

From Design to Capacity: an Institutional Capacity Framework for Taxing the Wealthiest



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Executive summary

Debates on taxing the wealthiest have advanced significantly in recent years. Evidence shows that wealth is increasingly concentrated at the very top of the distribution, while effective tax rates on the wealthiest in society are often substantially lower than those on average citizens.¹ In response, public pressure is growing across nations in support of wealth taxes, minimum effective taxes on high-net-worth individuals, and reforms to inheritance and capital taxation.²

This briefing argues that, beyond debate on policy design, the core challenge lies in institutional capacity constraints that limit states' ability to adopt, enforce, and sustain such measures in practice. Efforts to tax the wealthiest face constraints rooted in the mismatch between how private wealth operates and how governments function: wealth held through offshore structures can fall outside domestic tax jurisdictions,³ complex ownership arrangements such as trusts can limit legal enforceability, and fragmented asset registries can make it difficult to identify and value assets.⁴

In many contexts, enforcement gaps are produced and maintained through legal bottlenecks and political interference, demonstrating the asymmetries between the institutional capacity of states and the transnational financial, legal, and communication infrastructures that organize and protect extreme wealth.⁵ While such asymmetries create uneven conditions, they do not preclude effective action where institutional capacity is strategically strengthened.

The paper introduces an Institutional Capacity Framework for the Effective Taxation of the Wealthiest, which recognizes that effective taxation of highly concentrated wealth depends on the interaction of structural, political, legal, administrative, and technical and data-related conditions, shaped in turn by global financial systems.⁶ It draws on the experiences of recent reforms in Argentina and Brazil showing that:

- Adoption, implementation effectiveness, and durability are distinct challenges requiring different forms of political and institutional capacity.
- Legal constraints are often more binding than technical limitations.
- Offshore wealth and global financial and legal systems are core constraints to the effective tax base.
- Public support is consistently broad, whilst resistance is elite-driven and well-resourced.
- Institutional capacity is not always a precondition – it can be built through implementation.

¹Zucman, G. (2024). *A blueprint for a coordinated minimum effective taxation standard for ultra-high-net-worth individuals*. Commissioned by the Brazilian G20 presidency. Accessed March 30, 2026, at: <https://www.taxobservatory.eu/es/publication/a-blueprint-for-a-coordinated-minimum-effective-taxation-standard-for-ultra-high-net-worth-individuals/>; International Tax Observatory. (2026). *Tax progressivity and inequality: Minimum taxation of high-net-worth individuals in Latin America and the Caribbean*. Accessed April 16, 2026, at: <https://taxobservatory.world/publication/progressive-taxation-and-inequality-minimum-taxation-of-high-net-worth-individuals-in-latin-america-and-the-caribbean/>

²Oxfam. (2023). *Survival of the richest: How we must tax the super-rich now to fight inequality*; Organisation for Economic Co-operation and Development. (2023). *Taxing wages 2023: Indexation of labour taxation and benefits in OECD countries*. OECD Publishing.

³Zucman, G. (2015). *The hidden wealth of nations: The scourge of tax havens*. University of Chicago Press.

⁴Organisation for Economic Co-operation and Development. (2021). *Tax administration 2021: Comparative information on OECD and other advanced and emerging economies*. OECD Publishing.

⁵Zucman, G. (2015). *The hidden wealth of nations: The scourge of tax havens*. University of Chicago Press; Alstadsæter, A., Johannesen, N., & Zucman, G. (2019). *Tax evasion and inequality*. *American Economic Review*, 109(6), 2073–2103.

⁶Besey, T., & Persson, T. (2014). Why do developing countries tax so little? *Journal of Economic Perspectives*, 28(4), 99–120; Moore, M. (2015). Tax and the governance dividend. *World Development*, 70, 171–180.

Rather than offering a one-size-fits-all solution, the framework provides a structured approach to support governments and tax practitioners in identifying binding constraints, assessing readiness, sequencing reforms, and designing context-appropriate strategies.

The central recommendation of this paper is to expand the focus from the design of new tax instruments to also encompass the multidimensional aspect of institutional readiness for the effective taxation of the wealthiest in societies. Without building the institutional conditions - through parallel prioritization and investment in legal authority, political conditions, administrative systems, and international cooperation - even well-designed policies risk underperformance or failure.

1. Introduction

A growing body of evidence shows that wealth⁷ is increasingly concentrated at the top of the distribution, while effective tax rates on high-net-worth individuals (HNWIs)⁸ are often considerably lower than those on labor income.⁹

In this context, debates on taxing the wealthiest have been advancing significantly in national, sub-national, and international policy spaces. Whilst a range of policy instruments are being proposed – particularly those targeting extreme wealth concentration through high thresholds, minimum effective taxation on high-income individuals, and capital gains and inheritance reforms – less attention has been paid to a more fundamental question: **how can states implement these measures effectively in practice?**

In many contexts, this question has become a binding constraint, or a discursive reason to stall reform. Even where political commitment exists and policy options are available, implementation can be partial, uneven, or reversed over time.¹⁰

This report shifts the focus from whether the wealthiest should be taxed more, and the design of such tax measures, to focus on how such measures can be operationalized and sustained. It does not revisit the broader theoretical case for wealth taxation, which is well established in the literature.¹¹ Rather, it takes learnings from recent experiences in the South American context to develop a diagnostic tool on the political economy of institutional capacity.

The framework proposed here recognizes that the ability to tax the wealthiest is shaped not only by administrative and technical tools, but by the interaction of legal frameworks, political dynamics, institutional arrangements, and global financial structures. The objective is to provide a structured approach to understanding these conditions, identifying binding constraints, and supporting context-specific reform pathways.

