Brazil: closing structural inequalities with minimum taxes through sustained political leadership

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Brazil: closing structural inequalities with minimum taxes through sustained political leadership

Written by Maria Emilia Mamberti and Fernanda Balata. This work was made possible through the support of the Thirty Percy Foundation and the Rosa Luxemburg Foundation. We thank Giovanni Occhiali and Verónica Grondona for helpful discussions on the topic, and George Bangham, Luke Holland and María Ron Balsera for reviewing this report.

Funded by the Rosa-Luxemburg-Stiftung New York Office.

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Executive summary

Brazil's 2025 income tax reform (Law 15.270) offers a detailed, practical example of how sustained political leadership, strategic framing, and deliberate sequencing of reforms can build the institutional capacity needed to tax the wealthiest, even in a politically polarized context. The reform introduced a minimum tax on the highest earners while exempting millions of workers from income tax. Approved with no recorded opposition in the Chamber of Deputies of Brazil and later by the Brazilian Senate, the reform suggests that, under certain conditions, redistributive measures can achieve unusually broad cross-partisan consensus - though durability remains contingent on judicial developments and electoral cycles.

Key insights by framework dimension

- **Structural:** The reform unfolded against a backdrop of extreme, intersecting inequalities of class, gender, and race. In Brazil, dollar-millionaires face lower effective tax rates than average workers, and no broad net wealth tax is in place, despite a constitutional provision calling for taxes on large fortunes. These extreme inequalities, combined with a constitutional framework that explicitly promotes tax progressivity and equity, alongside evidence of systematic regressivity in the existing tax system, provided enabling structural conditions for reform. However, the structural gap between constitutional aspiration and tax reality also created space for judicial challenges from business associations and political opponents, illustrating that enabling conditions do not eliminate structural resistance, even when reforms are approved by overwhelming majorities in Congress.

- **Political:** Political capacity was the decisive dimension of this case. The reform was a presidential campaign promise, advanced through deliberate sequencing after earlier tax reforms, and framed as fiscally neutral and redistribution-focused rather than revenue-driven. Strong, coordinated executive leadership was complemented by civil society pressure, influencer campaigns, and accessible communications. The 'fiscally balanced' narrative-pairing exemptions for millions of low earners with a top-up on a small group of high earners - made opposition politically costly. Strategic assignment of the rapporteurship to a key opposition broker was central to securing unanimous approval.

- **Legal:** The reform relied on amendments to existing income and corporate tax legislation rather than creating an entirely new tax. Nevertheless, five unconstitutionality complaints had already been filed before the Supreme Federal Court of Brazil (STF) within weeks of the law's enactment, focused on procedural issues and short implementation timelines. The durability of the reform is still to be tested through courts.

- **Administrative and technical:** As the minimum tax entered into force in 2026 and will fully kick in in 2027, its administrative and technical implementation is yet to be assessed. The usual challenges in taxing the wealthiest persist in Brazil: difficulties in valuing assets; limited access to high-quality, comprehensive information on all relevant assets; and offshoring of wealth. Importantly, however, Brazil has invested in strengthening relevant capacities, including the exchange of information under the Common Reporting Standard, and enhancements to systems for managing territorial information. Prior sequenced reforms, such as Law 14.754/2023 on offshore income taxation, can support the administrative infrastructure needed to tax mobile wealth.

- **Relational (global) conditions:** Brazil leveraged its G20 presidency as a domestic political tool, building international credibility for taxing the super-rich and using that credibility to shift domestic political space. This 'inside-out' sequencing - where international commitments precede and legitimate national reform - is a distinctive and transferable innovation. It reframes global structural conditions, typically a constraint in developing countries, as a potential political resource for countries able to exercise multilateral leadership.

1. Introduction

Brazil is a nation of over 200 million inhabitants, and one of the ten largest economies in the world.[1] The country has been a global leader in building political and legal momentum for taxing the wealthiest more effectively. At the national level, and following President Lula's campaign promises, the Brazilian government managed to pass a law through Congress introducing significant changes to the individual income tax. The approved bill was signed into law as Law 15.270 in November of 2025.[2] The law introduced a minimum tax on the income of the highest earners, and exempted several million people at the lower end of the income distribution from income tax.[3]

This represented a profound reform of the Brazilian tax system. Overall, it sought to correct regressivity in the income tax regime while remaining "fiscally neutral" by exempting and reducing taxation on lower incomes and increasing taxes on the wealthiest. This "fiscal neutrality" framing was essential to neutralize arguments related to fiscal responsibility, while maintaining strong redistributive goals.

