United Nations E/2024/SR.11

Economic and Social Council

Distr.: General
1 May 2024

Original: English

2024 session
27 July 2023–24 July 2024
Special meeting on international cooperation in tax matters

Summary record of the 11th meeting
Held at Headquarters, New York, on Monday, 18 March 2024, at 3 p.m.

President: Mr. Rakhmetullin (Vice-President) . . . . (Kazakhstan)

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In the absence of Ms. Narváez Ojeda (Chile), Mr. Rakhmetullin (Kazakhstan), Vice-President, took the Chair.

The meeting was called to order at 3.05 p.m.

Agenda item 18: Economic and environmental questions (*continued*)

(g) International cooperation in tax matters (*continued*)

Panel 2: "The role of net wealth taxes in promoting equality and financing the Sustainable Development Goals"

1. **The President** said that the multiple overlapping crises facing the world had contributed to the worsening of wealth inequality in most countries over the previous three decades. Extreme wealth disparity led to slower economic growth, imbalanced access to education and worse health outcomes. Taxing wealth would thus be integral to mobilizing domestic resources for investment in sustainable development and in climate action, and to reducing inequalities.

2. The Committee of Experts on International Cooperation in Tax Matters was to be commended for recognizing the importance of taxing wealth, while also acknowledging the difficulty of designing effective wealth taxes. Since 2022, the Committee had been developing guidance to assist countries in deciding on an appropriate mix of wealth taxes, in line with their capacities, priorities and economic backgrounds. That guidance would soon be published.

3. The panel discussion would be focused on net wealth taxes, namely, taxes levied on an individual's assets after the deduction of the related liabilities. Such taxes had a complex history, as some countries that had previously implemented them had decided to abandon them or render them inactive owing to concerns about their economic impact or perceived ineffectiveness in combating inequality, or to political pressure. Nevertheless, there was currently renewed interest in such taxes, as recent tax scandals had revealed the ability of wealthy individuals to engage in aggressive tax planning, which enabled them to enjoy extremely low effective rates of income tax. As a result, recent press reports had focused on the innovative idea, developed by the economist Gabriel Zucman, that billionaires should pay a minimum amount, equivalent to a certain percentage of their wealth, in income tax each year. There had also been growing interest in ordinary net wealth taxes and their potential to ensure that the wealthiest individuals contributed their fair share towards the financing of health care, education and sustainable economic development. The international community should explore all available tools, including net wealth taxes, to achieve its goal of prosperity for all.

4. **Mr. Ferreri** (Vice Minister of Economy and Finance of Uruguay and General Director of the Uruguayan Tax Administration), moderator, said that, because of rising inequality, countries were increasingly considering the imposition of annual net wealth taxes. However, taxing wealth could be complex, given the difficulty of designing and implementing appropriate laws on the matter. Governments should carefully explore the imposition of wealth taxes in accordance with the requirements of their tax systems, so as to make the most efficient use of their limited administrative resources and political capital. Policy design and administrative aspects were crucial to ensuring the success of wealth taxation, and countries must determine both the appropriate rates and methods of such taxation. Net wealth taxes increased progressivity in the tax system, encouraged more productive use of assets and helped to boost the economy. The additional revenue collected, if invested, could then foster sustainable development. The panel discussion would therefore be focused on the role of net wealth taxes in advancing and financing the Sustainable Development Goals.

5. **Mr. Hebous** (Deputy Division Chief of the Fiscal Affairs Department of the International Monetary Fund (IMF)), panellist, said that high income- and wealth-related inequality was one of the major challenges facing policymakers and countries worldwide. Although government spending was critical to targeting such challenges at the lower end of the income distribution, tax policy was necessary to address such challenges at the higher end of that distribution. An inclusive tax policy, resulting in some degree of progressivity, the lowest possible level of distortion and an appropriate level of revenue for addressing inequality, was necessary.

6. Although the optimal rate for wealth taxation could not be determined using a theoretical framework or empirical data, until recently economists had considered that rate to be zero, given the negative impact of wealth taxes on efficiency. However, it was now clear that such taxes had benefits in terms of equity that could outweigh their negative impact on efficiency, and that an effective method of wealth taxation must achieve an optimal trade-off between equity and efficiency.

7. The two types of wealth taxes were net wealth taxes, namely, taxes imposed on the value of the

difference between an individual's assets and liabilities, and capital income taxes, namely, taxes imposed on wealth returns such as interest income and capital gains. Net wealth taxes had disadvantages in terms of horizontal equity, given that, because they did not take into account wealth returns and because the level of the return on a stock of wealth could vary depending on the owner, they effectively resulted in different tax rates being applied to the same levels of wealth. Net wealth taxes also had disadvantages in terms of vertical equity, as they resulted in lower taxes being imposed on individuals whose wealth generated higher levels of returns than on individuals whose wealth generated lower levels of returns when the initial stocks of wealth owned by those individuals was the same. Moreover, because the returns on which net wealth taxes were imposed were deemed to be fixed, such taxes resulted in higher taxes being imposed on the level of return required to make an investment and on lower taxes being imposed on the level of return exceeding the level required to make an investment, thereby undermining equity.