⁷ For the purposes of this briefing wealth refers to the net stock of economic assets held by an individual or household, including financial assets, business ownership, real estate, land, and other forms of privately held capital, measured as assets minus liabilities. Extreme wealth refers to the uppermost segment of the wealth distribution, where levels of asset ownership confer not only economic advantage but also disproportionate influence over markets, public policy, and resource allocation. The threshold for what constitutes extreme wealth may vary by country context.

⁸ Regarding the criteria used to define HNWIs, the two most common by far are assets or net worth and income. Far less common are the criteria of prominent personality and being a director or shareholder belonging to the large taxpayer program, although these two criteria are more common as a country's income level decreases. See Garcimartin, C. and Díaz de Sarralde Míguez, S. (2025). *Overview of Tax Administrations in CIAT Countries*. Results of ISORA 2023. Volume II (Special forms). Inter-American Center of Tax Administrations. Panama. https://www.ciat.org/Biblioteca/Estudios/2025_overview_II.pdf

⁹ Chancel, L., Piketty, T., Saez, E., Zucman, G., & others. (2026). *World inequality report 2026*. World Inequality Lab; Zucman (2024); ITO (2026).

¹⁰ European Commission: Directorate-General for Taxation and Customs Union, Center for Social and Economic Research (CASE), Austrian Institute of Economic Research (WIFO), PricewaterhouseCoopers (PwC), Institut d'Economia de Barcelona (IEB), Leibniz Institute for Economic Research at the University of Munich (ifo Institute), VATT Institute for Economic Research (VATT), Robaszewski, A., Hagemeyer, J., Skowronek, A., Płonka, H., Sadowski, J., Staer, K., Schratzenstaller, M., Sutrich, A., Schreml, S., Warum, P., Schobert, C., Loozen, N., Joassart, N., Van den Bussche, B., Vanhove, D., Duran-Cabre, J. M., Esteller-Moré, A., Dolls, M., Lay, M., Kauppinen, I., Elias, E., *Wealth taxation, including net wealth, capital and exit taxes – Final report*. Volume 1, Publications Office of the European Union, 2026, <https://data.europa.eu/doi/10.2778/0817231>.

¹¹ Piketty, T. (2014). *Capital in the twenty-first century*. Harvard University Press; OECD. (2018). The role and design of net wealth taxes in the OECD. OECD Publishing. <https://doi.org/10.1787/9789264290303-en>

2. The core constraint: why taxing the wealthiest is difficult

Efforts to tax the wealthiest face a set of structural and institutional constraints that limit effective implementation. These constraints are not primarily technical; they reflect deeper mismatches between how wealth is generated and organized in contemporary economies and how tax systems and state institutions are designed to operate.

2.1 Structural mismatch

Over recent decades, patterns of wealth accumulation have shifted significantly. In many countries, **wealth has grown faster than income**, driven by financialization, asset price inflation, and the increasing importance of wealth accumulation to secure financial stability.¹² Wealth is increasingly held in financial assets rather than income streams, structured across jurisdictions, and embedded in complex ownership arrangements.

By contrast, **tax systems remain largely oriented toward the taxation of labor income and consumption, rather than the stock and structure of wealth**.¹³ While capital has become highly mobile across jurisdictions, the authority of states remains territorially bound, operating primarily within national legal jurisdictions and constrained in its ability to reach assets held beyond them. This creates persistent challenges for identifying, valuing, and taxing assets – particularly where wealth is held offshore or structured through complex crossborder arrangements. The result is structural misalignment between where and how wealth is held, and the instruments available to governments.

2.2 Institutional asymmetries

These structural shifts are compounded by asymmetries between high wealth holders and state institutions. Those at the very top of the wealth distribution typically have access to **sophisticated legal structures such as trusts, and holding companies**, as well as financial and advisory services that enable them to organize their assets and maintain high levels of wealth concentration in ways that **minimize tax liabilities** and limit visibility.

By contrast, **state capacity is often fragmented across institutions** with different mandates, data systems, and levels of authority. Tax administrations may face constraints in accessing information, coordinating across agencies, or sustaining long and complex investigations.¹⁴ This asymmetry is not only a question of resources, but of organization, coordination, and institutional design. Unlike income, which is subject to well-established reporting and taxation systems, **wealth lacks comprehensive and coordinated governance mechanisms at both national and international levels**.

These asymmetries shape the conditions under which taxation is proposed and implemented, but they do not determine outcomes. Where institutional capacity is strengthened and coordinated across dimensions, states can partially overcome these constraints and improve enforcement.

¹² Piketty (2014).

¹³ OECD (2024). *Tax Administration 2024: Comparative Information on OECD and other Advanced and Emerging Economies*. OECD Publishing; OECD (2025). *Revenue Statistics 2025: Disentangling Personal Income Tax Revenue in OECD Countries*. OECD Publishing.

¹⁴ Organisation for Economic Co-operation and Development. (2021). *Tax administration 2021: Comparative information on OECD and other advanced and emerging economies*. OECD Publishing; Alstadsæter et al., 2019.

2.3 Enforcement gaps can be produced and maintained

A key implication is that enforcement gaps can be actively produced and maintained through a combination of legal, political, and institutional factors – not simply non-compliance.

Legal frameworks may limit access to information or constrain the scope of taxation. Political interference or pressure – from organized economic interests, lobbying, litigation, or electoral considerations – can weaken enforcement, delay reform, or lead to the dilution or reversal of policies. Institutional design choices – such as fragmented authority, weak transparency requirements, or limited investigative powers – can further reduce effectiveness. In this context, gaps in enforcement should be understood not simply as capacity shortfalls, but as outcomes shaped by underlying power relations and governance arrangements.

Strengthening institutional capacity is also not only a domestic challenge. In many cases – particularly in low- and middle-income countries – constraints are shaped by international financial and legal systems that enable offshore wealth holding, limit effective information exchange, and concentrate financial power in a small number of jurisdictions.

