**Speech at the G20 finance ministers meeting in São Paulo –** February 29, 2024

Dear Ministers and Governors,

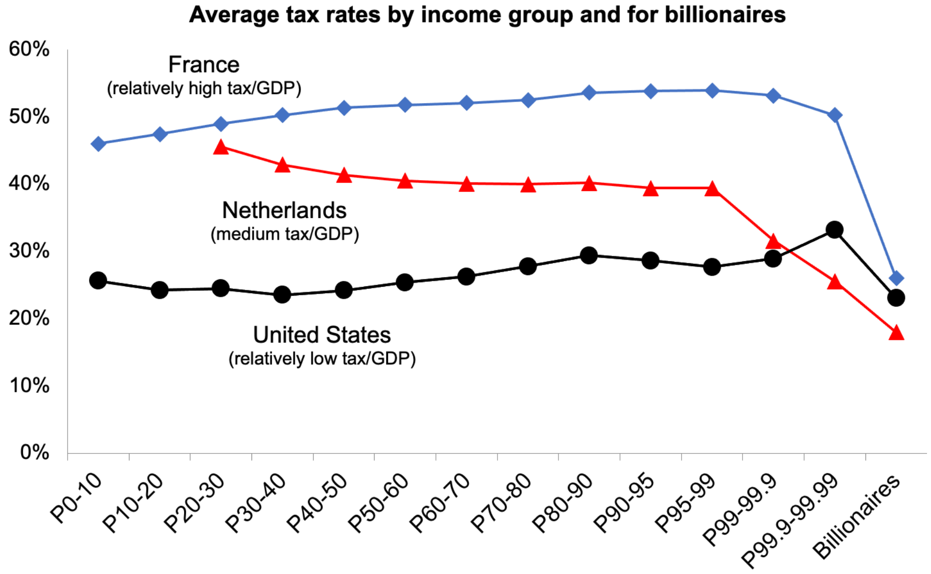
Thank you for inviting me today.

My name is Gabriel Zucman and I am a Professor at the Paris School of Economics and the University of California, Berkeley. I am the founder and director of the EU Tax Observatory, which we are currently transforming into a truly Global Tax Observatory. I conduct research on the interplay between tax policy and inequality.

I would like to talk about the future of international tax cooperation — and make the case that, building on the successes of the last decade, the logical next step of international tax cooperation should involve a minimum tax on the very rich.

Progressive taxation is a key pillar of democratic societies. A progressive tax system strengthens social cohesion and trust in governments. A progressive tax system is critical to fund the public goods – education, health care, infrastructure – that are engines of economic growth. Changes in the progressivity of taxation have historically been a major driver of the evolution of income and wealth concentration.

There is a growing recognition that today's tax systems, instead of being progressive, tend to be sharply regressive at the top of the distribution. Research conducted by many scholars and summarized in the Global Tax Evasion Report 2024 that our Observatory released last year shows that all taxes included, very high-net-worth individuals tend to pay proportionately less in taxes than other socio-economic groups.




Notes: This figure reports estimates of effective tax rates by pre-tax income groups and for billionaires in France, the Netherlands, and the United States. These estimates include all taxes paid at all levels of government and are expressed as a percent of pre-tax income. P0-10 denotes the 10% of adults at the bottom of the pre-tax income distribution, P10-20 the next decile, etc. Pre-tax income includes all national income (measured following standard national account definitions) before taxes and transfers and after the operation of the pension system. National income excludes unrealized capital gains but includes corporate retained earnings. Sources: Global Tax Evasion Report 2024.

The reason for this regressivity is well understood. The very wealthy can structure their wealth so that it generates little — sometimes no — taxable income. Depending on the countries, this tax planning can involve the use of different legal structures, such as holding companies or trusts, but the outcome is the same: the income tax fails to properly tax the individuals with the highest ability to pay taxes.

Although there is a lot that can be done by countries acting individually, the best way to address this regressivity is by creating a common minimum standard through international coordination. This is because the main obstacle to taxing the very rich in practice is the risk that they may relocate to low-tax places. This international competition has exerted considerable pressure on the design of tax systems globally. But with international coordination, a binding floor can be put to the tax rates of the ultra-wealthy.

