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Don't throw the baby out with the bath water: Making Wealth Taxes Work in Developing Countries

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ABSTRACT

As debt burdens rise, fiscal space narrows, and inequality rises, developing countries continue to struggle to finance development needs without resorting to regressive taxation or triggering social unrest. In this context, wealth taxation is gaining renewed attention as an alternative. This policy brief explores the relevance and feasibility of net wealth taxes in developing countries, reviewing the implementation experiences in Latin America and Africa, as well as key criticisms and objections, which range from efficiency concerns, administrative challenges, limited revenue yield, to political resistance. The brief argues that these challenges can be overcome through a well-designed wealth tax supported by international cooperation and domestic reforms to improve capacity and transparency. It calls for more research from a developing-country perspective on the effectiveness of such taxes and urges governments to pursue carefully designed wealth taxes aligned with national priorities to support progressive and sustainable revenue mobilization.

KEYWORDS: Wealth Taxes, Wealth Taxation, Latin America, Africa, International Cooperation, Domestic Reforms, Domestic Revenue Mobilization, Inequality

Avec l'augmentation du poids de la dette, le rétrécissement de la marge de manœuvre budgétaire et l'aggravation des inégalités, les pays en développement continuent de peiner à financer leurs besoins de développement sans recourir à une fiscalité régressive ou provoquer des troubles sociaux. Dans ce contexte, l'imposition de la fortune fait l'objet d'un regain d'intérêt en tant qu'alternative. Ce Rapport sur les politiques examine la pertinence et la faisabilité des impôts sur la fortune nette dans les pays en développement, en passant en revue les expériences de mise en œuvre en Amérique latine et en Afrique, ainsi que les principales critiques et objections, qui vont des préoccupations d'efficacité aux défis administratifs, en passant par le faible rendement fiscal et la résistance politique. Ce rapport soutient que ces défis peuvent être surmontés grâce à un impôt sur la fortune bien conçu, s'appuyant sur la coopération internationale et des réformes nationales visant à améliorer les capacités et la transparence. Il préconise davantage de recherches, menées avec une perspective favorable aux pays en développement, sur l'efficacité de ces impôts, et exhorte les gouvernements à mettre en place des impôts sur la fortune soigneusement conçus, alignés sur les priorités nationales, afin de favoriser une mobilisation des recettes progressive et durable.

MOTS-CLÉS: *Impôts sur la fortune, fiscalité de la fortune, Amérique latine, Afrique, coopération internationale, réformes nationales, mobilisation des recettes nationales, inégalités*

KEY MESSAGES

- Experiences from Latin America and Africa show that the effectiveness of wealth taxes depends less on the tax rate itself and more on policy design. The wealth tax should be tailored to national institutional capacity, economic circumstances, and political environment.
- The latest research shows that some common criticisms of wealth taxes, including impact on economic efficiency, administrative challenges and limited effectiveness are overstated. Further, these challenges can be mitigated through careful policy design, strengthening administration capacity, and international tax cooperation.
- The UN Handbook on Wealth and Solidarity Taxes and the Sample Law for Net Wealth Taxes provide practical guidance and legal blueprints that countries can adapt to strengthen implementation capacity.

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A medida que aumenta la carga de la deuda, se reduce el espacio fiscal y crece la desigualdad, los países en desarrollo continúan enfrentando dificultades para financiar sus necesidades de desarrollo sin recurrir a impuestos regresivos o provocar malestar social. En este contexto, los impuestos sobre el patrimonio están volviendo a cobrar protagonismo como alternativa. Este informe de políticas analiza la pertinencia y la viabilidad de los impuestos sobre el patrimonio neto en los países en desarrollo, revisando las experiencias de implementación en América Latina y África, así como las principales críticas y objeciones, que abarcan preocupaciones relacionadas con la eficiencia económica, los desafíos administrativos, la limitada capacidad recaudatoria y la resistencia política. El informe sostiene que estos desafíos pueden superarse mediante un impuesto sobre el patrimonio adecuadamente diseñado, respaldado por la cooperación internacional y reformas nacionales destinadas a fortalecer la capacidad institucional y la transparencia. Asimismo, destaca la necesidad de ampliar la investigación, desde la perspectiva de los países en desarrollo, sobre la eficacia de estos impuestos y exhorta a los gobiernos a aplicar impuestos sobre el patrimonio cuidadosamente diseñados y alineados con las prioridades nacionales, con el fin de promover una movilización de ingresos progresiva y sostenible.

PALABRAS CLAVES: *Impuestos sobre el patrimonio, fiscalidad del patrimonio, América Latina, África, cooperación internacional, reformas nacionales, movilización de ingresos públicos, desigualdad*

随着债务负担加重、财政空间收窄以及不平等现象加剧，发展中国家仍在努力筹措发展所需资金，同时力求避免采取累退性税收政策或引发社会动荡。在此背景下，财富税作为一种替代方案，正重新受到关注。 本政策简报探讨了净财富税在发展中国家的相关性和可行性，回顾了拉丁美洲和非洲的实施经验，并分析了主要批评意见和反对理由，这些意见和反对理由涵盖了效率问题、行政挑战、税收收益有限以及政治阻力等方面。 该简报认为，通过设计合理的财富税，并辅以国际合作以及旨在提升能力和透明度的国内改革，这些挑战是可以克服的。 该简报呼吁从发展中国家的视角出发，对这类税收的效力开展更多研究，并敦促各国政府推行精心设计的财富税，使其与国家优先事项相契合，以支持累进且可持续的财政收入筹集。

关键词: 财富税、财富征税、拉丁美洲、非洲、国际合作、国内改革、国内收入动员、不平等

I. Background

Developing countries are facing increasing financial pressure. Public debt is at historic highs, with debt service obligations consuming a growing share of government revenue[1]. In some countries, debt servicing now accounts for more than half of total government expenditure, straining the resources left to fund development priorities[2]. In effect, more money is going to creditors than to critical investments in health, education, and infrastructure. At the same time, budget deficits are growing, and the financing gap to meet the Sustainable Development Goals (SDGs) continues to widen. The United Nations Trade and Development (UNCTAD) (2023) estimates that developing countries face an SDG financing gap of over US$4 trillion annually[3].

This situation is compounded by high poverty incidence, growing unemployment and inequality. Despite the growth in wealth, it remains concentrated in the hands of a few, both globally and within many developing countries. The World Inequality Database shows that the top 10% of the world's population owns 81.7% of total global wealth, while the bottom 50% owned just 1% in 2023[4]. The top 10% held 70.8%, 69.2% and 69.3% of regional wealth in Asia, Africa and Latin America, respectively, while the bottom 50% held 3.8%, 1.6%, 2.3% of regional wealth in Asia, Africa and Latin America, respectively, in 2023[5].

The growing costs of debt sustainability, budget deficits, high poverty incidence, unemployment and high inequality leave developing countries vulnerable and forced to bear the brunt of global shocks such as the COVID-19 pandemic and the escalating impacts of climate change. Trapped between the mounting debt repayments and urgent development needs, many are left with shrinking fiscal space and few viable options. Breaking free will require fresh thinking and bold approaches to domestic revenue mobilization. The Sevilla Commitment, adopted at the Fourth International Conference on Financing for Development, acknowledges the high debt burden for developing countries that has constrained their fiscal space and calls for urgent reforms to the international financial architecture[6]. It emphasizes the need to mobilize progressive domestic resources, including through taxation of undeclared income and wealth, and the effective taxation of high-net-worth individuals.