More precisely, the law exempted from income tax individuals earning up to 5,000 Brazilian Reais per month (approximately 900 US dollars), and allowed discounts for those earning up to 7,350 Brazilian Reais (around 1,400 USD). In doing so, it eliminated income tax for several million Brazilians. To remain *fiscally neutral while increasing tax fairness,* the law also introduced a "compensatory" measure: a minimum top-up tax for individuals earning more than 600,000 Brazilian Reais per year (approximately 120,000 USD), with progressive rates of up to 10%. The threshold included income that is otherwise exempt or subject to a 0% tax rate, although the law allowed for several exclusions from the income base (including income from rural activities, most capital gains, and inheritances).[4] The reform also introduced additional measures targeting the highest earners, such as withholding taxes on dividends paid to Brazilian residents exceeding 50,000 Brazilian Reais monthly, and a 10% withholding tax on dividends paid to nonresident individuals or legal entities (although dividends paid to Brazilian legal entities remain exempt).

In this briefing we present an initial exploration of the minimum tax on the richest using the *Institutional Capacity Framework for the Effective Taxation of the Wealthiest.* As the minimum tax enters into force in 2026, with full implementation scheduled for 2027, we focus primarily on the institutional, political, and legal dimensions of the Framework in relation to the approval of the reform. The administrative and technical capacities required for implementation should be assessed at a later stage.[5] This case sheds light on how countries can move proposals to tax the richest through their institutions, the main objections and challenges such proposals may face, and the conditions that make approval feasible.

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[1] According to International Monetary Fund (2025) and World Bank (2026) data. https://www.imf.org/en/countries/bra, https://data.worldbank.org/country/brazil

[2] Brasil, Lei No. 15.270, de 26 de novembro de 2025 (Lei do Imposto de Renda da Pessoa Física), *Diário Oficial da União*, November 26, 2025, available at: https://in.gov.br/en/web/dou/-/lei-n-15.270-de-26-de-novembro-de-2025-671614220

[3] International Bureau of Fiscal Documentation, "Brazil Enacts Income Tax Reform," Tax News Service, November 13, 2025, https://research.ibfd.org/linkresolver/static/tns_2025-11-13_br_1 . In March 2025, the Executive Power submitted to Congress Bill of Law No. 1,087/2025, seeking to amend provisions from the Personal and Corporate Income taxes laws.

[4] Notably, to avoid double taxation, if the combined effective tax rate of the distributing entity and the minimum tax exceed the aggregate nominal rates of the Corporate Income Tax and the Social Contribution on Net Profit, a reduction applies.

[5] Indeed, while the tax authority has already issued some additional regulations in connection with the reform assessed in this brief (see, e.g., Instrução Normativa RFB nº 2.299/2025), it did not regulate the minimum tax which is the focus of this work at the time of its publishing. Upcoming regulations would engage with some complex issues, such as calculations for the top-up tax.

2. Diagnostic analysis against relevant Institutional Capacity Framework dimensions

2.1. Structural capacity

The approval of the minimum tax on the richest in Brazil unfolded in a context shaped by a constitutionally enabling framework for tax progressivity, extreme and intersecting inequalities, and increasing evidence and public awareness of these dynamics. These structural conditions facilitated reform, although litigation against the law began shortly after its approval, promoted by groups such as professional and business associations.

Brazil is one of the most unequal countries in the world. Recent studies show that the richest 1% earns 27.4% of total national income.[6] The top 0.1% (around 150,000 individuals) earns 12.4%, and the top 0.01% (approximately 15,000 individuals) captures 6.1%.[7] Economic inequalities are strongly intertwined with gender and racial disparities. For instance, studies have found that White men in the top 1% appropriate a greater share of national income than all Black women combined.[8] The intersection of gender, race, and extreme wealth concentration highlights that top-end wealth is socially structured, and that the availability of data to make these structural features visible is essential for understanding wealth taxation in a comprehensive manner.[9]

However, Brazil's tax system has historically served to reinforce, rather than reduce, these inequalities. The system is largely regressive, relying disproportionately on indirect taxes. Direct taxes have had a limited impact in promoting equality, in part because distributed dividends and profits have been exempt from taxation since 1996 (with a significant share of high-income earnings deriving from dividends), leading to vertical inequities. There is also a structural asymmetry between the taxation of labor and capital gains, with the latter taxed more lightly,[10] alongside deductions and incentives that reduce the effective corporate tax burden below statutory rates - benefiting primarily higher earners.[11]

Furthermore, there is no significant net wealth tax for large fortunes in Brazil.[12] While the federal constitution provides for a tax on "large fortunes" through a supplementary law, such legislation has not been enacted in over 30 years. The *Partido Socialismo e Liberdade* (PSOL) filed a legal complaint before the Supreme Federal Court, arguing that Congress was engaged in an unconstitutional legislative omission, contradicting constitutional commitments to reducing inequality.[13] Although the Court recognized the omission, it did not impose a mandatory timeframe for legislative action.