And we know that international coordination is possible, because of the remarkable progress achieved over the last decade. In 2021, more than 140 countries and territories agreed on a minimum tax of 15% for large multinational companies. This tax has started to be implemented in about 30 countries in 2024. We now know that international tax competition is not a law of nature, and that new forms of international cooperation, long deemed utopian, can emerge in a relatively short period of time.

We must now apply that approach to the taxation of the very rich. The next logical step for the G20 should be to facilitate an agreement on a global minimum tax on high-net-worth individuals. Such an agreement would be in the interest of all economic actors, even the taxpayers involved. Because what is at stake is not only the dynamic of global inequality: it is the very social sustainability of globalization, from which the wealthy benefit so much.

***

In practice, a minimum tax on the wealthiest individuals could be structured as a top-up to the individual income tax. Because the notion of income is not well-defined at the very top-end of the distribution (as wealthy individuals can retain income in companies or other intermediate structures), this minimum tax should be expressed as a fraction of wealth, which is well defined.

One could then consider rules such as: "ensuring that very high-net-worth individuals pay at least the equivalent of 2% (for example) of their wealth in income tax each year". Concretely, those who already pay significant amounts of income tax would have no additional tax to pay. Those who pay no income tax at all would have to pay an extra tax equal to 2% of their wealth.

Although there is a need for careful studies and inclusive discussion to flesh out the details, we can already see that several ingredients make such a tax possible in practice.

First, most countries already have methods in place to value top-end wealth, because they have inheritance (or estate) taxes. These methods could be harmonized, just as the international agreement on the minimum tax for multinationals created a common, harmonized definition of profits.

An issue frequently raised with taxes based on wealth is the issue of liquidity. But if the minimum tax only applies to very high-net-worth individuals – for instance, billionaires – this issue is moot. The notion that billionaires do not have enough liquidity to pay a minimum amount of tax does not withstand scrutiny. If they claim to have no liquidity, it's because they organize their own illiquidity (to avoid the income tax).

Another important practical concern is the risk of tax evasion. Here countries could build on a recent major success of international cooperation: the creation of an automatic multilateral exchange of bank information (FATCA in the United States, the Common Reporting Standard in many other countries). This bank transparency makes it hard for wealthy people to hide assets in offshore financial centers. We are much better equipped to deal with tax evasion today than ten years ago.

Finally, there is the question of how to address imperfect cooperation. Surely some countries may choose not to apply this global minimum standard. Here again, we can build on the cooperation successes of the last decade. In the global minimum tax on multinational companies, there are mechanisms to ensure that multinationals in non-participating countries still face a 15% minimum tax rate, even if some countries do not implement the agreement. A similar logic could be applied to the minimum taxation of high-net-worth individuals.

***

A global minimum tax on the very rich would have several benefits. It would contribute to increasing trust in our tax systems. It could usher in a new era of multilateralism focused on rooting out the inequalities that can corrode democratic societies.

It would also generate significant amounts of government revenue. The Global Tax Evasion Report 2024 estimates that a minimum tax on global billionaires with a rate of 2% — one possible scenario among many — would generate almost $250 billion per year in tax revenue.

To put this number into perspective, the best available estimates suggest that developing countries need an additional $500 billion in public revenue annually to deal with the challenges of climate change. At the current global economic juncture, high interest rates make access to international finance expensive in most of the Global South. Many countries need to rely more on domestic resource mobilization.

To be clear, a minimum tax on the rich would not address all issues. It is simply a part – but an important part – of the ideal tax system, along with a well-functioning progressive income tax (the pillar of tax progressivity), and a progressive inheritance tax for meritocratic reasons.

The G20 has been a driver of groundbreaking international tax reforms over the past decade. What we have collectively done with multinational corporations, we must now do with the wealthiest individuals. Ministers of Finance of the major economies of the globe have an important role to play in this regard.

I would like to commend Brazil's leadership in this field and for incorporating this topic in the agenda of its G20 presidency. A signal from the G20 to the international community would have significant traction, and I welcome your leadership on this front.

Thank you very much.