8. Although capital income taxes did not present such challenges, the laws on which they were based contained many loopholes, resulting in varying types of tax treatment depending on income source, and in lower levels of taxation on capital gains from assets held for long periods of time. Such loopholes also resulted in varying types of tax treatment depending on the legal categorization of the business on whose income the tax was imposed, thereby enabling affluent business owners to select the businesses from which they drew their income in order to ensure preferential tax treatment. In addition, laws on capital income taxes were often difficult to enforce, and the associated loopholes had a negative impact on revenue, equity and tax administration.

9. Given the relative benefits of capital income taxes in terms of efficiency and equity, there was a strong argument to be made for addressing the challenges associated with those taxes before introducing a new, broad-based net wealth tax. Regardless of the tax used, tax administration and international coordination on tax matters should be enhanced in order to address tax sensitivity at the top of the income distribution. Although recent progress had been made in promoting the exchange of information on tax matters, more needed to be done to provide developing countries with the digital and legal infrastructure required for that purpose and to build their capacities to harness such information in order to enforce tax laws, including by establishing specialized units focused on individuals with high net levels of wealth. The quality of such information should also be improved, in particular through the development of national registries containing reliable information on beneficial ownership.

10. Enhancing the administration of capital income taxes and the enforcement of the related laws would result in higher levels of revenue and effective tax rates. That progress would then enable an increase in actual tax rates, where applicable, thereby further increasing revenue. The introduction of a net wealth tax, as a complement to the improved capital income tax, could then be considered, in particular to address the non-taxation of capital gains upon accrual.

11. **Ms. Obuoforibo** (Director of the International Bureau of Fiscal Documentation Knowledge Centre; and Member of the Executive Board of the International Bureau of Fiscal Documentation), panellist, said that, in the past, a number of countries that had adopted net wealth tax regimes had subsequently abolished them. The reasons for which they had abolished such regimes were the perceived negative impact of such regimes on savings and investment, although that perception did not always reflect the reality; the contribution of such regimes to capital flights; the high rates of evasion under such regimes; the poor design of such regimes, resulting in weaknesses such as an overly narrow tax base and, consequently, challenges relating to horizontal equity; and the burdensomeness of such regimes in terms of administration and compliance.

12. However, due to declining tax revenues following the coronavirus disease (COVID-19) pandemic and to increasing levels of wealth inequality, countries were now reconsidering the imposition of net wealth taxes and were more optimistic with regard to the potential success of such taxes for a number of reasons. First, public opinion with respect to such taxes was increasingly favourable, and enhancements in transparency frameworks, as well as digitalization, could facilitate their administration. In addition, the design of the relevant tax rules could be improved through the establishment of thresholds to ensure that the burden of such taxes was actually borne by the individuals at whom they were targeted, and through the broadening of tax bases in order to address equity-related challenges and improve the taxes' effectiveness. Rules concerning administration and compliance could also be strengthened, including through simplification.

13. To be able to successfully implement a net wealth tax, countries must have effective regimes for the taxation of capital and income from capital. They must also have, within their national tax administrations, units dedicated to the taxation of high-net-worth individuals. In addition, they must have robust property

tax regimes and reliable networks for the reporting of financial information by third parties.

14. **Mr. Uribe Bardon** (Special Advisor to the Minister in the Ministry of Finance and Public Credit of Colombia), panellist, said that his statement would be focused on the experience of Colombia as one of the few countries worldwide that had maintained a wealth tax for more than 20 years. Although Colombia had initially established such a tax in 1935, it had subsequently abolished the tax in 1992. Colombia had then re-established the tax as a temporary tax in 2002, and the tax had been extended eight times between 2002 and 2023, when the current Government, as part of a progressive tax reform, had re-established it as a permanent tax. In its various forms between 2002 and 2017, the wealth tax had been targeted at individuals and businesses, with rates ranging from 0.5 per cent to 1.5 per cent, calculated, as appropriate, on the basis of total wealth or only on the basis of the level of wealth above a certain amount. In all cases, the tax covered only a small fraction of the population.

15. The level of revenue resulting from the tax had varied between 0.1 per cent and 0.7 per cent of gross domestic product (GDP), representing 3.4 per cent of total tax revenue in Colombia. Therefore, despite the fact that, in Colombia, more than 30 per cent of the total wealth was held by 1 per cent of the population, the share of the overall income of the central Government represented by the wealth tax was relatively small, particularly compared with that represented by the income tax on businesses, amounting to 42 per cent of total tax revenue, and by the value added tax, amounting to 36 per cent of total tax revenue. Moreover, during the period in which the wealth tax had been targeted at both businesses and individuals, the vast majority of the revenue resulting from the tax had come from businesses. Accordingly, when in 2018 the tax had been modified to be targeted at individuals only, the revenue resulting from the tax as a percentage of GDP had declined from nearly 0.7 per cent to less than 0.1 per cent.