In this context, the richest Brazilians pay proportionately less taxes than the rest of

[6] Theo Palomo, Davi Bhering, Thiago Scot, Pierre Bachas, Luciana Barcarolo, Celso Campos, Javier Feinmann, Leonardo Moreira, and Gabriel Zucman, "Tax Progressivity and Inequality in Brazil: Evidence from Integrated Administrative Data," EU Tax Observatory Report No. 9 (Paris: EU Tax Observatory, 2025). https://www.taxobservatory.eu/www-site/uploads/2025/08/Tax-Progressivity-and-Inequality-in-Brazil_Evidence-from-Integrated-Administrative-Data.pdf .

[7] Palomo *et al.*, "Tax Progressivity and Inequality in Brazil.", supra note 6.

[8] A Bottega, I Bouza, M Cardomingo, L Nassif Pires and F Peron Pereira, "Quanto fica com as mulheres negras? Uma análise da distribuição de renda no Brasil" (São Paulo, MADE/USP, December 2021). https://madeusp.com.br .

[9] On the intersection of tax progressivity, race and gender in Latin America, see: "Análisis de los impactos tributarios sobre las desigualdades de género, raza y clase para Brasil, Colombia y México", la Red de Política Fiscal Feminista de América Latina y el Caribe, for PT-LAC.

[10] PT-LAC, "Resultados del subgrupo de trabajo de Progresividad Tributaria", 2025.

[11] Palomo *et al.*, "Tax Progressivity and Inequality in Brazil.", supra note 6.

[12] Brazil is a federal country, and taxes are collected at different government levels. Although there is no broad net wealth tax for large wealth in the country, some taxes on assets are collected at the local level (in States or municipalities), such as taxes on immovable property or inheritance, which in some cases are designed as progressive taxes. However, Brazil reports that some of these taxes -such as inheritance taxes- have low rates or significant exemptions, and face additional challenges that limit their impact, such as under-valuation of assets such as land property and shares. See PT-LAC, "Tributación del Patrimonio."

[13] Brasil, Supremo Tribunal Federal, Ação Direta de Inconstitucionalidade por Omissão (ADO) No. 55, filed by Partido Socialismo e Liberdade (PSOL), 2015.

[14] Brasil, Supremo Tribunal Federal, ADO No. 55, judgment recognizing unconstitutional legislative omission on taxation of large fortunes (Art. 153(VII) CF/1988). Available at https://portal.stf.jus.br .

the population. Evidence shows that, until 2025, dollar-millionaires faced an effective tax rate of around 20.6% (across all taxes, relative to income), compared to 42.5% for the average Brazilian.[15] Within the top 1%, the effective rate for the top 0.001% is even lower.[16] Other studies similarly indicate that employees and public servants face a tax burden of around 42.3%, while certain self-employed professionals providing services through legal entities face rates closer to 16.3%.[17]

The reform introducing a minimum tax on the wealthiest directly addressed these structural conditions. According to Brazil's Ministry of Finance, the highest 10% rate of the minimum tax would apply to only 0.13% of taxpayers (around 140,000 individuals). Oxfam estimates that approximately 82% of those affected are men, and 80% White.[18] Independent research suggests the reform could reduce the Gini coefficient by approximately 0.3%, with the greatest reduction in regressivity occurring among the richest 0.2%.[19] The reform is historically significant: since 1947, only five tax reforms have increased progressivity, none as intensively or as explicitly targeted at the highest earners.[20]

The approval of the minimum tax unfolded within this enabling constitutional context. Brazil's constitution enshrines principles such as horizontal and vertical equity, ability to pay, and equality, and allows tax authorities "to identify, respecting individual rights and in accordance with the law, the taxpayer's assets, income and economic activities." It further establishes that the tax system must observe principles of tax justice, cooperation, and environmental protection, and that reforms should "mitigate regressive effects".[21]

However, this enabling framework has not prevented litigation. While challenges to date have focused more on procedural and formal issues than on property rights, they signal emerging lines of resistance. The Supreme Federal Court of Brazil (STF) has already received five unconstitutionality complaints against provisions of Law 15.270/2025.[22] For example, Action 7933, presented by the Partido Liberal (PL), argues that the law's short implementation timelines violate constitutional principles such as legal certainty and ability to pay. Action 7934, brought by the Confederação Nacional de Serviços (CNS), challenges aspects of tax collection and seeks exemptions for small and medium enterprises. Additional challenges have been filed by the Confederação Nacional do Comércio de Bens, Serviços e Turismo (CNC), the Confederação Nacional da Indústria (CNI), and the Conselho Federal da Ordem dos Advogados do Brasil (OAB).[23]

In late 2025, a federal district court granted a preliminary injunction in a collective case brought by the Commercial Association of Paraná (ACP), suspending a provision that conditioned income tax exemptions for 2025 profits and dividends on their distribution by December 31, 2025.[24]

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[15] Palomo *et al.,* "Tax Progressivity and Inequality in Brazil." supra note 6.

[16] PT-LAC, Progresividad Fiscal y Desigualdad: Tributación Mínima de Individuos de Alto Patrimonio en América Latina y el Caribe (2026).