In this context, taxation of wealth is gaining renewed attention. Extreme wealth remains lightly taxed or not taxed at all. In most developing countries, tax systems remain heavily reliant on consumption taxes and personal income taxes from labour, while wealth goes largely untapped. The wealthiest individuals and multinational corporations are frequently under-taxed, due to tax loopholes,

1 International Monetary Fund (IMF), "Global Debt Monitor 2023". Available from https://www.imf.org/-/media/Files/Conferences/2023/2023-09-2023-global-debt-monitor.ashx.
2 United Nations Trade and Development (UNCTAD), *A World of Debt: It Is Time for Reform* (2025). Available from https://unctad.org/system/files/official-document/osgttinf2025d4_en.pdf.
3 UNCTAD, *Economic Development Report 2023: The Potential of Africa to Capture Technology-Intensive Global Supply Chains* (2023). Available from https://unctad.org/system/files/official-document/aldcafrica2023_en.pdf.
4 World Inequality Database (WID) (2024). Available from https://wid.world/data/.
5 *Ibid*.
6 United Nations (UN), Sevilla Commitment (2025). Available from https://www.un.org/sustainabledevelopment/blog/2025/07/ffd4-closing-press-release/.

secrecy jurisdictions, and limited administrative capacity. A significant share of this wealth is stored offshore in trusts, foundations, and other opaque structures, far beyond the reach or visibility of most tax administrations[7]. As a result, those with the greatest ability to pay often contribute the least, undermining both equity and revenue potential. Although evidence on the effective taxes paid by high-net-worth individuals in Global South countries is scarce, the available empirical data from Global North countries is both consistent and unequivocal: the top 0.1%, 0.001%, and 0.0001% pay lower effective tax rates than the rest of the population. In the United States, for example, billionaires in 2019 faced an effective tax rate (including all taxes) of less than 20% of their income and roughly 0.75% of their wealth (combining income and wealth taxes), while individuals in the middle of the income distribution paid taxes above this level (closer to 30%). In several European countries—such as France, Italy, Norway, and the Netherlands—the effective tax rate as a share of wealth is even lower[8]. Recent reports on African and Latin American inequality highlight the regressive nature of the tax systems in these countries, with labour income being highly taxed and an over-reliance on indirect taxes, while the wealthy and corporations enjoy tax incentives and reduced tax burden[9]. In Latin America, for example, in 2021, the effective tax rate (including all taxes) of the top 1% was below 20% compared to 45% for the bottom 50%[10] .

Wealth taxes can mobilize new domestic resources, reduce reliance on debt, and fund essential public services. They also address the growing problem of inequality and make the tax system more progressive by ensuring that those with more pay more[11].

While coordinated multilateral efforts have dedicated effort to address tax avoidance by multinational enterprises, most notably through the Organisation for Economic Co-operation and Development (OECD)/Group of Twenty (G20) Base Erosion and Profit Shifting (BEPS) framework, there is still no coordinated global response to tax avoidance by high-net-worth individuals. This gap leaves individual wealth largely untouched by international tax reform efforts, making the case for well-designed national and global wealth taxation more urgent than ever.

The *United Nations Handbook on Wealth and Solidarity Taxes and the development of the Sample Law for Net Wealth Taxes on Individuals* are commendable steps forward[12]. Similarly, Brazil's G20 presidency elevated the issue of taxing ultra-high-net-worth individuals on the international agenda in 2024. It is essential to transform these discussions into enforceable policies that can meaningfully mobilize revenue and reduce inequality. More concrete and coordinated action is needed, both globally and at the domestic level, to ensure wealth taxation becomes a viable tool to raise revenue.

Few developing countries have implemented taxes on net wealth. In those that have wealth taxes, like Algeria, Argentina, Bolivia, Colombia and Uruguay, the tax has performed poorly with limited revenue yield and has faced administrative challenges. Most existing literature focuses on high-income economies, where administrative capacity and data infrastructure are stronger[13]. Hence, there is the need to explore some of the challenges and criticisms of net wealth taxation to inform developing countries already implementing and those considering the implementation, in the renewed call for wealth taxation.

Thus, this document explores the implementation, impediments and criticisms of wealth taxation and proposes strategies to address those challenges while presenting an approach for developing countries for wealth taxation. By doing so, we hope to persuade policymakers in these countries that the specific challenges of wealth taxation should be taken as a reason to think carefully about its design, rather than as grounds for dismissing it altogether.

II. What are developing countries doing about wealth taxes and what stands in their way?

In this section, we explore developing countries' experiences in the implementation of net wealth taxes, and the main criticisms and challenges faced in this process. The discussion addresses developing countries in general, but it acknowledges the diversity within these countries in terms of institutional capacity, economic circumstances, and political environment. Therefore, the wealth tax design and implementation should be tailored to national circumstances.

Wealth taxation can take different forms. The most common is tax on capital income, such as tax on dividends, interest, and capital gains. Other forms of wealth taxes that are less common are taxes on net wealth, inheritance, gift or death taxes, and one-off so-

7 Annette Alstadsæter, Niels Johannesen & Gabriel Zucman, "Who Owns the Wealth in Tax Havens? Macro Evidence and Implications for Global Inequality", *Journal of Public Economics*, Vol. 162 (2018), pp. 89-100; Gabriel Zucman, "The Missing Wealth of Nations: Are Europe and the US Net Debtors or Net Creditors?", *The Quarterly Journal of Economics*, Vol. 128 (2013), pp. 1321-1364.

8 Gabriel Zucman, *A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals*, Report commissioned by the Brazilian G20 Presidency (June 2024); EU Tax Observatory, *Global Tax Evasion Report 2024*.

9 Anthony Kamande & Christian Hallum, *Africa's Inequality Crisis and the Rise of the Super-Rich* (Oxfam International, 2025). Available from https://www.oxfam.org/en/research/africas-inequality-crisis-and-rise-super-rich.

10 Carlos Brown, Enrique Naveda, Verónica Paz Arauco, Susana Ruiz, *Econonuestra, Es tiempo de una economía para todos y todas* (Oxfam, 2024).

11 *UN Handbook on Wealth and Solidarity Taxes* (2024). Available from https://financing.desa.un.org/sites/default/files/2024-07/UN%20Handbok%20Wealth%20and%20Solidarity%20Taxes%20%20.pdf; Organisation for Economic Co-operation and Development (OECD), *The Role and Design of Net Wealth Taxes in the OECD* (2018). Available from http://dx.doi.org/10.1787/9789264290303-en.

12 UN Template Law for a Net Wealth Tax on Individuals (2024). Available from https://financing.desa.un.org/sites/default/files/2024-10/CRP%2025%20Wealth%20Taxes%20Appendix%20A%20.pdf.

13 OECD, *supra* note 11.

lidarity taxes[14]. Taxes on immovable property such as land rates and property rates usually levied by subnational governments are common. These forms of taxes differ in structure and political feasibility but share the goal of taxing accumulated wealth.

The focus in this study is net wealth taxes which are levied on an individual's net wealth, that is, assets less liabilities. Net wealth covers a broad range of assets, both immovable and movable property, such as land, buildings, boats, artwork, and jewellery[15]. Net wealth taxes have been implemented by a few countries[16]. Algeria, Argentina, Bolivia, Colombia, Uruguay and Zimbabwe have variations when it comes to the tax rates, applicable rates, asset coverage, exemption thresholds, and allowable deductions[17].

Algeria has a tax on net wealth with a minimum threshold of 100 million Algerian Dinar (DZD) (approximately USD 769,000) which is taxed at a graduated rate starting from 0.15 to 1.75 percent of the net wealth annually, eventually reduced to 0.15 to 1 percent in 2020[18]. It applies to assets such as real estate, motor vehicles, racehorses, art or other high value assets. It was introduced in 2018. It applies to resident individuals on their worldwide assets. It also applies to non-residents on locally held assets. Taxes paid abroad on the same assets are creditable. Algeria has not publicly reported revenue figures to date. A 2025 technical mission by the African Tax Administration Forum (ATAF), in collaboration with Algeria's tax authority (DGI), confirms that the regime is operational but faces administrative challenges, particularly in taxing inherited property and non-liquid assets[19].

Argentina has had a wealth tax since 1991 which has been revised through the years[20]. It is worth noting that tax on net personal wealth was first introduced in 1972 and dropped in 1989, before its reintroduction in 1991[21]. In 2024, Argentina revised the progressive tax range to between 0.5 and 1.25% on taxable assets and a minimum threshold of 292,994,965 million Argentine Pesos (ARS) (approximately USD 230,000) with an exemption of primary residence up to the value of ARS 1,025,482,377 (approximately USD 790,000)[22]. These thresholds and tax rates will be adjustable annually. It applies to residents on worldwide assets and to non-residents on assets held locally. The country also had a one-off solidarity tax during the COVID-19 crisis. Net wealth taxes contributed to about 0.5 per cent of gross domestic product (GDP) in 2022[23]. The collection has been modest due to several exemptions, valuation of assets, and lack of information on offshore wealth[24].