2.4 Towards a multi-dimensional framework

These dynamics point to the need for a broader understanding of institutional capacity. Rather than focusing narrowly on administrative or technical capabilities, this briefing recognizes that **capacity also reflects underlying power relations – specifically, the ability of states to define, reach, and govern concentrated wealth in the face of organized resistance and cross-border financial structures.**¹⁵ Strengthening institutional capacity, in this fuller sense, is therefore a necessary condition for translating political commitments into effective and durable taxation of high levels of concentrated wealth.

3. The Institutional Capacity Framework: five core dimensions

This section sets out a multi-dimensional framework for assessing institutional capacity to tax the wealthiest effectively. The framework is organized around **five core dimensions: structural, political, legal, administrative, and technical** conditions, as well as considerations on how capacity constraints are shaped by the structure of global financial and legal systems. These dimensions are interdependent: weaknesses in one area can undermine progress in others, and effective reform typically requires coordinated action across several fronts.

Building on insights from existing literature and countries' experience, the framework offers diagnostic questions to help assess institutional capacity, identify binding constraints, and surface points of leverage. These are not prescriptive or universal; rather, they are designed to support context-specific approaches, considering differences in institutional arrangements, political conditions, and the structure and composition of wealth.

¹⁵ Besley and Persson, 2014.

3.1 Structural capacity

Structural capacity refers to **how power, wealth, economic activity, and authority are organized** within a country's institutional and economic system. It captures the underlying conditions that shape the feasibility of taxing the wealthiest before policy design or implementation begins.

This dimension matters because structural features – such as federal governance arrangements, constitutional protections of property, and the organization of judicial authority – can enable or constrain taxation efforts regardless of administrative capability. For example, in federal systems, authority and data are often distributed across levels of government. In some cases, key information – such as land and property records – is held by subnational authorities, which may have more limited capacity or may not share data effectively with central tax administrations. At the same time, proximity between local governments and taxpayers can increase exposure to political pressure or capture, particularly where local authorities are responsible for implementation. Federal arrangements may also limit the range of taxes that can be administered at different levels, constraining policy options.

The role of courts is also significant at a structural level. Where constitutional protections of property are strongly embedded and judicial authority is independent, courts can define the outer boundaries of what forms of taxation are considered legally permissible. These institutional features shape the feasible policy space before specific measures are designed or implemented, particularly in contexts where taxation may be challenged as inconsistent with constitutional principles.¹⁶

The way wealth is held further affects visibility and enforceability. Where assets are structured through complex legal vehicles or held offshore, identifying and taxing wealth becomes significantly more difficult, particularly in the absence of strong international cooperation. Evidence suggests that the significance of offshore wealth varies widely across regions, with substantially higher shares in some middle- and low-income contexts, limiting the effective tax base available to national authorities. The OCDE estimates that in Japan only 1% of wealth was held offshore, and whilst the same figure in North America is 3%, it rises to 29% in Latin America.¹⁷

Structural conditions also shape taxpayer behaviour. Evidence shows that drivers of compliance relevant to 'tax morale', including perceptions of fairness, reciprocity, and trust in public institutions, can significantly influence compliance outcomes.¹⁸ These factors are closely linked to levels of inequality, the structure of the economy, and historical legacies, and can either reinforce or undermine the effectiveness of taxation efforts.

Key issues therefore include the distribution of authority across levels of government, the role of courts in defining the legal boundaries of tax policy and enforcement, and exposure to cross-border financial systems.

¹⁶ HNWIs are often better positioned to challenge tax measures through litigation, which can delay or weaken implementation. See, for example, Buchanan, J. and McLaughling, L. (2017), Revenue Administration: Implementing a High-Wealth Individual Compliance Program. ("...for example, not accepting direct or indirect proofs of income, not allowing access to some forms of financial records, issuing inconsistent decisions or taking too long to give decisions, or engaging in judicial actions that block timely compliance actions"), IMF. Available at: <https://www.imf.org/-/media/files/publications/tnm/2017/tnm1707.pdf>

¹⁷ Organisation for Economic Co-operation and Development. (2009). *Engaging with high net worth individuals on tax compliance*. OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2009/09/engaging-with-high-net-worth-individuals-on-tax-compliance_g1ghb3da/9789264068872-en.pdf

¹⁸ Prichard, W., Custers, A., Dom, R., Davenport, S. R., & Roscitt, M. A. (2019). *Innovations in tax compliance: Conceptual framework* (Policy Research Working Paper No. 9032). World Bank Group. <https://documents1.worldbank.org/curated/en/816431569957130111/pdf/Innovations-in-Tax-Compliance-Conceptual-Framework.pdf>

3.2 Political capacity

Political capacity refers to the ability of governments to adopt, implement, and sustain reforms targeting the wealthiest over time. It reflects underlying political economic conditions, including the distribution of power, the level of political commitment, public perceptions of taxation, and the capacity of institutions to manage resistance and sustain reforms.

This dimension is critical because reforms targeting the wealthiest often face their greatest challenges not at the point of adoption, but during implementation and enforcement. Evidence across countries points to a **high risk of political interference**, as concentrated wealth is associated with significant economic and political influence, including the capacity to lobby against enforcement action.¹⁹ This influence can be exercised through lobbying, litigation, or pressure on institutions, with enforcement frequently dependent on legal contestation and court interpretation of avoidance practices.²⁰ In some contexts, HNWI are themselves embedded within political systems, further blurring the boundary between taxpayers and decision-makers.²¹

Countries have adopted different strategies to address these risks. Strong and coordinated leadership – across revenue authorities, ministries of finance, and political institutions – has been identified as a key factor in advancing and sustaining reform. Inter-institutional coordination is particularly important in maintaining consistency between policy design, enforcement, and public communication. Timing can also matter – reforms may be more feasible during specific political windows, such as immediately following electoral mandates.