[17] Pedro Goto and Rodrigo Pires, "Desoneração da Folha de Pagamento: Uma Análise dos Impactos no Mercado de Trabalho e na Arrecadação," IPEA Texto para Discussão No. 2804 (Brasília: IPEA, 2022).

[18] Oxfam Brasil, "A Raíz da Desigualdade Está no Topo: Os Impactos Distributivos de Classe, Raça e Gênero na Nova Reforma do Imposto de Renda," November 2025. https://www.oxfam.org.br/a-raiz-da-desigualdade-esta-no-topo/ .

[19] MADE-USP, "Considerações sobre a Reforma do Imposto de Renda." https://madeusp.com.br/2025/11/consideracoes-sobre-reforma-do-imposto-de-renda/

[20] Paulo Arvate, Marco Bonomo, Elaine Toldo Pazello, and Viviane Seda Bittencourt, "Progressive Income Tax Reform in Brazil," MADE-USP Working Paper No. 29 (São Paulo: Centro de Pesquisa em Macroeconomia das Desigualdades, Universidade de São Paulo, June 2025), https://madeusp.com.br/wp-content/uploads/2025/06/wp29-progresiveincometax.pdf ; MADE-USP, "Considerações sobre a Reforma do Imposto de Renda," November 2025, https://madeusp.com.br/2025/11/consideracoes-sobre-reforma-do-imposto-de-renda/ .

[21] Brazil, Constituição da República Federativa do Brasil de 1988, Art. 145, § 1º, Art. 153(VII). Available at https://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm . Article 145 states that, whenever possible, taxes shall be established "according to the taxpayer's economic capacity".

[22] "STF Já Tem 5 ADIs contra Tributação de Lucros e Renda Elevada," *Overedito*, 2025, https://overedito.com.br/justica/stf-ja-tem-5-adis-contra-tributacao-de-lucros-e-renda-elevada/.

[23] *Ibid.*

[24] Marins Bertoldi Advogados, "Preliminary Injunction Relaxes the Deadline for Dividend Tax Exemption under Law No. 15.270/2025, but Caution Is Required," legal alert, December 2025, https://marinsbertoldi.com.br/en/preliminary-injunction-relaxes-the-deadline-for-dividend-tax-exemption-under-law-no-15270-2025-but-caution-is-required .

These developments show that even in contexts of strong political support for taxing the richest, reforms are not immune to judicial attrition. This reinforces the importance of the structural and legal dimensions within the Institutional Capacity Framework. The specific challenge brought by the lawyers' association further illustrates the role that legal actors can play in constraining tax measures targeting high earners.

2.2 Political capacity

The approval of the minimum tax relied on a comprehensive political strategy, built on strong leadership from the Executive, which made tax reform a campaign promise and was determined to pass the law ahead of the 2026 presidential elections. A strong focus on extreme inequalities in the country, paired with new and decisive evidence, further helped build political capital. The "fiscally balanced" narrative - focused on correcting distortions while remaining fiscally neutral - was also an important negotiating tool, positioning tax regressivity as a problem beyond revenue-raising.

The reform of the income tax was a campaign promise of President Lula that had gained momentum and popular support by the time it reached Congress, following sustained, high-level political leadership. Importantly, the reform came after the successful approval of earlier tax reforms advanced sequentially by the Executive (from VAT reform to the taxation of investment funds).

After the Executive submitted the proposal to Congress in March 2025, the Chamber of Deputies of Brazil approved the bill in October 2025 with a 493–0 vote, and the Senate, with minor modifications, in November 2025.[25] Some analyses suggest that political rivalries between the two chambers - combined with mutual distrust among their leadership - contributed to a faster approval process.[26] Furthermore, President Lula made the reform a high political priority and requested that congressional leadership prioritize it; the bill was debated under urgency procedures. This deliberate strategy, whereby the issue was prioritized and treated expeditiously in Congress, aligns with literature emphasizing the importance of leveraging political windows of opportunity to pass reforms targeting the wealthiest.[27]

The unanimous vote is a striking outcome in a politically polarized country and illustrates how framing, sequencing, popular support, and other political strategies can generate cross-partisan consensus on redistributive measures while containing resistance. Opponents - prospective taxpayers, their representatives, and some members of Congress - advanced familiar arguments:[28] that the reform would constitute double taxation (particularly regarding dividends), fuel capital flight risk and disincentivize investment, and create economic distortions. Some also argued that the mere announcement of the reform led to "significant backlash from financial markets, leading to currency depreciation and heightened uncertainty."[29]

Yet, the law was passed, and its proponents relied on multiple tools to strengthen political capacity. Leadership extended beyond the President to other key figures, including then Minister of Finance Fernando Haddad, who played a central role in negotiating the bill in Congress. The reform, openly framed as a pro-working class measure, also had clear electoral relevance for the ruling party in the lead up to the October 2026 presidential election.[30]

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[25] "Brazil Tax Reform: Complete Guide," *The Rio Times*, last updated 2025. https://www.riotimesonline.com/brazil-tax-reform-complete-guide/; "Brazil's Parliament Backs Big Tax Cut for Workers and a Floor for the Very Rich," *The Rio Times*, 2025, https://www.riotimesonline.com/brazils-parliament-backs-big-tax-cut-for-workers-and-a-floor-for-the-very-rich/.