Bolivia introduced a net wealth tax in December 2020 on individuals whose net wealth exceeds 30 million Bolivian boliviano (BOB) (approximately USD 4.3 million) at progressive rates ranging from 1.4 to 2.4 percent annually[25].

Colombia reintroduced a wealth tax in 2002, which has undergone various changes over time[26]. In December 2022, Law 2277 made this tax permanent[27]. It now applies from 2023 to 2026 on individuals whose net wealth exceeds approximately 3.6 billion Colombian Peso (COP) (USD 860,000), at the progressive rates ranging from 0.5 to 1.5 percent[28]. From 2027, the maximum rate will drop to 1 percent. The tax excludes the first COP 600 million (approximately USD 150 000 USD) of the value of the primary residence.

Uruguay has had a wealth tax for a long time, as opposed to other Latin American countries like Argentina or Colombia that have implemented and repealed wealth taxes from time to time. It is levied on both individuals and corporate entities on locally held assets[29]. It is levied on resident individuals at a rate of 0.1 percent while non-resident individuals are subject to progressive rates ranging from 0.7 to 1.5 percent. The minimum threshold for individuals was approximately USD 143,000 in 2024. Legal entities are taxed at a flat rate of 1.5 percent while those domiciled or established in low or no-tax jurisdictions, or that benefit from a low-tax regime, are subject to a higher rate of 3 percent.

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14 UN, *supra* note 11; Shafik Hebous *et al.*, "How to Tax Wealth", IMF How to Note 2024/001. Available from https://www.imf.org/-/media/Files/Publications/HowToNotes/2024/English/HTNEA2024001.ashx.

15 UN, *supra* note 11.

16 Hebous *et al.*, *supra* note 14.

17 Other developing countries, such as India, Pakistan, Indonesia and Sri Lanka used to have wealth taxes but were later repealed.

18 Algerian Republic, *Loi N° 20-07 Du 12 Chaoual 1441 Correspondant Au 4 Juin 2020 Portant Loi de Finances Complémentaire Pour 2020* (2020). Available from https://www.droit-afrique.com/uploads/Algerie-LF-2020-rectificative.pdf; PWC, "Algeria: Individual - Other Taxes" (Jul. 14, 2025). Available from https://taxsummaries.pwc.com/algeria/individual/other-taxes.

19 Ziggy Fikiri Nshimiyimana, "ATAF Undertakes High-Net-Worth-Individuals Taxation Study in Algeria", African Tax Administration Forum (ATAF), May 8, 2025. Available from https://ataftax.org/news/ataf-undertakes-high-net-worth-individuals-taxation-study-in-algeria/.

20 Verónica Grondona, Anahí Rampinini & Lisandro Mondino, *How to Tax a Billionaire – The Case of Argentina* (FES, 2024). Available from https://library.fes.de/pdf-files/international/21243.pdf.

21 Juan Carlos Vicchi, "Taxation of Wealth in Argentina", *International Bureau of Fiscal Documentation* (2005). Available from https://cdi.mecon.gob.ar/bases/doc/udesa/adm/dt50.pdf.

22 PWC, "Argentina: Individual - Other Taxes" (Feb. 5, 2025). Available from https://taxsummaries.pwc.com/argentina/individual/other-taxes#:~:text=The%20wealth%20tax%20rate%20is,the%20shareholders%20can%20be%20claimed.

23 Grondona, Rampinini, and Mondino, *supra* note 20.

24 *Ibid*.

25 PWC, "Bolivia: Individual - Other Taxes" (Jul. 17, 2025). Available from https://taxsummaries.pwc.com/bolivia/individual/other-taxes.

26 Juliana Londoño-Vélez & Javier Ávila-Mahecha, "Can Wealth Taxation Work in Developing Countries? Quasi-Experimental Evidence from Colombia" (2018).

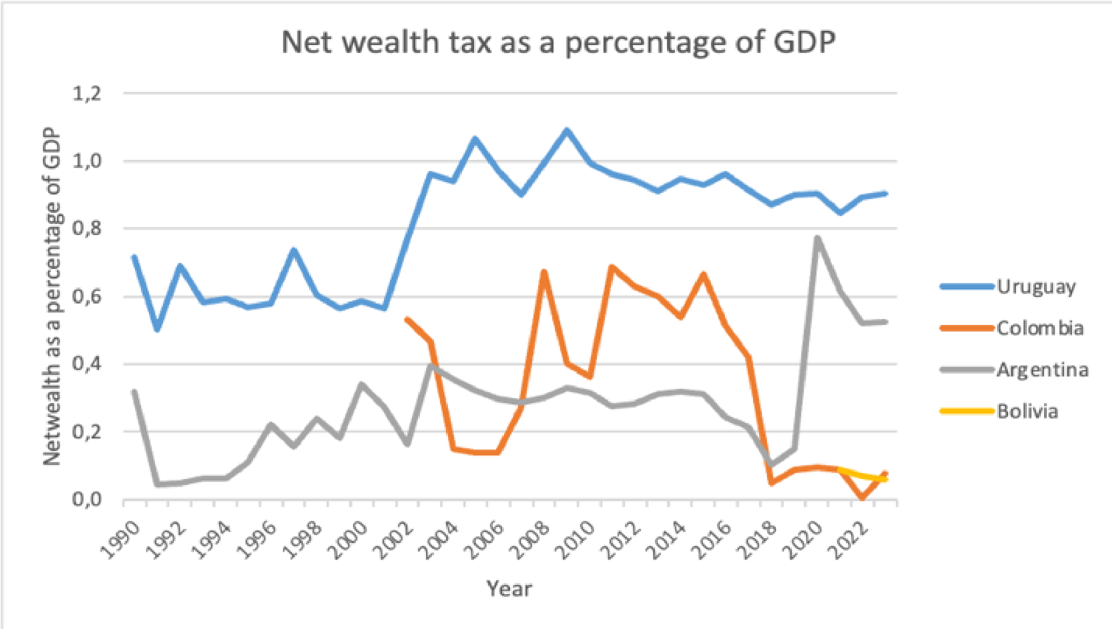
27 Deloitte, "Wide-Ranging Tax Reform Enacted", Dec. 15, 2022. Available from https://www.taxathand.com/article/27284/Colombia/2022/Wide-ranging-tax-reform-enacted; PWC, "Colombia Passes Major Tax Reform Effective January 1", 30 Dec. 2022. Available from https://www.pwc.com/us/en/services/tax/library/colombia-passes-major-tax-reform-effective-january-1.html.

28 Deloitte, *supra* note 27; PWC, "Colombia: Individual - Other Taxes" (Jul. 14, 2025). Available from https://taxsummaries.pwc.com/colombia/individual/other-taxes.

29 PWC, "Uruguay: Individual - Other Taxes; Corporate - Other Taxes" (Mar. 25, 2025). Available from https://taxsummaries.pwc.com/uruguay/individual/other-taxes.

The performance trend of wealth taxes from Latin American Countries (LAC) is shown in the chart below. They have consistently contributed about 1 percent of GDP or less. Wealth tax was 0.8% of GDP on average in Uruguay, compared to 0.3% in Colombia and Argentina, and 0.1% in Bolivia[30].

Figure 1: Recurrent net wealth tax as a percentage of GDP



Source: OECD Global Revenue Statistics Database 2024[31]

Zimbabwe introduced a limited form of wealth tax at the rate of 1 percent on residential housing worth more than USD 250,000, excluding the principal private residence of the taxpayer, to expand the tax base[32]. The tax is capped at USD 50,000 per annum and was effective from January 2024, though no collection had been made by February 2025[33].

