factoring unrealized capital gains into his income. How is this possible? One of the main reasons is that billionaires such as Mr. Bezos make most of their money from the increasing value of the stocks they own, instead of paying themselves a large salary. These gains are only taxed if they sell their stocks; meanwhile, they can borrow against them to finance their consumption.²⁴⁴

A study of the 400 richest US families found that, when factoring in unrealized gains, their real tax rate was just 8.2%.²⁴⁵ For the 25 richest US citizens, an investigation by ProPublica revealed a ‘true tax rate’ of just 3.4%.²⁴⁶

Moreover, rich white people typically benefit disproportionately from the non-taxation of unrealized capital gains. For instance, white households in the US make up 89% of households who earn more than \$2m in unrealized capital gains.²⁴⁷

However, proposals have been put forward to address this. US President Biden included unrealized capital gains in a 2021 proposal to introduce a minimum tax rate of 20% on individuals with more than \$100m in net wealth.²⁴⁸ While this proposal did not pass, the question of taxing unrealized capital gains is now up for debate in countries around the world.

This tax has huge revenue-raising potential. Renowned economists Gabriel Zucman and Emmanuel Saez estimate that a one-off tax on the unrealized capital gains of just the 1,000 richest US citizens could generate over \$1 trillion,²⁴⁹ which is more than five times the world’s total official development assistance in 2021 of \$178.9 billion.²⁵⁰

3.2.2 Taxing the wealth of the richest people

Oxfam calls for progressive taxation on holdings of wealth – in other words, taxing the fortunes of the rich. We look at three key taxes that could be used to do this:

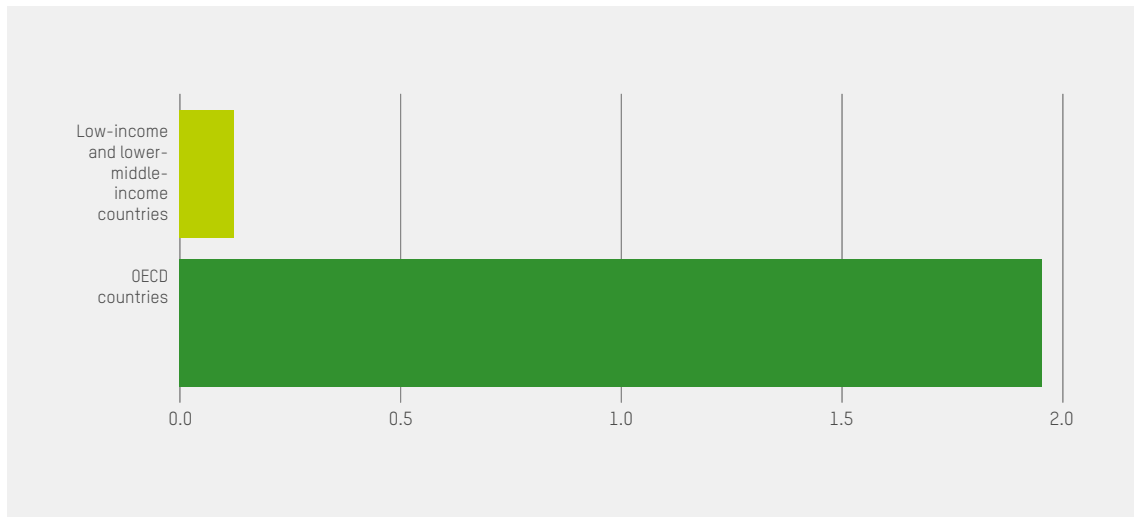
1. Property tax;
2. Inheritance tax; and
3. Net wealth tax.

Property tax

Property tax: Tax calculated on the basis of the value of property, land and buildings.

Property tax tends to be a progressive tax because property ownership generally remains concentrated in the hands of the wealthy. It is also considered a very efficient tax because property is highly immobile and a tax on it can encourage the productive use of land or buildings. Making it progressive is an easy way to target the very wealthy.²⁵¹ Another strategy is to simply exempt properties below a certain value.