[26] See generally, Juan Carlos Arruda, "Reforma do IR Acirra Rivalidade entre Arthur Lira e Renan Calheiros," BMC News, October 7, 2025. https://bmcnews.com.br/analises/reforma-do-ir-acirra-rivalidade-entre-arthur-lira-e-renan-calheiros-entenda/.

[27] Kingdon, J. W. (1995). Agendas, alternatives, and public policies (2nd ed.). New York, NY: Harper Collins.

[28] Instituto de Estudos Socioeconômicos (INESC), "As Fake News da Tributação das Altas Rendas," INESC, 2025. https://inesc.org.br/as-fake-news-da-tributacao-das-altas-rendas/ . Many of these arguments are identical to the ones used in Argentina, discussed in our earlier case study.

[29] Arvate *et al.*, "Progressive Income Tax Reform in Brazil.", supra note 20.

[30] "Brazil Tax Reform: Complete Guide.", supra note 25.

Public campaigns and pressure from civil society were central to building political support. Sustained campaigns to "tax the rich", which sometimes intersected with other progressive causes, ran in parallel with congressional debates and ranged from street actions - such as the occupation of Itau Bank - to social media mobilization, government communications, and civil society advocacy. The Centre for International Tax Accountability and Research (CICTAR) described this pressure as "fundamental" to the bill's approval in Congress.[31]

Campaigning intensified after the Executive's defeat on other fiscal measures, most notably its attempts to increase taxes on financial transactions in mid-2025. In response, the Executive adopted a more active and deliberate social media strategy around income tax reform, engaging influencers and entering a highly polarized digital space often dominated by opposition forces.[32] The campaign also included accessible explanations of the reform - for example, videos using animated cats to explain the minimum tax.[33] This highlights how contemporary forms of public mobilization - extending beyond traditional advocacy to include social media, popular culture, and simplified visual communication - can play a decisive role in sustaining support for redistributive measures.

Narrative construction was central. The Government framed the reform as "fiscally balanced," emphasizing increased taxation of a privileged group that paid lower effective tax rates than workers, alongside the country's extreme inequality.[34] Based on Ministry of Finance communications, the reform was presented as "modest" relative to the scale of existing distortions, including violation of constitutional principles such as ability to pay, and vertical and horizontal equity.[35] The fact that more than 14 million individuals would be exempted, with only around 141,00 high earners bearing the compensatory measure, made opposition politically costly.

Crucially, the exemptions and reductions for lower earners were framed not only as a matter of fairness, but also as a mechanism to stimulate economic demand by increasing disposable income among the working class. This was particularly salient in a context of recent inflation, where frozen income tax thresholds had effectively pushed millions above the income tax threshold without a corresponding increase in their ability to pay.[36]

Finally, the production and strategic use of evidence were central to building and sustaining political capacity. The Ministry of Finance drew on data from the Federal Reserve (*Receita Federal*) and collaborated with institutions such as IPEA and the International Tax Observatory. This evidence formed the empirical backbone of the reform and was widely cited in public and legislative debates.

Such evidence helped connect legislative discussions to the lived reality of inequality in Brazil and encouraged the production of more granular data on income and wealth distribution. Administrative data, in particular, clarified how the composition of high-income earnings - especially the role of dividends - enabled the wealthiest to face lower effective tax rates.[37] This underscores the importance, within each national context, of understanding who high-net-worth individuals are, and how their wealth is structured, in order to fully leverage state capacity to tax them effectively.

[31] Livi Gerbase, "A Truly Progressive Tax Reform: Lula's Greatest Legacy for Fiscal Justice," Centre for International Corporate Tax Accountability and Research (CICTAR), November 21, 2025. https://cictar.org/news/braziltaxreformbill .

[32] Karla Lisboa and Marcos Citó, "PT Convoca Influenciadores para Fortalecer 'Campanha Taxação BBB'," *O Povo,* July 3, 2025. https://www.opovo.com.br/noticias/politica/2025/07/03/pt-convoca-influenciadores-para-fortalecer-campanha-taxacao-bbb.html

[33] Vídeo: "Governo Aposta em 'Gatinhos' na Campanha pela Isenção do IR e Taxação dos Super-Ricos," NDMais, July 4, 2025. https://ndmais.com.br/politica/video-governo-aposta-em-gatinhos-na-campanha-pela-isencao-do-ir-e-taxacao-dos-super-ricos/

[34] Marília Marasciulo, "Brazil Enacts Tax Reform with New Exemptions, Minimum Rate for Top Earners," Courthouse News Service, November 26, 2025. https://www.courthousenews.com/brazil-enacts-tax-reform-with-new-exemptions-minimum-rate-for-top-earners/

[35] See: https://www.gov.br/fazenda/pt-br/central-de-conteudo/publicacoes/conjuntura-economica/estudos-economicos/2025/estudo-spf-spe-pl-1087-2025-irpf.pdf

[36] "Brazil's Parliament Backs Big Tax Cut for Workers.", supra note 25, and Marasciulo, "Brazil Enacts Tax Reform.", supra note 34.