The table below highlights current practices in the developing countries mentioned above. It shows the person covered, asset coverage, rates applicable, minimum exemption threshold, and contribution to tax revenue and GDP:

Table 1: Net wealth taxes in developing countries

	Country	Persons Covered	Asset Coverage	Tax Rate	Exemption Threshold	Revenue Collected (% of GDP) 2023	As a % of total taxes 2023
1	**Algeria**	Resident Individuals on Worldwide net wealth Non residents on local assets	Real estate, vehicles, race-horses, art or other high value assets	0.15% – 1%	DZD 100 million (appx. USD 769,000)	Not publicly disclosed	Not available
2	**Argentina**	Residents on Worldwide taxable assets Non residents on local assets	Real estate, vehicles, bank accounts excluding local savings account and term deposits; Shares	0.5% – 1.25% (fiscal year 2024) to be reduced to 0.25% by 2027	ARS 292,994,965 million (appx. USD 230,000, for year 2024, varies annually)	0.52%	1.88%

30 OECD, The Global Revenue Statistics Database (2024). Available from https://www.oecd.org/en/data/datasets/global-revenue-statistics-database.html.
31 The chart presents the recurrent taxes on net wealth as a percentage of GDP. Data is drawn from the Global Revenue Statistics Database 2024. Recurrent taxes on net wealth covers taxes levied, usually annually, on net wealth, i.e. taxes on a wide range of movable and immovable property, net of debt. It includes taxes paid by individuals and taxes paid by corporate enterprises, as reported by countries. Accessed from: https://www.oecd.org/en/data/datasets/global-revenue-statistics-database.html.
32 ZIMRA, Public Notice: Finance Act 13 of 2023 Major Highlights (2024).
33 Sundaymail, "We haven't begun collecting wealth tax", February 2, 2025. Available from https://www.heraldonline.co.zw/we-havent-begun-collecting-wealth-tax/.

3	**Bolivia**	Resident Individuals on Worldwide net wealth Non residents on local assets	Real estate, luxury goods, financial holdings, cash, and other tangible and intangible assets	1.4% – 2.4%	BOB 30 million (appx. USD 4.3 million)	0.06%	0.24%
4	**Colombia**	Residents on Worldwide assets Non residents on local assets	Real estate, vehicles, bank deposits and cash, investments, luxury goods	0.5% – 1.5%	COP 3,585,528,000 (appx. USD 860,000)	0.08%	0.35%
5	**Uruguay**	Resident individuals, and legal entities on local net assets. Non residents on local assets	Real estate, vehicles, bank deposits and cash, investments	0.1% (resident individuals) 1.5% (legal entities) 0.7 to 1.5% (non-resident individuals)	appx. USD 143,000	0.90%	3.29%
6	**Zimbabwe**	Assets held locally	Residential property other than private residence	1% capped to USD 50,000 p.a.	US$ 250,000	Not available	Not available

Source: OECD Global Revenue Statistics (2024) and PWC (2025)

Net wealth taxes are most prevalent in Latin America, and beginning to gain traction in parts of Africa in Algeria and Zimbabwe, but remain largely absent in Asia. This does not imply that wealth is entirely untaxed in these other countries; many countries levy taxes on property or capital income, such as taxes on dividends, interest, or asset transfers. In Africa, many countries like Uganda have dedicated tax units to enhance income tax compliance of high-net-worth individuals. However, net wealth taxes remain underutilized.

Experience from Latin America and Africa reveals a range of approaches, with most net wealth taxes targeting resident individuals on their worldwide assets, and in some cases, they also cover legal entities, like in Uruguay. Most regimes adopt progressive rate structures and have a minimum exemption threshold, which varies widely. For instance, the threshold is as low as USD 143,000 in Uruguay, compared to USD 4.3 million in Bolivia. The revenue yields remain modest, generally around or below 1 percent of GDP[34], as shown in Figure 1. It is lower than the contribution of other major taxes like taxes on goods and services and on corporations, but still significant, especially in a country like Uruguay where it contributed about 3 percent of total taxes in 2023 (see the Appendix). Uruguay has shown modest but consistent wealth tax performance, benefiting from decades of continuous implementation. In contrast, yields in Argentina and Colombia have been more volatile, while Zimbabwe's newly introduced residential wealth tax has yet to generate revenue.

Overall, these heterogeneous experiences with wealth taxes highlight the importance of careful design. The absence of a clear relationship between tax rates and revenue collection shows, for example, that exempting certain assets from the tax or relying on weak valuation methods can undermine its revenue potential. In the Colombian case, assets are valued according to their book price, which is often outdated and undervalued - particularly in the case of real estate properties - thus resulting in a lower tax base. Moreover, an artificial distinction is maintained between the wealth owned by a private company and the wealth owned by its owner. While this distinction may make sense in theory, as a way to avoid penalizing productive investments, in practice it enables wealthy individuals to underreport their true wealth to the tax authorities. These shortcomings have led some countries in recent years to dismantle their wealth taxes. However, as will be discussed in section 4, most - if not all - of these issues can be addressed through changes in tax design and do not, in themselves, justify the complete abolition of the tax.

To get an upper estimate of the revenue potential of a properly designed and effective wealth tax, following the method used by Emmanuel Saez and Gabriel Zucman, the table below presents the revenue that could be collected through a 1% marginal tax on the wealth held by the top 1% above the average wealth level of the ninety-ninth percentile in the countries listed above for which data was available[35]. We also included India to highlight the revenue potential of a wealth tax in a country that previously had one. To estimate this potential, we first determined the share of wealth owned by the richest 1% in these countries. Following Saez and Zucman, we then assumed that the distribution of wealth at the top follows a Pareto distribution, and finally calculated the revenue from a 1% marginal tax on wealth above the ninety-ninth percentile as a share of net national income. All figures are based on the most recent data available in the World Inequality Database the distribution of wealth at the top follows a Pareto distribution, and finally calculated the revenue from a 1% marginal tax on wealth above the ninety-ninth percentile as a share of net national income. All figures are based on the most recent data available in the World Inequality Database[36].

34 OECD, The Global Revenue Statistics Database (2024).
35 Emmanuel Saez and Gabriel Zucman, "Wealth Taxation: Lessons from History and Recent Developments", AEA Papers and Proceedings, Vol. 112 (2022), pp. 58–62.
36 See https://wid.world/

Table 2: Revenue potential of a marginal 1% tax on the top 1% as a share of Net National Income

Country	Revenue potential (% Net National Income)
Algeria	1.92
Argentina	1.15
Colombia	1.79
India	2.56
Uruguay	2.07
Zimbabwe	0.8

Source: own calculations based on World Inequality Database data

The revenue potential of a 1% marginal tax on the wealth of the top 1% in countries with available data (Argentina, Colombia, and Uruguay) is substantially higher than the revenue these countries currently collect (see figure 1)[37]. This finding is particularly revealing, given that the actual tax thresholds in Argentina and Uruguay apply to individuals below the top 1%, and that in all three countries the highest marginal rate exceeds 1%. These results suggest not only that Argentina, Colombia, and Uruguay still have considerable scope to increase revenue from their wealth taxes, but also that a broader tax base and higher marginal rates do not necessarily translate into greater revenue. As will be further discussed in the next section on the challenges of wealth taxation, tax loopholes and weak enforcement can significantly undermine their effectiveness.

III. Challenges in and criticisms on the implementation of net wealth taxes

The key criticisms and challenges of implementing wealth taxation are discussed below. Some of these were used to justify the elimination of wealth taxes in countries that used to have one.

a) Economic and efficiency concerns

One of the main criticisms of wealth taxes is that they are imposed on the value of assets regardless of the return on assets, thus taxing low and high-yield assets at the same rate[38]. The wealth tax applies uniformly to taxpayers holding the same level of assets even when the productivity or profitability of these assets differ[39]. Hebous et al. argue that this may result in a disproportionate burden on low-return assets or non-income generating assets, raising concerns about efficiency[40]. Moreover, wealth taxes are considered distortionary as they can disincentivize saving and investment, thus they may discourage capital accumulation and reduce resources available for new entrepreneurial activities.[41]

Wealth taxes are also argued to be more distortionary than capital income taxes, as they affect the stock of wealth rather than its flow[42]. This distinction may affect investors' behaviour in different ways. Net wealth taxes are levied on the stock of wealth independently of the returns or the productivity. Therefore, wealth tax is neutral to the return on assets since it does not depend on whether an asset performs well or poorly. Low-return or safer assets face a higher tax burden compared to high-return assets. Consequently, critics argue this will favor high-risk, high-return investments, since individuals are taxed identically regardless of the level of return, thereby reducing the relative penalty on riskier portfolios.