Building and maintaining public support is equally important. Evidence suggests that **public acceptance of taxation of the wealthiest is influenced by perceptions of fairness, inequality, and the credibility of institutions**. Targeted communication strategies, transparency on policy objectives, and the use of evidence to demonstrate the rationale and potential impact of reforms can help strengthen support and counter narratives that frame such measures as politically motivated or economically harmful. Engagement with stakeholders – including civil society, experts, and media – can further reinforce legitimacy and improve policy design.

Political capacity also encompasses the ability to withstand and manage elite backlash, including lobbying, litigation, and threats of capital flight or disinvestment. It includes the capacity to sequence reforms in ways that reduce resistance and manage risk, and to sustain implementation across electoral cycles and changes in government.

¹⁹ Arlen, G., & Burelli, C. (2022). Getting real about taxes: offshore tax sheltering and realism's ethic of responsibility. *Ethics & International Affairs*, 36(2), 231–258. doi:10.1017/S0892679422000156

²⁰ Knobel, A., Meinzer, M. (2025). *Asset beneficial ownership - Enforcing wealth tax & other positive spillover effects. Helping to address money laundering, corruption and to enforce taxes on capital and income*. Tax Justice Network. <https://taxjustice.net/wp-content/uploads/2025/03/Asset-beneficial-ownership-%E2%80%93-Enforcing-wealth-tax-other-positive-spillover-effects-.pdf>

²¹ As documented in work on oligarchic power and elite influence over policy outcomes. See Winters, J. A. (2011). *Oligarchy*. Cambridge University Press; Gilens, M., & Page, B. I. (2014). Testing theories of American politics: Elites, interest groups, and average citizens. *Perspectives on Politics*, 12(3), 564–581. <https://doi.org/10.1017/S1537592714001595>

3.3 Legal capacity

Legal capacity refers to the legal frameworks, powers, and institutional practices that enable states to identify, access, and tax wealth in practice. It captures the extent to which existing laws facilitate or constrain the implementation of measures targeting the wealthiest.

While structural capacity defines the legal and constitutional boundaries within which taxation operates, legal capacity focuses on how existing laws and powers are used, interpreted, and coordinated to implement taxation in practice. This dimension is critical because constraints are often assumed to be technical when they are, in fact, legal. Limitations on access to information, strong secrecy provisions, or gaps in statutory authority can prevent effective enforcement even where administrative systems are in place. At the same time, legal capacity is not determined solely by formal legislation: institutional practices, interpretation, and coordination across public bodies also shape how legal powers are used in practice.

A central issue is access to information. Effective taxation of the wealthiest depends on the ability of tax authorities to obtain data from third parties, including financial institutions, other government agencies, and international counterparts. While some legal frameworks require reporting and information sharing, others include strong data protection or banking secrecy provisions that limit access. Even where formal barriers are limited, weak coordination or institutional fragmentation can restrict the practical use of available information.

In assessing legal capacity, it is important to distinguish between constraints that require statutory or constitutional reform and those that can be addressed through regulatory interpretation, administrative practice, or the strategic use of existing legal powers. Country experience shows that progress can be made by expanding the effective use of existing instruments, even where comprehensive legal reform is politically difficult or slow. Making this distinction explicit can help avoid delays associated with treating legal reform as a prerequisite for action in all cases.

Legal frameworks can also support compliance through indirect mechanisms. For example, requirements such as tax clearance certificates for access to public office or participation in certain economic activities can strengthen incentives for compliance among HNWI. Similarly, existing tax instruments – such as withholding taxes, capital gains taxes, and taxes on rental income – can be used more effectively to reach the wealthiest, particularly when combined with measures to close loopholes and prevent avoidance through legal structures.

Overall, legal capacity depends not only on the existence of appropriate laws, but on the ability to interpret, apply, and coordinate them effectively in support of taxation objectives.

3.4 Administrative capacity

Administrative capacity refers to the **organizational ability of tax authorities to implement and enforce taxation of the wealthiest.** It includes the internal structures, skills, resources, and operational practices required to identify, assess, and act on complex wealth arrangements. In this sense, administrative capacity is where policy intent is translated into practice—and where many reforms ultimately succeed or fail.

This dimension is critical because enforcement of taxation on HNWI is often resource-intensive, technically demanding, and must be sustained over long

²² OECD (2009). *Engaging with High Net Worth Individuals on Tax Compliance*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264068872-en>

timeframes. A central challenge lies in the complexity of wealth structures. Effective enforcement requires staff with the capacity to understand sophisticated financial and legal arrangements, as well as the tools to investigate and respond to them. Evidence suggests that the effectiveness of audit functions depends not only on resources, but on the availability of specialized skills, appropriate procedures, and the use of a range of compliance instruments.

Many countries have responded by establishing dedicated units focused on HNWI²². These units can improve targeting and consistency, particularly when staffed with personnel trained in complex tax planning and supported by strong leadership. Staffing strategies – such as maintaining appropriate staff-to-taxpayer ratios, investing in training and retention, and ensuring continuity in case management – are key to sustaining capacity over time.²³ Some administrations have adopted cooperative compliance approaches, including pre-filing agreements, rulings, and voluntary disclosure schemes, to improve information flow and compliance among the wealthiest.²⁴ While these approaches can enhance short-term effectiveness, they also involve trade-offs. Without clear safeguards, oversight, and periodic review, sustained engagement with HNWI²⁴ may weaken enforcement or increase the risk of capture. For this reason, cooperative approaches are most effective when complemented by credible enforcement tools, including risk-based audits, penalties, and prosecutions.

Administrative effectiveness also depends on broader organizational features. Institutional autonomy, active engagement from senior leadership, and coordination between research and operational functions can strengthen the ability of tax authorities to translate analysis into enforcement. Continuous learning processes, including feedback loops between policy design and implementation, further support adaptation to evolving tax planning strategies.