[37] As income derived from financial investments, capital gains and dividends are more common in this group, and proportionately less taxed.

2.3 Legal, administrative, and technical capacity

The minimum tax on the wealthiest relied on modifications to existing income and corporate tax legislation, making the scope of legal reform relatively discrete. The reform did not create a "new" tax; instead, it amended existing instruments without establishing an entirely new legal infrastructure. It also followed a series of earlier, sequenced modifications to tax laws, as discussed above.

When Brazil assessed, as a member of the Platform for Tax Cooperation in Latin America and the Caribbean (PT-LAC),[38] why wealth and other progressive taxes had limited relevance in the country, it identified several known gaps in administrative and technical capacity that constrain the effective taxation of extreme wealth. These included a reduced tax base, difficulties in valuing certain assets, challenges related to taxpayers' tax residence, the absence of unified asset registries, and limitations in the exchange of information with other countries. While PT-LAC members recognized technological advances in accessing information, they also highlighted persistent difficulties in identifying offshore wealth, as well as the complexity of tax planning schemes used by the wealthiest to dilute taxable income and wealth.[39] In other words, coordination barriers and global structural conditions continue to shape Brazil's - and more broadly Latin America's - capacity to implement progressive taxation.[40]

As the minimum tax has not yet fully come into force, the extent to which these challenges will be addressed - or will emerge as binding constraints - remains to be assessed. Importantly, however, Brazil has taken deliberate legal, administrative, and technical steps to strengthen its capacity to tax the wealthiest. At the administrative and technical level, Brazil participates in the exchange of information under the OECD's Common Reporting Standard (CRS), and has invested in training tax authority staff, although challenges remain in fully leveraging this information. Brazil also maintains beneficial ownership registries, though issues persist regarding data quality and effective use. Additional efforts include improving access to information on cryptoassets and advancing more comprehensive and unified property registries, both of which are critical for accurate asset valuation.

At the legal level, and consistent with the strategy of sequencing reforms under the current Lula presidency, Law No 14.754 of 2023 addressed barriers to taxing offshore wealth.[41] Among other provisions, it requires Brazilian residents to declare capital income from offshore financial investments and profits from controlled foreign entities, subjecting them to income taxation (at a 15% rate).

2.4 Relational conditions

Building international credibility was a central component of the Brazilian government's strategy. Leadership at the international level translated into supra-national commitments that helped shape domestic debates, making reform proposals more credible and palatable for domestic actors.

Brazil made "taxing the super-rich" a high political priority and deliberately engaged a wide range of international actors. During its 2024 G20 Presidency, for example, Brazil pursued dedicated diplomatic negotiations, sustained engagement with civil society,[42] and close collaboration with academic institutions, including Professor

[38] ECLAC, Plataforma Regional de Cooperación Tributaria. https://www.cepal.org/es/proyectos/plataforma-regional-cooperacion-tributaria

[39] PT-LAC, "Resultados del grupo de trabajo de progresividad", 2024.

[40] *Idem.* Notably, considering barriers to effectively tax offshore wealth, Law No 14.754 of 2023 introduced new rules to tax income from offshore companies (setting a 15% rate, applicable even to non-distributed benefits for Brazil resident partners).

[41] Law text available at: https://planalto.gov.br/ccivil_03/_ato2023-2026/2023/lei/l14754.htm