On the other hand, capital income taxes, which target the flow of income generated by wealth, scale with the level of income generated: individuals with higher returns pay more, while those with low or zero returns bear minimal tax burdens. This structure may discourage risk-taking by penalizing high-return investments disproportionately, particularly with progressive capital income tax regimes.[43] Consequently, such taxes can lead to underinvestment in innovative or entrepreneurial ventures, as the marginal benefit of high-risk, high-return projects is reduced.

Both capital income and wealth taxes can distort investment decisions, albeit in different ways. Capital income taxes may disincentivize high-return entrepreneurial activity, while wealth taxes may discourage risk-averse investors. Thus, the debate is not merely between wealth and capital income taxation, but about how to design a balanced mix of tax measures that comprehensively tax wealth,

37 Note that the numbers presented in figure 1 are as percentage of GDP, while the numbers in this table are as percentage of National Net Income.
38 Hebous *et al.*, *supra* note 14; OECD, *supra* note 11.
39 Fatih Guvenen *et al.*, "Use It or Lose It: Efficiency and Redistributional Effects of Wealth Taxation", *Quarterly Journal of Economics*, Vol. 138 (2023), pp. 835-894.
40 Hebous *et al.*, *supra* note 14.
41 Asa Hansson, "The Wealth Tax and Entrepreneurial Activity", *The Journal of Entrepeneurship*, Vol. 17 (2008), pp. 139-156.
42 Hebous *et al.*, *supra* note 14.
43 Hebous *et al.*, *supra* note 14.

minimize distortions on investment decision making, and support revenue mobilization within a given country context.

Another criticism is that wealth taxes may result in double taxation or excessive taxation, especially when levied alongside capital income taxes, given that the wealth may already have been taxed when the income was first earned[44]. An example would be taxing assets acquired using corporate profits, assuming that the profits were adequately taxed at the corporation level.

b) Administrative challenges

The implementation of wealth taxes may encounter some challenges, mainly, asset valuation, liquidity constraints, the issue of double taxation, and high administration and compliance costs.

Accurate and consistent asset valuation is vital for the effective implementation of a net wealth tax. However, getting the value of non-marketable assets such as non-listed company shares, real estate, and valuable personal assets poses administrative challenges.[45] The lack of standardized approaches may lead to undervaluation of assets. For example, in Argentina and Colombia, cases of undervaluation of assets are rampant[46].

Wealth taxes are levied on asset values, not on income or cash flow, thus may create liquidity pressures for taxpayers holding non-liquid assets[47]. It may force them to sell some of the assets to meet tax obligations.

One of the most frequently cited reasons for the repeal of wealth taxes is the high cost of administering and enforcing them relative to the revenue yield[48]. Lack of access to reliable information on asset ownership, clear valuation rules, and many exemptions, as well as limited capacity, increase the administration burden. Developing countries face particular challenges in the implementation of wealth taxes particularly in accessing data, not only on offshore wealth, but also from multiple domestic registries spread across national and sub-national levels[49].

c) Limited effectiveness

Wealth taxes have consistently generated modest revenues in practice. According to the OECD report on wealth taxation in the OECD, in most OECD countries where wealth taxes existed prior to their repeal, revenues rarely exceeded 1% of total tax revenue[50]. The case is similar for the four LAC countries indicated in Figure 1, whereby the net wealth tax contribution to GDP is about 1 percent or less over time.

Some of the reasons for the low yield could be due to undervaluation of assets, which is a major challenge as already indicated in section (b) above. Underreporting is also common, especially in countries with limited access to asset ownership data. In Colombia, Londoño-Vélez and Ávila-Mahecha found that wealth tax prompted wealthy individuals to significantly underreport wealth, particularly in areas lacking third-party verification[51]. Further, the design of a wealth tax may undermine its effectiveness. For example, excessive exemptions, such as Argentina's exemption of rural assets, can significantly limit the tax base, increase loopholes, and weaken the effectiveness of the tax[52] .

Wealth taxes may also trigger capital flight as wealthy individuals relocate assets to low or no-tax jurisdictions to avoid tax liability[53]. Londoño-Vélez and Ávila-Mahecha indicate that wealthy individuals in Colombia strategically reduced reported wealth to avoid higher brackets following the introduction and changes to wealth taxation, by underreporting or relocating assets offshore[54]. Argentina's 2016 tax amnesty on wealth tax revealed the extent of wealth held offshore, leading to disclosure of offshore assets worth about USD 116.8 billion which was equivalent to 21 percent of GDP[55]. This example illustrates the magnitude of wealth held offshore, the level of underdeclaration, especially when there is no way of verifying offshore assets, and at the same time the potential of a

44 Hebous *et al.*, *supra* note 14.
45 *Ibid.*; OECD, *supra* note 11; Mariam Hilda Ola, "Taxonomy of Wealth Taxation Literature: A Study of Implementation, Effects, Responses and Regulatory Policy Context", *Journal of Governance and Regulation*, Vol. 13 (2024).
46 Grondona, Rampinini, and Mondino, *supra* note 20; Juliana Londoño-Vélez & Javier Ávila-Mahecha, "Enforcing Wealth Taxes in the Developing World: Quasi-Experimental Evidence from Colombia", *American Economic Review: Insights*, Vol. 3 (2021), pp. 131-148.
47 OECD, *supra* note 11.
48 OECD, *supra* note 11; Ola, *supra* note 45.
49 Grondona, Rampinini, and Mondino, *supra* note 20; Londoño-Vélez and Ávila-Mahecha, *supra* note 46.
50 OECD, *supra* note 11.
51 Londoño-Vélez and Ávila-Mahecha, *supra* note 46.
52 Grondona, Rampinini, and Mondino, *supra* note 20.
53 OECD, *supra* note 11.
54 Juliana Londoño-Vélez & Javier Avila-Mahecha, "Behavioral Responses to Wealth Taxation: Evidence from Colombia", NBER Working Paper 32134 (2024). Available from http://www.nber.org/papers/w32134.
55 Argentina, Ministerio de Economía, "El Sinceramiento Fiscal Superó Los 116 Mil Millones de Dólares", Argentina.gob.ar, Apr. 4, 2017. Available from https://www.argentina.gob.ar/noticias/el-sinceramiento-fiscal-supero-los-116-mil-millones-de-dolares; Grondona, Rampinini, and Mondino, *supra* note 20.

wealth tax.

d) Political viability

Wealth taxes directly target the economic interests of politically influential elites, who often possess the means to hinder implementation or shape implementation in their favour. Without political buy-in, wealth taxes are unsustainable. Even if a wealth tax is implemented, those affected may have strong incentives to use their political influence to suppress it, thereby threatening its long-term sustainability[56].

The wealthy and business elites influence policies through funding political campaigns, lobbying, or the strategic framing of wealth taxes as economically harmful, for instance, the exaggerated exodus of millionaires from the United Kingdom following calls for introduction of a wealth tax[57]. Party politics and political actors also play a role. *Elsässer et al.*[58] show that social democratic support for wealth taxation in Europe has fluctuated, often driven more by electoral strategy than by commitment to redistribution. In Germany, the personal net wealth tax which was abolished in 1996 has since remained a subject of political debate, with conservatives referring to it as "poison" to the economy while advocates emphasize its importance for social justice[59]. Thus the political climate helps to explain the uneven adoption and repeal of wealth taxes across countries.