Finally, administrative capacity is reinforced through international cooperation. Exchange of information, as well as collaboration between tax authorities – such as through specialist networks or regular engagement between high-net-worth units – can support the identification of cross-border tax strategies and the sharing of enforcement practices.

3.5 Technical and data capacity

Technical and data capacity refers to the **ability of states to identify, track, and value wealth across different asset classes and jurisdictions**. This dimension is critical because a central challenge in taxing the wealthiest is that extreme wealth often remains partially visible or effectively invisible to public institutions. This reflects not only questions of data availability, but of whether institutions can access, assess, and effectively act on relevant information.

A first challenge is identification. Defining and locating HNWI²⁴ is not straightforward, and profiles of wealth vary across countries. Understanding how wealth is held and structured – including differences across sectors, asset classes, and ownership vehicles – is essential for designing and implementing effective taxation strategies.

A second challenge relates to asset visibility and valuation. Wealth may be held offshore or structured through complex legal entities, making it difficult to trace ownership. Even where assets are identified, valuation can be challenging, particularly for illiquid or non-transparent assets such as privately held companies, trusts, or art and collectibles. These challenges vary across contexts: in high-income countries, complexity often arises from sophisticated tax planning strategies, while in lower-income contexts, informality and limited data systems can further constrain visibility.

²³ International Monetary Fund. (2015). *Current challenges in revenue mobilization: Improving tax compliance*. IMF

²⁴ OECD (2016). *Co-operative Tax Compliance: Building Better Tax Control Frameworks*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264253384-en>

International cooperation plays a central role in addressing these challenges. Access to cross-border information – through exchange of information mechanisms, tax treaties, and other agreements – is essential to identify offshore wealth. However, participation alone is insufficient. Evidence suggests that in many contexts, particularly in low-income countries, efforts have focused on compliance with international standards without corresponding gains in access to, or effective use of, information. This pattern is not limited to lower-capacity settings: a review of the UK’s institutional capacity similarly found that while the UK participates extensively in international exchange frameworks, practical challenges remain in integrating, matching, and operationalising this information for enforcement, reflecting a broader gap between formal access and effective use.²⁵

More broadly, current data systems reflect a fragmented and asset-specific approach to wealth governance. Existing transparency frameworks often focus on financial assets, while leaving gaps in areas such as beneficial ownership, immovable property, and complex ownership structures. This has led to increasing calls for expanded transparency measures, including stronger beneficial ownership registries, broader reporting requirements, and the development of more comprehensive systems to track assets across jurisdictions.²⁶

At the domestic level, improving data systems – including registries, data sharing across agencies, and analytical capabilities – can significantly strengthen enforcement. Tax authorities can also make use of publicly available information and develop more advanced data analysis tools. However, these efforts depend on underlying legal authority and institutional coordination, reinforcing the interaction between technical, legal, and political dimensions of capacity.

3.6 Global structural conditions

A central insight emerging from this framework is that institutional capacity is not solely determined at the domestic level. In many contexts – particularly in low- and middle-income countries – **capacity constraints are shaped by the structure of the global financial system.**

Offshore jurisdictions, financial centers, and limitations in international cooperation frameworks can restrict access to information, enable the concealment of assets and income, and reduce the effectiveness of national tax measures.²⁷ As a result, constraints faced by some countries are produced relationally – through their position within global economic and legal systems – rather than arising only from domestic institutional weaknesses.

This has important implications for policy. Strengthening institutional capacity requires not only domestic reforms, but also improvements in international cooperation, transparency standards, and the governance of cross-border financial flows.²⁸ Institutional capacity must therefore be understood as globally structured, with effectiveness depending on both national conditions and the broader international environment. These global conditions interact with each dimension of institutional capacity, shaping what is feasible at the domestic level.

²⁵ Balata, F., Wright, H. (2026). Taxing invisible wealth: Fixing an outdated tax system in the age of extreme wealth.

New Economics Foundation. <https://neweconomics.org/2026/01/taxing-invisible-wealth>

²⁶ See OECD (2024). *Beneficial Ownership and Tax Transparency – Implementation and Remaining Challenges: OECD and Global Forum Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/f95790b1-en>; and Jofre, M., Kiepe, T. (2026). *Bridging the gap for effective asset transparency*, Working paper, Open Ownership. <https://www.openownership.org/en/bridging-the-gap-for-effective-asset-transparency>

²⁷ Tax Justice Network. (2025). *Financial Secrecy Index*. <https://fsi.taxjustice.net/about-the-index/>

²⁸ United Nations. (2023). *Promotion of inclusive and effective international tax cooperation at the United Nations (A/RES/78/230)*. UN General Assembly

4. Comparative insights: Argentina and Brazil

Evidence from Argentina and Brazil shows that the taxation of extreme wealth is a problem of institutional capacity under conditions of structural inequality, legal constraint, and global financial integration. Understanding these constraints – and how they interact – is essential to moving from policy ambition to policy feasibility. Importantly, while institutional asymmetries create uneven conditions, they do not preclude effective intervention where constraints are identified and addressed strategically.

4.1 Argentina's 2020 'solidarity contribution'

Argentina is Latin America's third largest economy, with a population of 45 million and high levels of wealth inequality. The national income share of the top 1% stands at 18%, while the bottom 50% holds only 12%. Wealth is even more concentrated, with the top 1% holding almost 26% of net personal wealth and the bottom 50% holding just 4.5%.²⁹

Against this backdrop, in 2020 during acute COVID-19 pandemic-driven fiscal pressure, the then newly-elected Frente de Todos coalition government introduced the 'solidarity contribution' (Law 27.605) – a one-off tax targeting some 10,000 individuals (approximately 0.03% of the population) with net assets above 200 million pesos (approximately US \$2 million).³⁰ More than half of expected revenue came from fewer than 300 individuals, highlighting the high fiscal and distributional impact of extreme wealth concentration.