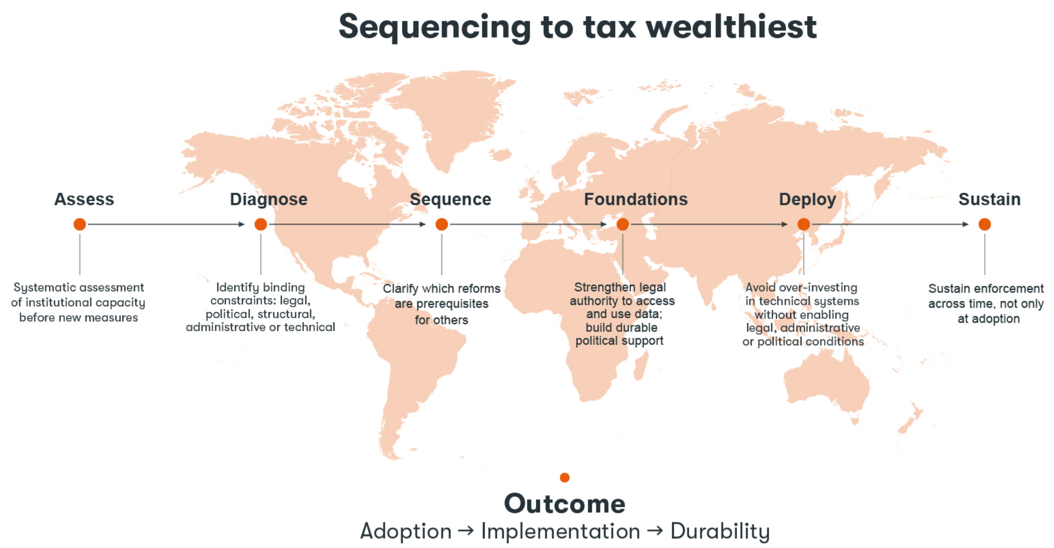
[42] Brazil Ministry of Finance, "Social G20 within the Finance Track Report," (Brasília: Ministry of Finance, 2024), https://www.gov.br/fazenda/pt-br/central-de-conteudo/publicacoes/relatorios/g20/relatorio-anual-de-atividades_g20-social_v17-3.pdf; Centre for Economic and Social Rights (CESR), "CESR and Civil Society Allies Present Historic Taxation Recommendations to Brazil's Finance Minister and G20 Authorities," July 2024, https://www.cesr.org/cesr-and-civil-society-allies-present-historic-taxation-recommendations-to-brazils-finance-minister-and-g20-authorities/.

Gabriel Zucman and the International Tax Observatory.[43] It also commissioned reports from academic[44] and multilateral institutions, including the OECD[45] and the IMF,[46] and convened high-level events to advance the agenda.[47] Brazil further played a role in ensuring that the proposed UN Framework Convention on International Tax Cooperation includes commitments to addressing tax abuse by high-net-worth individuals and ensuring their effective taxation.

Similarly, BRICS+ under Brazil's presidency supported the UN Tax Convention process, emphasizing the need to curb "harmful tax practices and tax evasion, including by high-net-worth individuals,"[48] and to "enhancing (tax) progressivity and contributing to the efforts to reduce inequality."[49] The outcome document for the Fourth International Conference on Financing for Development ('The Seville Commitment', June 2025)[50] also includes pledges to strengthen efforts against tax evasion and avoidance by the wealthiest. In that context, Brazil, alongside Spain and South Africa, launched a coalition to tax the super-rich.[51] Brazil's leadership - and the language embedded in these agreements - signals the central role the country has played in advancing this agenda.

At the regional level, PT-LAC has prioritized the taxation of the super-rich under Brazil's presidency, and produced influential research on the issue.

As a result, Brazil was able to leverage international credibility domestically, in what can be understood as an 'inside-out' approach to capacity building. This reframes relational conditions - often seen as constraints for developing countries - as potential political resources. Countries able to exercise multilateral leadership can build international consensus and then use it to legitimate domestic reform, suggesting a viable sequencing strategy.



[43] Brazil initially commissioned Professor Zucman a report to explore options to make the taxation of ultra-high-net-worth individuals more effective; he also attended a series of G20 meetings focused on the issue.
[44] Gabriel Zucman, "A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals," report commissioned by the Brazilian G20 Presidency (Paris: EU Tax Observatory, June 2024). https://gabriel-zucman.eu/files/report-g20.pdf.
[45] OECD, Taxation and Inequality: OECD Report to the G20 Finance Ministers and Central Bank Governors (Paris: OECD Publishing, 2024). https://doi.org/10.1787/8dbf9a62-en.
[46] International Monetary Fund, "G-20 Note on Alternative Options for Revenue Mobilization and the Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals," note prepared at the request of the G20 Presidency (Washington, DC: IMF, 2024).
[47] Debates held at the I FCBD (December 2023, Brasília), the I FMCBG (February 2024, São Paulo), the G20 High-Level Side-Event on International Taxation Cooperation (April 2024, Washington, DC), and the G20 International Taxation Symposium (May 2024, Brasília).
[48] BRICS, "Joint Statement in Support of the United Nations Framework Convention on International Tax Cooperation," 2024.
[49] BRICS, "Communiqué of the 1st BRICS Finance Ministers and Central Bank Governors Meeting," July 2025.
[50] United Nations, "Ahead of UN Summit, Countries Finalise Landmark 'Compromiso de Sevilla'," UN DESA, June 2025. https://www.un.org/es/desa-en/ahead-un-summit-countries-finalise-landmark-%E2%80%98compromiso-de-sevilla%E2%80%99 .
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3. Conclusions

The Brazilian case highlights several key lessons on countries' institutional capacities to approve taxes targeting the wealthiest, with broader relevance:

- **Narrative and framing:** An effective narrative is critical for building support and making reform politically difficult to oppose. The 'fiscally neutral' framing represents a distinctive and transferable innovation. By presenting redistribution from top earners to workers as deficit-neutral, Brazil neutralized a persistent opposition argument (fiscal irresponsibility) while maintaining redistributive goals. This contrasts with Argentina's approach, which foregrounded revenue mobilization. The pairing of exemptions for millions of low earners with a top-up affecting only 0.13% of taxpayers made opposition politically costly, particularly in a context of extreme inequality and constitutional commitments to equity.