IV. Why wealth taxation can work

Having presented the main criticisms of wealth taxation in the previous section, this section critically discusses each of them. While some concerns may be theoretically valid, empirical evidence does not necessarily support them. More importantly, most can be addressed through careful policy design.

a) Economic and efficiency concerns

As discussed earlier, a common criticism of wealth taxation is that capital taxes—of all kinds—are less efficient than taxes on labor or consumption. The argument is that capital taxation distorts savings and investment decisions, leading to reduced productive investment and lower economic growth. However, these conclusions have been increasingly challenged. Recent theoretical and empirical research suggests that, under more realistic assumptions, capital taxation can improve economic efficiency[60]. When accounting for factors such as intertemporal rigidities in savings and consumption, heterogeneous rates of return on wealth, uncertainty and risk aversion, time-inconsistent decision-making, inherited wealth, and equity concerns, optimal capital taxation is not only positive but, under some assumptions, could range up to 50%- 60%[61]. This is not to say that countries should necessarily aim to set tax rates at these levels - other factors, such as the enforcement capacity of tax administrations and the mobility of taxpayers, must also be taken into account. Rather, the point is to highlight that, given the currently low effective tax rates on capital, concerns about the efficiency costs of capital taxation are often overstated, and there remains room to increase effective taxes on capital. Recent empirical studies suggest that while wealth accumulation is indeed sensitive to wealth taxation, this effect is primarily driven by reporting/evasion factors and only a small portion of it is the result of changes in savings decisions (which could be harmful to future investment and growth)[62]. Thus, the effectiveness of wealth taxes depends more on sound policy choices and strong institutions than on purely economic forces.

Capital taxation can be done by taxing capital flows and capital stocks. There is not necessarily a trade-off between the two, as each serves a different purpose. By discouraging investment in unproductive assets, wealth taxes (a tax on stocks) encourage a reallocation toward more productive, higher-yielding assets. Indeed, Guvenen *et al.* (2023) demonstrate that taxing capital stocks can yield superior outcomes—both in terms of efficiency and equity—than taxing flows[63]. Because a wealth tax does not discriminate between assets based on returns, it incentivizes investors to shift toward higher-return investments, thereby enhancing the productivity of capital allocation. Additionally, improved economic efficiency can lead to wage growth, which contributes to a more equitable income distribution.

56 Florian Scheuer and Joel Slemrod, "Taxing our Wealth", *Journal of Economic Perspectives*, Vol. 35, No. 1 (Winter 2021), pp. 207–230.
57 *Ibid.*; Tax Justice Network (TJN), "Millionaire Exodus Did Not Occur, Study Reveals", Jun. 10, 2025. Available from https://taxjustice.net/press/millionaire-exodus-did-not-occur-study-reveals/.
58 Lea Elsässer, Florian Fastenrath & Miriam Rehm, "Making the Rich Pay? Social Democracy and Wealth Taxation in Europe in the Aftermath of the Great Financial Crisis", *European Political Science Review*, Vol. 15. (2022).
59 Till Hilmar & Patrick Sachweh, "'Poison to the Economy':(Un-) Taxing the Wealthy in the German Federal Parliament from 1996 to 2016", *Social Justice Research*, Vol. 35 (2022), pp. 462-489.
60 See for example Ludwig Straub and Iván Werning, "Positive Long-Run Capital Taxation: Chamley-Judd Revisited", *American Economic Review*, Vol. 110, No. 1 (2020), pp. 86–119.
61 Thomas Piketty and Emmanuel Saez, "A Theory of Optimal Inheritance Taxation", *Econometrica*, Vol. 81, No.5 (2013), pp. 1851-1886.
62 David Seim, "Behavioral Responses to Wealth Taxes: Evidence from Sweden", *American Economic Journal: Economic Policy*, Vol. 9, No. 4 (2017), pp. 395–421.
63 Fatih Guvenen, Gueorgui Kambourov, Burhan Kuruscu, Sergio Ocampo, Daphne Chen, "Use It or Lose It: Efficiency and Redistributional Effects of Wealth Taxation", T*he Quarterly Journal of Economics*, Volume 138, Issue 2 (May 2023), Pages 835–894. Available from https://doi.org/10.1093/qje/qjac047.

As with any tax, a poorly designed wealth tax, particularly one with a rate exceeding the average return on assets, could erode asset values over time and become effectively confiscatory. This underscores the importance of thoughtful tax design that *inter alia* considers the average return of assets included in the potential tax base. Instead of rejecting wealth taxation outright, policymakers should focus on setting tax rates that balance revenue generation and redistribution with the need to preserve investment incentives. Rates should be high enough to justify administrative costs and achieve redistributive goals, but not so high that they disincentivize productive investments. Moreover, as noted above, when enforcement is weak and loopholes or exemptions exist, higher tax rates do not necessarily guarantee higher revenue.

It is also important to note that high-net-worth individuals typically earn above-average returns on their investments. According to Zucman (2024), the annual gross return on wealth for billionaires between 1987 and 2024 averaged 7.5%, compared to a general average of 5–6%[64]. Therefore, if the tax targets only the wealthiest individuals, a modest wealth tax rate (e.g., 2–3%) would preserve profitability while limiting further increases in wealth inequality.

Another frequently raised issue is the risk of double taxation - where the returns used to accumulate wealth may have already been taxed. However, this concern is largely overstated, especially in developing countries, where capital income is often undertaxed rather than overtaxed. Moreover, many countries already impose property taxes, a form of wealth taxation, without generating widespread concern about double taxation.

b) Administrative challenges

Given that, by definition, the basis of a net wealth tax is the stock of capital, as described in the previous sections, critics of this tax have argued that taxing wealth entails a series of administrative difficulties that increase its cost and do not justify its creation in the first place, including the valuation of wealth, the taxation of illiquid assets and the risk of double taxation.

First, regarding the valuation of wealth, in the context of developing countries, where tax administrations are faced with limited capacities to inspect taxpayers, a wealth tax can serve as an important complement to ensure that high-net-worth individuals are effectively taxed according to their actual ability to pay. This group often accumulates wealth through means that are neither easily observable nor taxable - for example, by taking on debt against the valuation of their companies to finance consumption and artificially reduce their tax base without distributing dividends. In such cases, taxing wealth provides a more accurate approximation of their true ability to pay than relying solely on reported income. This is the spirit of the minimum taxation standard proposed by Gabriel Zucman to ensure that wealth is used as the main benchmark to determine the adequate level of taxation as it is a more transparent and accurate way to measure the effective capacity to pay of these individuals.

This leads to concerns about liquidity. Because a wealth tax is assessed on the asset's value regardless of its current income yield, critics argue that it may impose an undue burden on asset-rich but cash-poor taxpayers. However, in practice, liquidity issues among high-net-worth individuals often result from deliberate tax planning rather than an absence of returns. Consequently, well-designed wealth taxes could be focused on individuals whose wealth is sufficient to ensure that liquidity is not a serious issue, either because they own highly liquid assets or can easily sell a portion to meet tax obligations. Where liquidity remains a concern (e.g., founders of startups with high valuations but deferred cash flows), mechanisms could allow tax liabilities to be paid in shares rather than cash, as has been suggested by Gabriel Zucman[65]. Another alternative for taxing illiquid wealth—implemented in countries like Argentina and proposed in Norway[66]—is to offer payment plans or deferred payment options, allowing taxpayers to spread their tax liabilities over time. In any case, given the levels of wealth held by individuals potentially subject to a wealth tax, liquidity constraints should be viewed as an administrative challenge to be addressed, rather than as a genuine economic concern that would justify not taxing them in the first place. This is also why setting a cap on wealth tax liability as a percentage of income to avoid excessive pressure on illiquid taxpayers (as some countries have done in the past and continue to do) is not advisable: such caps ultimately favor wealthy individuals who can artificially reduce their reported income to lower their tax burden.

c) Limited effectiveness

Another common critique, particularly in the context of developing countries, is that the costs of enforcing a wealth tax outweigh the benefits, given limited revenue gains. Critics argue that the administrative burden may be too high relative to the revenue collected. While it is true that wealth taxes currently account for only a small share of total tax revenues in countries where they exist, this is

64 Gabriel Zucman, *A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals*, Report commissioned by the Brazilian G20 Presidency (June 2024).