The policy had progressive rates starting at 2% and rising to 3.5%, and higher rates applied to offshore holdings. The government expected to raise significant resources to fund public health, social protection, and economic recovery measures.³¹ The law passed with strong political backing but under significant opposition, scrutiny, and subsequent legal challenge.

The contribution was successfully implemented and generated significant revenue in the short term, raising approximately ARS 247 billion (around US\$2.4 billion) from a relatively small number of high-wealth individuals.³² This confirms that wealth concentrated at the top of the distribution can be effectively targeted under favourable political and institutional conditions. However, its impact was constrained by difficulties in fully identifying and taxing offshore assets, by legal challenges that narrowed the effective tax base, and by shifts in political priorities that weakened enforcement over time. As a result, while the policy achieved its immediate fiscal objective, it did not translate into a sustained expansion of the state's capacity to tax the wealthiest, leaving underlying structural constraints largely unchanged.

The case shows that taxation of the wealthiest is not only constrained by policy design, but by the alignment of institutional capacity across multiple dimensions, including global structural conditions. Implementation was enabled by a crisis-driven political window, strong public support, and existing institutional infrastructure. However, offshore wealth exposure limited enforcement, legal challenges constrained scope, and political shifts weakened its durability.

²⁹ See World Inequality Database, "Argentina," accessed March 30, 2026, <https://wid.world/country/argentina/>

³⁰ See Ministry of Economy of Argentina, *Masculinización de la riqueza: el caso del Aporte Solidario y Extraordinario*, accessed April 27, 2026, at <https://www.argentina.gob.ar/economia/politicatributaria/observatorio-de-tributacion-y-genero/masculinizacion-de-la-riqueza-el>

³¹ Gobierno de Argentina. (2020). *Ley 27.605: Aporte solidario y extraordinario para ayudar a morigerar los efectos de la pandemia*

³² Grainger, J. (2021, December 29). *Argentina's wealth tax nets 247 billion pesos from 10,000 tax-payers*. *Buenos Aires Times*. <https://www.batimes.com.ar/news/economy/argentinas-wealth-tax-nets-247-billion-pesos-from-10000-tax-payers.phtml>

4.2 Brazil's minimum tax on the income of the highest earners

Brazil is one of the most unequal countries in the world. The richest 1% earn 27.4% of national income; the top 0.01% (approximately 15,000 individuals) account for 6.1%.³³ Until 2025, dollar-millionaires faced an effective tax rate of just 20.6% against the national average of 42.5% - a stark inversion produced by a regressive tax system in which dividends had been fully exempted since 1996, capital gains were comparatively under-taxed, and indirect taxes dominated.³⁴

The reform introduced through Brazil's Law 15.270 of November 2025 was designed to correct these distortions while remaining 'fiscally neutral': a minimum effective tax rate (or a top-up tax) on those earning above R\$600,000 - or some US \$120,000 - per year (reaching 0.13% of taxpayers, approximately 140,000 individuals) compensated for revenue foregone by exempting millions of lower earners (those earning up to R\$5,000 per month).³⁵

At the point of adoption, the reform represents a significant shift in Brazil's approach to taxing high-income individuals, both in scale and design. It successfully secured broad political support and established a new mechanism to increase the effective taxation of top earners, addressing long-standing distortions in the tax system. However, because the measure is only entering into force in 2026, its effectiveness in practice - particularly in terms of enforcement, compliance, and revenue generation - remains to be tested. Key questions remain around the state's ability to accurately assess high-income flows, address avoidance strategies, and sustain the reform in the face of potential legal and political challenges.

Given that the minimum tax is only entering into force in 2026, this analysis focuses primarily on the structural, political, and legal dimensions that shaped its adoption. Administrative and technical capacity will become more visible during implementation.³⁶ The case illustrates what sustained, multi-layered political and relational capacity can achieve under ordinary legislative conditions. The measure built broad political consensus, used strategic framing, and leveraged international positioning. However, constraints are already emerging. Legal challenges are being raised, and underlying structural conditions - particularly related to wealth concentration and asset complexity - remain. This suggests that while political capacity enabled reform, its effectiveness and durability will depend on how these constraints are managed over time.

4.3 Cross-country insights

Argentina and Brazil illustrate two distinct but complementary pathways. Argentina represents a crisis-enabled intervention: a one-off wealth tax adopted under a profound social crisis, acute fiscal pressure, and strong public support. Brazil represents a strategically engineered reform: a minimum income tax introduced through sustained political coordination and international positioning.

The differences between the two cases illustrate how different forms of institutional capacity can produce comparable outcomes through different pathways, and what the trade-offs between those pathways are. Despite the differences, both cases reveal consistent patterns, particularly in the legal, structural, and relational dimensions:

³³ 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.

³⁴ *Idem*.

³⁵ 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.

³⁶ 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 publishing. Upcoming regulations would engage with some complex issues, such as calculations for the top-up tax.