- **Evidence and data:** Producing robust, granular evidence is central to building political capacity - and reforms can themselves generate new capacities. In Brazil, data helped connect legislative debate with lived inequality and encouraged the development of more detailed analysis of income and wealth distribution. As in the Argentina case, reform both depends on and contributes to institutional capacity.

- **Relational strategy:** Introducing the taxation of the wealthy into international fora can strengthen domestic political capacity by leveraging international credibility. The Brazilian case illustrates an 'inside-out' dynamic, where international commitments expand domestic political space. This is a potentially transferable sequencing strategy for countries able to exercise multilateral leadership.

- **Legal durability:** Judicial challenges remain a key source of risk. Unanimous legislative approval does not shield reforms from judicial attrition. The involvement of legal professional bodies suggests sustained and organized resistance. However, Brazil's constitutional framework - supporting tax progressivity - may limit the strength of substantive challenges based on property rights.

ANNEXE

The table below summarizes the five core interdependent dimensions of institutional capacity, alongside the cross-cutting global conditions that shape them. It provides a set of indicative diagnostic questions to support country-level assessment. These are not exhaustive or prescriptive but are intended to help identify binding constraints shaping the feasibility, implementation, and durability of taxing the wealthiest, as well as inform context-specific reform strategies.

Institutional Capacity Framework: diagnostic matrix

Dimension	Description	Indicative diagnostic questions
Structural capacity	Determines feasibility before policy design or implementation begins. Includes the organization of power, wealth, and authority within the state and economy	Where is wealth held (domestic vs offshore)? How is wealth structured (e.g. corporate, trust-based, cross-border)? Who controls institutional veto points that can block or dilute reform (e.g. courts, subnational actors, financial regulators)? Do courts or constitutional frameworks constrain progressive taxation (e.g. protections of property, limits on tax design)? How do levels of inequality and trust in institutions affect tax compliance and enforcement?
Political capacity	Power relations shaping effectiveness, including the ability to adopt, implement, and sustain reform over time	Is there sustained political commitment to taxing the wealthiest across government institutions? To what extent can political leadership withstand and manage elite backlash, including lobbying, litigation, and capital flight narratives? How influential are economic elites in shaping policy design and enforcement? What is the level of public support for taxing the wealthiest, and how is it shaped by perceptions of fairness and inequality? Is reform sequencing designed to reduce political and economic resistance over time? Are there mechanisms to ensure continuity of implementation across political cycles and changes in government?
Legal capacity	Legal frameworks and powers that enable states to identify, access, and tax wealth	Do tax authorities have the legal authority to access data from third parties (e.g. banks, registries, other government agencies)? Are there legal barriers to identifying taxpayers or tracing asset ownership (e.g. secrecy provisions, data protection laws)? What information-sharing mechanisms exist domestically and internationally, and how effectively are they used? Which existing tax instruments (e.g. capital gains, withholding, property, inheritance) can be leveraged to target the wealthiest? To what extent can existing legal frameworks be used more effectively without requiring major legislative reform? Are there legal inconsistencies or incentives that undermine efforts to tax the wealthiest?

Institutional Capacity Framework: diagnostic matrix		
Dimension	**Description**	**Indicative diagnostic questions**
Administrative capacity	The organizational ability to enforce taxation of the wealthiest. Central to implementation, but insufficient on its own	Is there a dedicated unit focused on HNWIs within the tax authority? Do staff have the expertise and resources to investigate complex wealth structures? Are staffing, training, and retention strategies sufficient to sustain capacity over time? Are enforcement tools – such as audits, penalties, and prosecutions – credible and effectively applied? What safeguards are in place to prevent regulatory capture, particularly in cooperative compliance arrangements? How effectively are operational, analytical, and leadership functions coordinated within the tax administration?
Technical and data capacity	Ability to identify, value, and track wealth. Data gaps constrain enforcement but can interact with legal, political, and structural factors	What data exists on asset ownership, income flows, and wealth structures? To what extent can tax authorities' access and use data from domestic and international sources? Where are the main blind spots (e.g. offshore assets, trusts, privately held companies)? How effective are existing international information exchange mechanisms in practice? What investments have been made in data systems, registries, and analytical tools? How do data access and transparency reforms interact with power dynamics (e.g. resistance from financial institutions or asset holders)?
Global structural conditions	How global financial and legal structures shape national capacity	To what extent is national wealth held or structured offshore? Does the country effectively access and use international information exchange systems? Which external jurisdictions or actors constrain enforcement capacity? How do global financial centeres shape domestic tax outcomes? Are international cooperation frameworks sufficient to support enforcement?