65 *Ibid*.

66 Norway made a proposal in its 2025 State Budget for deferral of payment of wealth taxes up to a period of 3 years during which period an interest would accrue: https://www.vitallaw.com/news/norway-planning-wealth-tax-deferral-scheme/gdn01170330.

often due to their design. Low rates, narrow tax bases, and exemptions for key asset classes—such as art, housing, or business ownership—can drastically reduce the revenue potential. Conversely, a wealth tax that covers a broad asset base with fewer loopholes would significantly increase revenue. In this spirit, Emmanuel Saez and Gabriel Zucman suggest including all immovable property as well as the entirety of financial and business assets (which are often exempt under previous or existing wealth taxes), while limiting the tax to high- and very-high-net-worth individuals (fewer than the top 1%)[67]. Equally important is to ensure the valuation of wealth at market prices rather. As discussed below, there are mechanisms that can help reveal the market value of hard-to-assess assets.

One of the most frequently cited concerns is the risk of capital flight. High-net-worth individuals have greater capacity to move assets offshore in response to taxation. However, recent empirical evidence suggests that this risk is often overstated. For instance, studies from Norway, Denmark, Sweden, the United Kingdom and France find that although wealth taxes may prompt some capital outflows, the effects are modest relative to the revenue gains[68]. In the UK, following the elimination of a tax break on foreign income for long-term residents, "the number of affected super-rich in the UK decreases by 0.26% for a 1% decline in the net-of-tax rate," while "those who remain increase reported income and income tax by around 50%." In Sweden and Denmark, a 1 percentage point increase in the top wealth tax rate reduced the number of wealthy taxpayers by less than 2% and decreased aggregate employment by only 0.05%, investment by 0.07%, and value-added by 0.13%.Thus, while capital flight is a concern, its macroeconomic impact is limited, and the revenue impact remains positive.

Moreover, capital mobility is not a problem unique to wealth taxes—it applies to any tax targeting mobile individuals or capital. Therefore, the appropriate response is not to abandon wealth taxation, but to strengthen anti-avoidance measures and enhance international cooperation. These measures could include global tax transparency standards and automatic information exchange, including the creation of a global asset register and exit taxes proportional to the time spent residing in the country. In recent years, efforts in this regard have been made at both the national and international level - for example, through the OECD's Common Reporting Standard (CRS) and the US Foreign Account Tax Compliance Act (FATCA) - which have provided countries with stronger tools to enforce wealth taxes than were available in the past (when several countries decided to eliminate their wealth taxes due to their limited effectiveness).

Indeed, relying on third-party reporting rather than self-reporting is crucial to reducing tax avoidance. In cases where information is insufficient to adequately assess wealth or where disagreements arise regarding valuation, governments can establish rules that help reveal the market value of hard-to-assess assets. For instance, when wealth is based on unrealized gains, allowing taxpayers to pay in shares that the government can subsequently resell ensures that the Indeed, relying on third-party reporting rather than self-reporting is crucial to reducing tax avoidance. In cases where information is insufficient to adequately assess wealth or where disagreements arise regarding valuation, governments can establish rules that help reveal the market value of hard-to-assess assets. For instance, when wealth is based on unrealized gains, allowing taxpayers to pay in shares that the government can subsequently resell ensures that the revenue collected more accurately reflects the market value of the assets[69]. Another proposed alternative to encourage taxpayers to report the true value of their assets is to allow the government (or an interested private actor) to purchase the asset at the value declared by the owner, or at a slightly higher price[70].

d) Political viability

The final concern is political: implementing wealth taxes can be difficult in settings where high-net-worth individuals have the power to shape tax policy to their advantage. While this challenge should not be underestimated, it is worth noting that wealth taxes are generally popular among the public, as long as they are limited to high-net-worth individuals. Indeed, increasing wealth taxation may be one of the few tax policies that enjoys support even from some of those who would bear the cost[71]. While raising taxes is rarely a popular proposition, increasing taxes on the wealthiest may be both politically feasible and socially desirable. It can generate meaningful revenue while enhancing state legitimacy and avoiding undue burdens on the broader population. This is an additional reason to limit wealth taxes to only high-net-worth individuals: it increases the likelihood of gaining broader public support.

Moreover, precisely to prevent disproportionate interference by influential economic elites in tax policy, some scholars regard wealth taxation as an effective way to strengthen democracy and prevent elite capture in the first place[72]. Other scholars have argued that

67 Saez and Zucman, *supra* note 35.

68 See for example, Roberto Iacono and Bård Smedsvik, "Behavioral Responses to Wealth Taxation: Evidence from a Norwegian Reform", CESifo Working Paper No. 11335 (2024). Available from https://ssrn.com/abstract=4991833 or http://dx.doi.org/10.2139/ssrn.4991833.
Arun Advani, David Burgherr and Andrew Summers, "Taxation and Migration by the Super-Rich", CESifo Working Paper No. 11870 (2025). Available from https://ssrn.com/abstract=5254084 or http://dx.doi.org/10.2139/ssrn.5254084.
Katrine Jakobsen, Henrik Kleven, Jonas Kolsrud, Camille Landais and Mathilde Munoz, "Taxing Top Wealth: Migration Responses and Their Aggregate Economic Implications", NBER Working Paper No. w32153 (February 2024). Available from https://ssrn.com/abstract=4731062.
France Stratégiee, Comité d'évaluation des réformes de la fiscalité du capital, Rapport final, Octobre 2023.

69 Saez and Zucman, *supra* note 35.

70 Florian Scheuer and Alexander Wolitzky, "Capital Taxation under Political Constraints", *American Economic Review*, Vol. 106, No. 8 (2016), pp. 2304–28.

71 According to a poll conducted among more than 2300 individuals with more than 1 million dollars in investable assets excluding their home in G20 countries, 74% of them would favour an increase in wealth taxation and 58% would support a 2% wealth tax on people with more than 10 million dollars of wealth. See: https://www.theguardian.com/business/2024/jan/17/wealth-tax-super-rich-davos-abigail-disney-brian-cox-valerie-rockefeller.

72 Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge, MA, Harvard University Press, 2014).

the optimal way to prevent elite capture, while also avoiding confiscatory rates that might discourage savings and investment, is to tax the capital of high-net-worth individuals and subsidize wealth accumulation among the middle class. In this way, the former would lack the means to unduly influence the political process, while the latter would build sufficient savings to oppose extreme and counterproductive capital taxation[73].

Political transitions create a window of opportunity for introducing net wealth taxes, especially when a new government supports redistributive policies. Countries can introduce changes when there is a change in government that supports wealth taxation. The public can rally support for this before ushering new government regimes into power. For instance, Bolivia's and Colombia's governments introduced the wealth tax after coming into power in 2020 and 2022, respectively.

V. Recommendations and way forward for developing countries

Developing countries around the world are facing increasingly fragile public finances, characterized by high—and in some cases unsustainable—levels of debt and persistent fiscal deficits. In this context, calls to tax the wealthiest individuals have gained momentum. There are multiple ways to tax high-net-worth individuals, one of which is through a recurrent wealth tax. Given both its prominence and the controversies surrounding it, this policy brief focused on this particular instrument.

Criticisms of wealth taxes often center on their alleged economic inefficiency, the administrative challenges they pose, their limited effectiveness, and the political resistance they generate. However, as discussed throughout this paper, most of these criticisms can be mitigated through careful policy design and should not prevent developing countries from implementing wealth taxes.

First, regarding the claim of economic inefficiency, much depends on the policy objectives being pursued. While it is true that wealth taxes can incentivize certain high-risk investments, they can also encourage a shift from low- to high-productivity assets. In the context of developing countries—where investments in idle assets (such as large but underutilized rural properties) are a particular concern—the potential positive effects of a well-designed wealth tax can outweigh the negative ones.