FIGURE 15 TAX REVENUE FROM PROPERTY TAXATION, % OF GDP



Source: Coplin, N. and Nwafor, A. (2019).²⁵²

The revenue-raising potential of property taxation is particularly significant in low- and lower-middle-income countries, as Figure 15 illustrates. Latin American countries, for instance, collect a fraction of its potential revenue – on average 0.5% of GDP – whereas a full application could generate revenues of 1.5 to 2% of GDP.²⁵³ If all low- and lower-middle-income countries raised as much revenue from property taxation as Morocco, where it is equivalent to 1.26% of GDP, they could collect an additional \$17.6bn.²⁵⁴

Inheritance tax

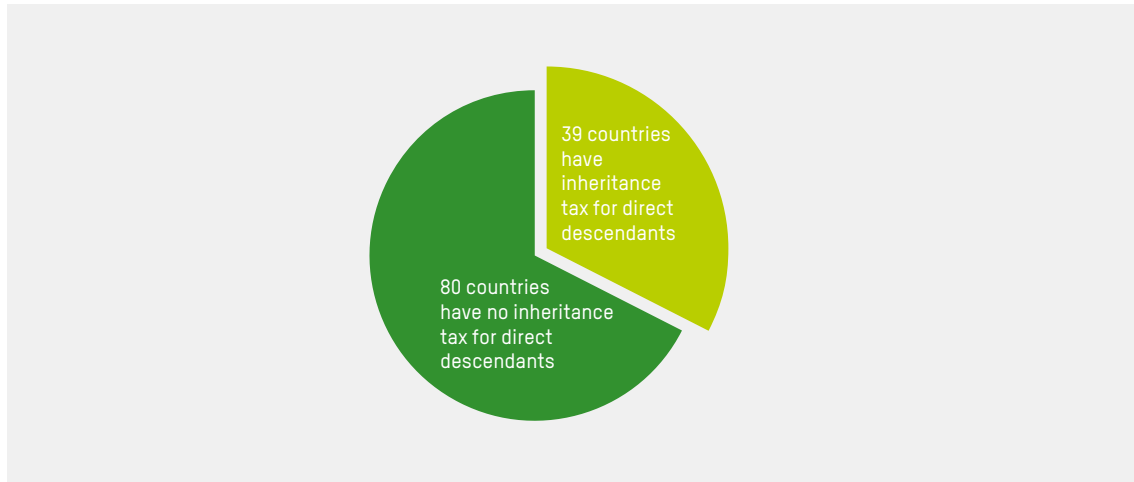
Inheritance tax: Also known as estate tax, this is a tax levied on the net value of all possessions (property, financial assets, bank accounts, tangible assets, e.g. yachts) transferred to someone else upon an individual's death. It is paid by those who inherit the wealth.

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. Consider 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.²⁵⁵

Of the 119 countries we reviewed, only 33% tax inheritance passed to direct descendants (see figure 16).²⁵⁶ 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.²⁵⁷

FIGURE 16 THE PRESENCE OF INHERITANCE TAX ON WEALTH AND ASSETS PASSED TO DIRECT DESCENDANTS IN 119 COUNTRIES



Source: Oxfam calculation based on information from PwC Worldwide Tax Summaries.²⁵⁸

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.²⁵⁹

A net wealth tax on millionaires' and billionaires' fortunes

Net wealth tax: 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).

Generally, wealth inequality is even greater than income inequality, and as this paper has already illustrated, it has reached extreme levels. This cannot be reversed by solely taxing the incomes of the rich;²⁶⁰ we also need to tax the stock of wealth they hold. A *net wealth tax* is the best and most comprehensive way to do this.