- **Public support tends to be broad, whilst resistance is elite-driven.** Both cases recorded high levels of public support, with 80% approval for Argentina's contribution.³⁷ In both cases, organized resistance came from a small number of wealthy individuals, industry confederations, professional associations, and allied media, rather than from the general population. This asymmetry between broad public support and concentrated elite resistance is a structural feature of these measures, not a context-specific one. It has direct implications for political communication strategy: the primary audience for building support is not the sceptical minority but the supportive majority, who need to be activated rather than converted. Argentina's solidarity framing was effective in a pandemic context but more difficult to sustain in ordinary political conditions. On the other hand, Brazil's fiscally neutral framing, pairing a redistributive top-up tax with a working class exemption could prove structurally more durable because it is not dependent on a crisis for its legitimacy. Where fiscal prudence concerns are politically dominant, fiscally neutral design may be a precondition for legislative success, not merely a communications preference.
- **Legal challenges are rapid and sustained regardless of the level of legislative support:** Argentina faced over 80 legal cases within weeks of its contribution entering force;³⁸ Brazil saw five Supreme Court challenges within weeks of enactment, and a preliminary injunction within a month.³⁹ This occurred even where legislative support differed significantly (Brazil's 493–0 versus Argentina's 133–115), indicating that legal contestation operates independently of the strength of parliamentary approval. Courts are not a secondary line of resistance – they are the primary arena where elite resistance migrates once legislative channels are closed. Both cases confirm the framework's proposition that legal capacity and political capacity must be assessed separately, and that legal capacity is frequently the decisive constraint. In Argentina, key constraints included constitutional property protections, judicial rulings on trusts and offshore residency, and extensive litigation. In Brazil, there were immediate constitutional challenges, early injunctions, and organized legal resistance. These dynamics highlight two types of legal constraints: structural constraints (embedded in constitutional and property regimes), and interpretive constraints (emerging through courts and litigation), suggesting that legal architecture and judicial interpretation can override political intent and administrative capability.
- **Global relational conditions are decisive in shaping feasibility:** Both cases confirm that the tax base itself is not fully under national control – institutional capacity is relationally produced within global systems of finance, law, and governance. Argentina was constrained by global financial structures on capital mobility and jurisdictional arbitrage, and its high offshore wealth exposure limited enforcement. In Brazil, there are persistent offshore wealth and tax planning structures, fragmented asset registries, and limits on international information exchange. But Brazil differed in that the government actively shaped global norms – using its unique position during G20, UN, and BRICS processes – and used international positioning to enable domestic reform. Brazil's 'inside-out' strategy – building international legitimacy to enable domestic reform – represents a potentially transferable pathway. The advances in international agreements to tax the wealthiest through the G20 2024 Rio Declaration, and the Seville Commitment in 2025 under the UN Financing for Development agenda, were not merely diplomatic outputs; they were tools making domestic reform harder to

³⁷ Clivajes, "Encuesta: el 80% apoya un impuesto extraordinario a la riqueza," *Diario Perfil*, May 18, 2020.

³⁸ Martín Angulo, "En cinco días se presentaron 76 demandas contra el impuesto a la riqueza," *Infobae*, April 4, 2021, <https://www.infobae.com/economia/2021/04/04/en-cinco-dias-se-presentaron-76-demandas-contra-el-impuesto-a-la-riqueza/>; Martín Kanenguiser, "Impuesto a la riqueza: la Justicia aceptó el primer reclamo de un argentino que tiene residencia en el exterior," *Infobae*, April 15, 2021, <https://www.infobae.com/economia/2021/04/15/impuesto-a-la-riqueza-la-justicia-acepto-el-reclamo-del-primer-argentino-que-tiene-residencia-en-el-exterior/>.

³⁹ 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/>

dismiss as ideologically motivated. International engagement in this sense could be considered part of a political capacity strategy under the framework.

- Capacity can evolve through implementation as administrative demands generate lasting gains:** Both reforms built on pre-existing legal and data infrastructure rather than creating new frameworks from scratch. Argentina relied on its long-standing 'Impuesto Sobre los Bienes Personales' (ISBP) wealth tax returns and Common Reporting Standard (CRS) data as the foundation for identifying taxpayers and assets. Brazil amended existing income tax legislation rather than introducing a new tax and used its federal reserve's administrative data as the empirical basis for the reform. Countries without equivalent baseline infrastructure would face significantly higher barriers to comparable measures. This has direct implications for sequencing: building data systems and existing tax instruments is a precondition for more ambitious measures, not a parallel track. Both cases show that capacity evolves through action. Argentina's contribution generated a virtuous cycle of enhanced administrative capacity in offshore asset tracking and international information use that outlasted the contribution itself. Brazil's reform generated a new body of research and analytical infrastructure that similarly outlasts it.
- Adoption and durability require different institutional capacities:** Brazil demonstrates that highly developed political capacity can enable reform, even in polarized contexts. Key features included strategic framing (fiscal neutrality), legislative sequencing, broad coalition-building, and use of evidence and communication. Argentina shows that public support alone is not enough, and political capacity must extend beyond adoption. Across both cases political capacity is a necessary condition for reform, but its form and durability determine outcomes. A central insight emerging from both cases is the distinction between adoption capacity and durability. In Argentina, political alignment enabled rapid adoption, but durability weakened through electoral change and legal contestation. In Brazil, broad political consensus enabled near-unanimous passage, but early litigation signals that durability may shift to the judicial arena. Across both cases political capacity sufficient to pass legislation is not sufficient to sustain enforcement over time. Durability depends on legal robustness, institutional continuity, and resistance management across electoral cycles.