With respect to administrative challenges and the perceived limited effectiveness of wealth taxes, three considerations are particularly relevant for developing countries. First, in contexts of constrained administrative capacity, stocks of wealth are often easier to value than income or other flows[74]. Thus, while limited institutional capacity will always pose a challenge, the difficulty lies less in valuing wealth per se than in strengthening tax administrations' resources and expertise. In the absence of reliable information, market mechanisms can be used to estimate the real value of assets. Second, many of these administrative hurdles can be overcome through effective international tax cooperation. Instruments such as international asset registries and robust cross-border information exchange can play a critical role in reducing capital flight and combating tax evasion and avoidance. Third, eliminating loopholes and exemptions (such as those on immovable property, business assets, or liability caps) while narrowing the tax base to include only the wealthiest individuals can reduce administrative costs, limit opportunities for tax avoidance, and thereby increase revenue collection.

The following table summarizes the recommendations that would contribute to ensuring the effectiveness of a wealth tax in the context of developing countries:

Table 3: Recommendations for an effective wealth tax

Feature	Recommendation
Tax base	Limited to high and very high-net-worth individuals but including all financial and non-financial assets
Tax rates	Such that the ratio of the wealth tax rate to the 'normal' rate of return on capital is at least equal to the statutory personal income tax rate applied to individuals at the top of the income distribution. Assuming a normal rate of return of 4-8% and statutory rates of 30-35%, this usually gives wealth tax rates between 1.5 and 2.5%.
Valuation	Market prices. Chapter 6 of the UN Handbook on Wealth and Solidarity Taxes provides guidance on valuation methods.

73 Scheuer and Wolitzky, *supra* note 70.

74 According to the economist Gabriel Zucman: "income flows are not well defined at the very top of the distribution, while wealth is. Wealth is the market value of one's non-financial and financial assets, net of debts. At the top of the wealth distribution, the bulk of wealth consists of shares in companies. Data from named lists of wealthy individuals indicate that about half of the wealth of global billionaires is held in shares of publicly listed companies, for which market values are observable." See: Gabriel Zucman, *A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals*, Report commissioned by the Brazilian G20 Presidency (June 2024).

Reporting	Third-party, using international tax cooperation, comprehensive asset registries, and/or through market mechanisms
Exemptions	As limited as possible

The *UN Handbook on Wealth and Solidarity Taxes and the Sample Law for Net Wealth Taxes on Individuals*[75] are important tools that can serve as blueprints for developing countries seeking to strengthen administrative capacity on wealth taxation. The Handbook provides practical guidance on the implementation and key considerations for effective administration of wealth taxes, which have also been addressed in this paper in the context of developing economies. The Sample Law complements this by providing a legal template that countries can adapt to their national context.

Finally, while there are strong theoretical and practical arguments in favor of implementing wealth taxes in developing countries, it is important to acknowledge that empirical evidence on their effectiveness in the Global South remains limited. This highlights the need for further research and provides an additional rationale for establishing international information-sharing mechanisms and public asset registries. Making such data publicly accessible is essential to enable rigorous analysis and to inform the design of wealth taxes that can work effectively in developing-country contexts.

Implementing a wealth tax in Global South countries requires careful design and cannot, on its own, guarantee the generation of sufficient revenue to reduce inequalities and finance public services. However, in a context marked by high levels of debt, persistent fiscal deficits, and pronounced wealth inequalities, wealth taxes should be seriously considered by policymakers seeking to increase state revenue in a fair and sustainable manner. Recognizing the specific challenges posed by wealth taxation should lead policymakers to pay close attention to its design features, rather than dismissing it altogether. In other words, the shortcomings should not lead us to "throw the baby out with the bathwater".

75 UN, *supra* note 11 and 12. Countries interested can reach out to the UN Department of Economic and Social Affairs (DESA) Secretariat for capacity building on the Handbook and Sample Law.

Appendix: Taxes as percentage of GDP and Total Tax revenue in Colombia, Argentina, Bolivia, and Uruguay in 2023

Source: OECD Global Revenue Statistics Database

Country	Tax category	Tax Revenue US dollar, Billions	2023 % of GDP	2023 % of Total taxes
Colombia	Total tax revenue	80.861	22.24	100.00
Colombia	Taxes on income, profits and capital gains of individuals	5.961	1.64	7.37
Colombia	Taxes on income, profits and capital gains of corporations	26.129	7.19	32.31
Colombia	Unallocable between individuals and corporations	0.314	0.09	0.39
Colombia	Social security contributions (SSC)	5.867	1.61	7.26
Colombia	Taxes on payroll and workforce	1.162	0.32	1.44
Colombia	Recurrent taxes on immovable property	2.544	0.70	3.15
Colombia	Recurrent taxes on net wealth	0.282	0.08	0.35
Colombia	Estate, inheritance and gift taxes	-	-	-
Colombia	Taxes on financial and capital transactions	3.160	0.87	3.91
Colombia	Other non-recurrent taxes on property	0.001	-	-
Colombia	Other recurrent taxes on property	-	-	-
Colombia	Taxes on goods and services	31.941	8.79	39.50
Colombia	Other taxes	3.500	0.96	4.33
Argentina	Total tax revenue	179,720.333	27.84	100.00
Argentina	Taxes on income, profits and capital gains of individuals	13,972.299	2.17	7.78
Argentina	Taxes on income, profits and capital gains of corporations	14,183.958	2.20	7.89
Argentina	Unallocable between individuals and corporations	1,572.840	0.24	0.88
Argentina	Social security contributions (SSC)	32,790.993	5.08	18.25
Argentina	Taxes on payroll and workforce	-	-	-
Argentina	Recurrent taxes on immovable property	1,466.541	0.23	0.82
Argentina	Recurrent taxes on net wealth	3,380.322	0.52	1.88
Argentina	Estate, inheritance and gift taxes	-	-	-
Argentina	Taxes on financial and capital transactions	13,048.677	2.02	7.26
Argentina	Other non-recurrent taxes on property	-	-	-
Argentina	Other recurrent taxes on property	-	-	-
Argentina	Taxes on goods and services	98,423.945	15.25	54.76
Argentina	Other taxes	880.757	0.14	0.49
Bolivia	Total tax revenue	10,848.270	23.86	100.00
Bolivia	Taxes on income, profits and capital gains of individuals	128.769	0.28	1.19
Bolivia	Taxes on income, profits and capital gains of corporations	1,184.304	2.61	10.92
Bolivia	Unallocable between individuals and corporations	-	-	-
Bolivia	Social security contributions (SSC)	2,610.542	5.74	24.06
Bolivia	Taxes on payroll and workforce	-	-	-
Bolivia	Recurrent taxes on immovable property	-	-	-
Bolivia	Recurrent taxes on net wealth	26.307	0.06	0.24
Bolivia	Estate, inheritance and gift taxes	-	-	-
Bolivia	Taxes on financial and capital transactions	56.754	0.13	0.52
Bolivia	Other non-recurrent taxes on property	-	-	-
Bolivia	Other recurrent taxes on property	-	-	-
Bolivia	Taxes on goods and services	5,595.532	12.31	51.58
Bolivia	Other taxes	1,246.061	2.74	11.49
Uruguay	Total tax revenue	21,172.911	27.41	100.00
Uruguay	Taxes on income, profits and capital gains of individuals	3,121.250	4.04	14.74
Uruguay	Taxes on income, profits and capital gains of corporations	2,151.656	2.79	10.16
Uruguay	Unallocable between individuals and corporations	324.350	0.42	1.53
Uruguay	Social security contributions (SSC)	5,622.038	7.28	26.56
Uruguay	Taxes on payroll and workforce	-	-	-
Uruguay	Recurrent taxes on immovable property	801.986	1.04	3.79
Uruguay	Recurrent taxes on net wealth	697.813	0.90	3.29
Uruguay	Estate, inheritance and gift taxes	-	-	-
Uruguay	Taxes on financial and capital transactions	128.412	0.17	0.61
Uruguay	Other non-recurrent taxes on property	-	-	-
Uruguay	Other recurrent taxes on property	19.354	0.03	0.09
Uruguay	Taxes on goods and services	8,156.143	10.56	38.52
Uruguay	Other taxes	149.910	0.19	0.71

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