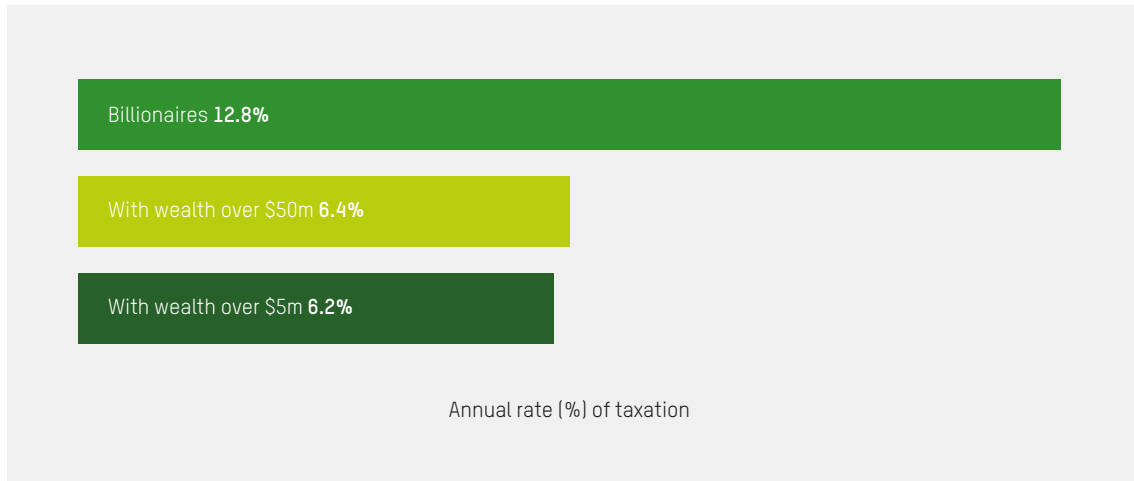
A net wealth tax can take the form of a one-off solidarity tax (such as Argentina's COVID-19 solidarity contribution²⁶¹) or can be levied on a recurrent basis (as in Spain since 2011²⁶²).

We need a net wealth tax to systematically reduce the numbers and wealth of very rich people, and to bring down wealth inequality, which in turn will have a huge positive impact on society and on the elimination of poverty.

In order to keep billionaires' wealth constant over the last two decades, we would have needed an annual net wealth tax of more than 8% across all countries.²⁶³ To keep their wealth constant over the last five years (from 2016 to 2021), we would have needed an annual net wealth tax of 12.8%.²⁶⁴

Today, if we want to go back to the billionaire wealth levels of 2012, we will need an annual net wealth tax of 17.8% from now until 2030.²⁶⁵

The precise rates and combinations of taxes on wealth will necessarily differ from country to country, but high taxes on wealth are especially needed at the very top, as Figure 17 shows.

FIGURE 17 ANNUAL RATE (%) OF TAXATION NEEDED TO KEEP THE WEALTH OF THE VERY RICH CONSTANT, 2016–2021

Source: Oxfam calculation based on data from Wealth-X and Forbes.²⁶⁶

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%.²⁶⁷

Moreover, there is growing recognition that taxing the rich through wealth taxes is not only a powerful tool for addressing economic inequality, but also for achieving racial and gender justice.²⁶⁸

We also need a net wealth tax to access the huge amount of potential revenue for public goods that is currently locked up in the coffers and assets of the richest.

Together with the Institute for Policy Studies, the Patriotic Millionaires and the Fight Inequality Alliance, Oxfam has used data from Wealth-X and Forbes to calculate that a wealth tax of 2% on the world’s millionaires, 3% on those with wealth above \$50m, and 5% on the world’s billionaires would raise \$1.7 trillion dollars annually. This would be enough to lift 2 billion people above the World Bank poverty line of \$6.85 a day. In addition, it could fill the funding gap for emergency UN humanitarian appeals and fund a global plan to end hunger. Beyond this, the tax could help finance the loss and damage caused to low- and lower-middle-income countries by climate breakdown, and deliver universal health care and social protection for all the citizens of low- and lower-middle-income countries (3.6 billion people).²⁶⁹

For instance, as Table 1 shows, a 5% tax 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.²⁷⁰ It is sometimes argued that wealth taxes are only relevant in high-income countries, but evidence indicates otherwise. Table 2 shows how wealth is especially undertaxed in low- and lower-middle-income countries. Moreover, 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.²⁷¹