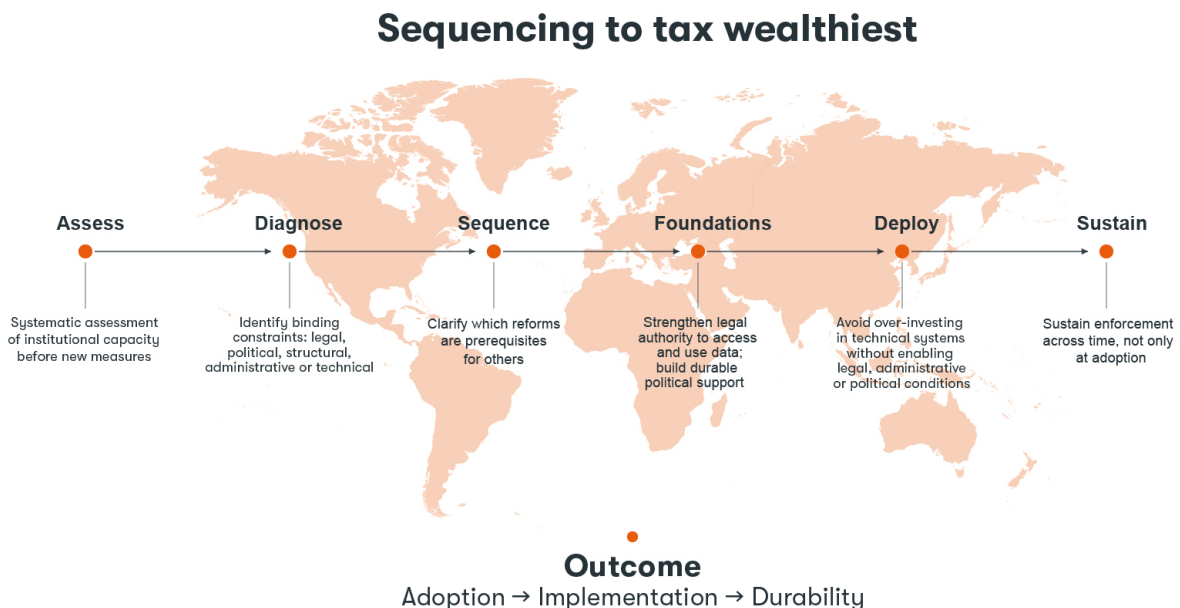
5. Practical application of the Framework

Applied systematically, the framework allows governments to move beyond generalized assessments of 'capacity gaps' and instead identify and plan for the specific institutional factors that most limit effective taxation of the wealthiest in each context. These constraints may differ significantly across countries and over time, requiring tailored responses rather than standardized solutions.

First, the framework supports the **identification of binding constraints** across dimensions. In some contexts, the primary limitation may be legal (e.g. restrictions on data access), while in others it may be political (e.g. elite resistance) or structural (e.g. high levels of offshore wealth). By distinguishing between these dimensions, governments can focus efforts where they are most likely to have impact.

Second, it helps make **more informed decisions on resource allocation**, particularly avoiding the tendency to over-invest in technical or digital solutions in the absence of enabling legal, administrative, or political conditions. While improvements in data systems and digitalization are important, they are often insufficient on their own. Without the legal authority to access and use data, the human resources and expertise to administer it, or the political conditions to enforce compliance, such investments may deliver limited results.

Third, the framework supports the **strategic sequencing and coordination of reforms**. By clarifying how different dimensions interact, it can help governments determine which reforms are prerequisites for others. For example, strengthening legal powers to access information may be a necessary first step before investing in advanced data analytics. Similarly, building political support may be essential to sustain administrative enforcement over time.



6. Implications for policy and reform

The analysis presented in this briefing has direct implications for how governments and international actors approach the taxation of the wealthiest and the governance of extreme wealth. It suggests a broader strategy, beyond a narrow focus on policy design, that centers institutional capacity, sequencing, and coordination across multiple dimensions.

6.1 Key recommendations

Reform strategies that integrate capacity assessment, multi-dimensional action, and international coordination are more likely to translate political commitments into effective and durable outcomes.

- **Start with capacity assessment, not just policy design.** Conduct a systematic assessment of institutional capacity before introducing new tax measures, identifying the binding constraints that will shape implementation. Identifying binding constraints – whether legal, political, structural, administrative, or technical – allows governments to determine which reforms are feasible, which preconditions must be addressed, and where early progress can be made. This reduces the risk of adopting policies that are difficult to enforce or sustain in practice. Crucially, capacity must be assessed across time, not only at adoption.
- **Act across multiple dimensions and sequence reforms strategically.** Address structural, political, legal, administrative, and technical factors in parallel, recognizing that progress in one area depends on enabling conditions in others. Identify which reforms are prerequisites for others (e.g. legal access to data before advanced analytics) and phase implementation to manage resistance and risk. Even incremental progress can be more effective when coordinated, as changes across dimensions can reinforce one another and reduce implementation risks.
- **Prioritize legal and political foundations.** Strengthen legal authority to access and use data, to enforce compliance, and build durable political support to adopt and sustain reforms alongside investments in technical systems. Strengthening legal frameworks and building durable political support should therefore be treated as core components of capacity-building efforts, rather than as secondary or follow-on steps.
- **Strengthen and expand international cooperation.** Relational capacity must be treated as a core condition. Improve access to cross-border information, enhance use of existing exchange mechanisms, and support the development of global transparency standards to address externally generated constraints. For many countries – particularly low- and middle-income contexts – progress will depend on reducing external constraints as much as on domestic reform.

7. Conclusion

Efforts to tax the wealthiest have advanced significantly in recent years, supported by growing evidence on the scale of wealth concentration, undertaxation at the top, and its wider economic and social impacts, alongside increased public and policy attention to these issues. This paper concludes that the success of taxation measures on the wealthiest ultimately rests on institutional capacity. It requires states not only to design appropriate tax measures, but to build the conditions required to govern extreme wealth effectively: visibility through data, reach through legal authority, administration and coordination, and sustained enforcement over time. In many contexts, these conditions are shaped as much by power dynamics and global financial structures as by domestic institutional arrangements.

The Institutional Capacity Framework provides a practical contribution to this agenda: a diagnostic tool to identify binding constraints, a policy planning tool to support sequencing and prioritization of reforms, and a conceptual input into ongoing international discussions on tax cooperation and the governance of extreme wealth.

As international processes – including those under the United Nations – continue to advance discussions on fair and effective taxation, embedding institutional capacity at the centre of policy design will be essential. Without it, political commitments risk remaining aspirational. With it, there is a clearer pathway to translating those commitments into effective, sustained, and equitable outcomes.

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

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