For example, it is estimated that 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 US and 3% in France, compared with 14% in India and 7% in Nigeria.²⁷² Moreover, in Nigeria and India, this revenue could boost health expenditure by 14% and 33%, respectively.²⁷³ The impact of this would be hugely significant, given that these two nations are together home to one-third of the world’s people living in poverty.²⁷⁴

As seen in Section 2.1, net wealth taxes have been out of favour for many years because of neoliberal economic orthodoxy, but there is now a renewed interest at the OECD, IMF and World Bank, and within governments around the world. Several governments in Latin America are implementing or are in the process of discussing the implementation of net wealth taxes.²⁷⁵

Taxing wealth is necessary to get countries out of the current crisis. Simply put, this is where the money is.

TABLE 2 WEALTH IS ESPECIALLY UNDER-TAXED IN LOW- AND LOWER-MIDDLE-INCOME COUNTRIES

Country income	Taxes on wealth, % of GDP
Low-income countries	0.69%
Lower-middle-income countries	1.74%
Upper-middle-income countries	3.11%
High-income countries	5.89%

Source: Oxfam calculation based on OECD data.²⁷⁶

Box 9: The role of corporate tax in taxing rich people

Corporate income tax (CIT) has fallen from an average of 47.5% in 1980 to 24.9% today.²⁷⁷ Unlike PIT or CGT, CIT is not levied directly on the rich, but rather on corporate profits. While some rightly worry that the cost of CIT could be passed on to workers, there is increasing evidence that wealthy shareholders pay the majority of the tax.²⁷⁸

The world's largest companies have their headquarters mainly in rich countries; profits from international trade and commerce go disproportionately to rich countries, and more precisely, to the company owners, who tend to be rich white men in rich countries.

Data from Chile suggests that the impact of direct taxes in reducing inequality increases from 16% to 20% when taking into account CIT,²⁷⁹ and one study found that in the US, income inequality rose when CIT was cut.²⁸⁰

Raising the rate of CIT is essential to achieve progressive tax systems,²⁸¹ and even more so in the current context of huge windfall profits in many sectors. We need both permanently higher tax rates on corporate income, and one-off, sector-wide windfall profit taxes with ambitious tax rates on corporations that profit during periods of crisis. For example, in October 2021, Romania introduced a one-off 80% windfall tax on electricity producers, and in May 2022 Greece introduced a 90% one-off tax on the windfall profits of energy providers.²⁸² At the same time, we need reform of the international tax system so that it redistributes corporate profits more fairly between high- and low-income countries and ensures the meaningful participation of low-income countries in international tax negotiations. This could be achieved through the adoption of a UN Tax Convention, including an intergovernmental tax body with universal participation. Finally, we need countries to require public country-by-country reporting for companies, as Australia is planning to do,²⁸³ so we know where multinationals undertake their real economic activity, and where they pay tax. Some companies, such as Orsted²⁸⁴ and Vodafone,²⁸⁵ are already implementing this voluntarily.



Photo: Jana Martínez/Pixabay

3.2.3 How to stop the richest from dodging tax to find the wealth we need

We saw in Chapter 2 that one of the techniques rich individuals use to avoid paying taxes is by hiding their assets and wealth in tax havens. Critics of taxing the rich claim that it does not work because the richest simply move their fortunes to such territories. To truly tax the wealthiest, governments must take action to dismantle tax secrecy and tax offshore wealth and assets. The tools already exist; we just need the political will to implement them at the national, regional and international level. Once secrecy is no longer for sale, wealth will be easier to tax.

Public registries of beneficial owners

Wealthy individuals can use companies and trusts to hide the ownership of assets. It is argued that people use trusts to maintain control over or avoid misuse of assets, but when they are intentionally located in an ultra-protective jurisdiction, they can easily hide ownership (for tax, inheritance, or other purposes), or register undue gains. One of the solutions is to introduce more transparency around beneficial owners (i.e. the true owners) of companies and trusts through the introduction of public registries of beneficial ownership. Tax Justice Network's Financial Secrecy Index shows that more countries have adopted or improved beneficial ownership registration laws,²⁸⁶ but there are still loopholes, especially on trusts. For example, the European Union (EU) agreed to implement public registers of beneficial ownership in every EU country. However, not all countries are compliant, trusts are not included in the public registry, and in November 2022, the Court of Justice of the European Union invalidated the provision guaranteeing public access to the information.²⁸⁷

Ban anonymous shell companies

Anonymous shell companies do not disclose their true owners and operate without any real economic activity. They are ideal for hiding wealth, shifting profits or ill-gotten gains, and, ultimately, minimize tax contributions. The OpenLux scandal showed how a small territory like Luxembourg can be a magnet for worldwide wealth – it

hosts 279 of the 2,000 richest individuals on the planet. With a population of just 625,000, it is home to 55,000 shell companies (90% of them controlled by foreign owners) worth a total of €6 trillion.²⁸⁸ Such anonymous companies might have no apparent productive activity, but are often used to 'own' and register all kinds of physical and financial assets, from shares to luxury houses, to yachts and fine art (See box 4). Gains from offshore assets are often undeclared, especially when they are intentionally owned through anonymous shell companies. This is despite many tax codes stipulating that they must be declared in the taxpayer's country of residence. Governments should introduce legislation to ban anonymous shell companies so wealthy individuals cannot use them to hide their assets.

Create a global asset register

As we saw in Box 4, offshore wealth is a large-scale phenomenon.

In 2022, the government of Argentina 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.²⁸⁹

There are growing demands for regulation to ensure that the true owners of yachts, luxury houses and other physical assets are registered and shared among the world's tax administrations. 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.²⁹⁰ A global asset register would provide a means to record, measure and understand the distribution of global wealth, and empower tax authorities with a tool to tax offshore assets.

Make automatic exchange of information more comprehensive and efficient, and accessible to all countries

To break with tax secrecy, a number of countries have agreed to automatically exchange information on the true owners of bank accounts and companies. The OECD, which is monitoring the process, claims it has been a success: by the end of 2019, information on 84m financial accounts had been shared, covering €10 trillion.²⁹¹ The Argentine revenue authority, for example, 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.²⁹²

However, several countries are still not part of the mechanism. Low-income countries, for instance, cannot access information from other countries if they are not able to meet certain standards. The US is also not part of the mechanism, only implementing a selective exchange of information on a bilateral basis.²⁹³ To fully lift the veil, more nations should be included in the mechanism, with less stringent requirements for low-income countries.

Strengthen revenue administration capacity

Many low-income countries struggle to increase the tax compliance of their richest individuals because of lack of capacity and information about taxpayers, and weak political will. 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.²⁹⁴ Interestingly, 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 crucial information to better map the profile of the wealthiest in the country and adjust compliance systems for the future.²⁹⁵

Chapter 4: Conclusion and recommendations

Inequality is a complex phenomenon and, as we have outlined in our previous research, a wide range of policy and practice changes are needed to build a more equal world and to truly redistribute power. In this paper, however, we have identified one bold and important step governments could take that would dramatically reduce inequality and boost investment in a fairer and more sustainable future for people and planet: increasing taxation of the wealthiest.

This is well within the reach of governments all around the world and a wave of progressive taxation appears to be beginning. It must not fail to grow and endure.

Oxfam calls on governments and international institutions to work together to urgently implement the following five sets of recommendations:

1. INTRODUCE ONE-OFF SOLIDARITY WEALTH TAXES AND WINDFALL TAXES TO STOP CRISIS PROFITEERING

Today, billions of ordinary people are suffering the consequences of multiple crises, while the wealthiest people and companies continue to grow richer. Governments could raise vital revenue, and prevent the richest further profiting from crisis, by implementing one-off taxes on excessive profits and wealth. This would mean:

- Taxing the windfall profits of corporations during crises, with an ambitious and sector-wide windfall tax.
- Urgently taxing dividend payouts to wealthy stockholders at much higher rates. Tax on income from dividends should be at least as high as tax on income from wages.
- Implementing one-off solidarity wealth taxes on the top 1%.

2. PERMANENTLY INCREASE TAXES ON THE RICHEST 1%, FOR EXAMPLE TO A MINIMUM OF 60% OF THEIR INCOME FROM LABOUR AND CAPITAL, WITH HIGHER RATES FOR MULTI-MILLIONAIRES AND BILLIONAIRES

In addition to one-off solidarity taxes on the wealthiest, governments must ensure that the richest 1% are permanently paying significantly more of their income from labour and capital in tax, and that multi-millionaires and billionaires pay higher rates still. A recent IMF paper²⁹⁶ noted that 'Studies estimating [the] revenue-maximizing rate [of Personal Income Tax on the highest earners] find that it generally ranges between 50 and 60 percent...and others such as the economist Thomas Piketty recommend higher rates – up to 80%²⁹⁷'. In addition to one-off solidarity taxes on the wealthiest, governments must ensure that the richest 1% are permanently paying at least 60% of all their income from labour and capital in tax, and that multi-millionaires and billionaires pay higher rates. This means:

- Taxing capital gains – income from stocks, shares, rent and other revenue that the rich disproportionately rely on – at rates that are at least as high as those on income from work, and preferably higher.
- Ensuring that the personal income tax system is highly progressive and that tax rates for the super-rich are much higher than those for ordinary workers and middle-class employees.
- Introducing top rates of tax (marginal rates) of at least 75% on all personal income for the highest earners (e.g. for those making \$5m a year, or the top 0.1%) to discourage sky-high executive pay.
- Removing tax exemptions and loopholes in our tax systems that primarily benefit the rich.

3. TAX THE WEALTH OF THE RICHEST 1% AT RATES HIGH ENOUGH TO BRING DOWN INEQUALITY

The wealthiest elites have undue influence over policy making and politics, which allows them to accrue even more wealth. We must break this vicious cycle. This means:

- Taxing wealth at rates high enough to reduce inequalities of wealth and systematically reduce the numbers and fortunes of the super-rich.
- Taxing the net wealth of the top 1% on a permanent basis, with higher rates for millionaires, multi-millionaires and billionaires.
- Adopting and effectively implementing steeply progressive inheritance, land and property taxes, to level the playing field and prevent the growth of an aristocratic class.

4. EMPOWER PUBLIC AND TAX ADMINISTRATIONS TO TRACK THE WEALTH OF THE RICHEST PEOPLE AND CORPORATIONS

Taxing the wealthiest is impossible unless public and tax administrations are empowered and supported to identify and track the true wealth of the richest people. This means:

- Revealing the true owners of wealth through public registries of the true owners of companies and other legal entities, a ban on anonymous shell companies, and a global asset registry that discloses the true owners of the physical assets that the rich use to hide their wealth.
- Requiring multinational corporations to disclose their profits, revenue, number of employees, and other key financial numbers in all countries where they operate, through public country-by-country reporting.
- Empowering tax administrations by providing them with adequate funding to ensure that the rich pay their taxes and to set up special units for taxing high-net-worth individuals.
- Improving the automatic exchange of information, ensuring that it also works effectively for low-income countries.

5. BREAK POLITICAL CAPTURE AND ENSURE EQUAL PARTICIPATION IN TAX POLICY MAKING

Unless we change the way that tax policy is made, it will continue to be captured by the interests of a wealthy elite. We need to shift the balance of power so that the needs of ordinary citizens come first. This means:

- Creating more transparent and inclusive policy making on tax that removes the oversized influence of the top 1% and reduces opportunities for corrupt practices, while creating new space for meaningful participation by the many.
- Ensuring representation of marginalized groups in tax policy-making processes, including feminist and racial justice organizations, to address the intersectional inequalities built into our current tax systems.
- Ushering in a new era of more ambitious and fairer international tax rules through the adoption of a UN Tax Convention, including an intergovernmental tax body with universal participation.

Finally, Oxfam calls on donors and international institutions to help countries promoting progressive tax systems, and to end the practice of demanding regressive tax policy reforms as part of their conditionalities for low- and middle-income countries that seek their support.

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