16. The wealth tax had persisted in Colombia over time for a number of reasons. First, the tax had re-emerged in 2002 as an exceptional measure aimed at funding military efforts during the intensification of the internal armed conflict in Colombia, in which illegal groups achieved significant power in relation to the Government. In subsequent years, despite the considerably reduced intensity of the conflict, the tax had, for purely fiscal reasons, been renewed repeatedly, until it had been made permanent in 2023. In addition, the extremely high levels of inequality in Colombia had made the tax socially and politically popular.

17. A number of valuable lessons could be learned from the experience of Colombia. For example, although the concentration of high levels of wealth among a small segment of the population in Colombia provided a strong justification for the wealth tax, it also prevented the revenue generated by that tax from representing a significant share of overall tax revenue in the country. That situation demonstrated that, in developing countries with high levels of inequality, wealth taxes had greater value in terms of their redistributive impact than in terms of their ability to generate revenue, particularly when they were only targeted at individuals. The experience of Colombia had also shown that wealth taxes could only be effective in the presence of strong laws on tax evasion, in order to prevent the wealthiest citizens from underreporting their wealth, converting their wealth into types of assets that were easier to conceal and registering it as such, and transferring their wealth to countries with low tax rates.

18. Strong international cooperation on tax matters was required to ensure that national wealth taxes achieved their full potential in terms of revenue generation. In that regard, it was essential to establish international agreements in order to reduce the incentives for the individuals with the highest income levels to move to countries with low tax rates, to the detriment of countries that imposed progressive taxes on such individuals. A global registry of assets, including real estate assets and non-financial assets, and of beneficial owners could also help to improve the effectiveness of national wealth taxes. A more radical step, as proposed by the Minister of Finance of Brazil at a recent meeting of the finance ministers and central bank governors of the members of the Group of 20, would be to establish a wealth tax at the global level, targeted at the individuals with the highest income levels worldwide, without distinction as to nationality or place of residence, in order to eliminate any incentives for such individuals to transfer wealth artificially between countries for the sole purpose of reducing their tax liabilities.

19. The discussions being held at the United Nations on the drafting of terms of reference for a framework convention on international tax cooperation provided a unique opportunity to implement solutions at the global level to ensure the effective operation of a wealth tax. Strong international tax cooperation was necessary to guarantee the progressivity of national tax systems. Consequently, Colombia, as a member of the bureau and Rapporteur of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, had demonstrated its unwavering support for that initiative and had proposed

that the framework convention on international tax cooperation include commitments to progressivity, transparency and the exchange of information. The Committee of Experts on International Cooperation in Tax Matters should also present a model wealth tax to the members of the Ad Hoc Committee. In that connection, in 2023 Colombia had, in conjunction with other countries of the region, established the Regional Tax Cooperation Platform for Latin America and the Caribbean. Strengthened tax cooperation was the only means by which to ensure that countries had the resources necessary to improve the quality of life of their citizens, achieve the Sustainable Development Goals and reduce the persistent and unacceptable levels of inequality at the national and global levels.

20. **Mr. Maftuchan** (Executive Director of Prakarsa, in Indonesia), panellist, said that a wealth tax was required in order to increase equity and distributive justice, as the concentration of wealth among a small number of individuals negatively affected socioeconomic well-being. A wealth tax could enhance the social contract, address the current asymmetrical taxation system, foster a fair and inclusive economy, and reduce income gaps and socioeconomic disparities. A wealth tax was also required to increase revenue for public services and financing for development, including for the implementation of the Sustainable Development Goals, particularly given the reduction in tax revenues and increase in fiscal deficits caused by the COVID-19 pandemic. Such a tax would help to broaden the tax base in order to improve the financing of essential services and alleviate debt, and, unlike the regressive indirect taxes used by many countries during the recovery from the pandemic, would not have a disproportionate effect on the poor.

21. Wealth taxes applied to wealth holdings, transactions involving the transfer of wealth and the appreciation of wealth stemming from capital gains. Such taxes were necessary to address the asymmetry of the tax burden borne by ultrarich individuals and working-class individuals as a result of the unequal tax rates applied to active and passive income. Owing to that inequality, although ultrarich individuals paid more of their income in taxes in nominal terms than working-class individuals, working-class individuals paid a greater proportion of their income in tax than ultrarich individuals. Although most countries used progressive taxation systems, the application of such systems remained asymmetrical, as active and passive income were subject to different tax regimes. For example, unlike active income, passive income was primarily subject to final income tax. The range in the tax rates applied to active and passive income reflected the inequality of those rates. For example, in South-East Asia, tax rates on active income ranged from 5 per cent to 35 per cent, while tax rates on passive income ranged from 0.1 per cent to 20 per cent.

22. The introduction of a wealth tax could generate high levels of revenue. He therefore urged the United Nations and its Member States to formulate a wealth tax policy. Such a tax would ideally be a straightforward annual tax on net individual wealth, to be applied at a progressive rate, as follows: 1 to 2 per cent for net worth of between $1 million and $5 million; 3 per cent for net worth of between $6 million and $10 million; 4 per cent for net worth of between $11 million and $30 million; 5 per cent for net worth of between $31 million and $100 million; and 10 per cent for net worth of above $101 million.

23. Although opponents of wealth taxes often argued that such taxes could cause capital flights, investment disincentives and tax avoidance, such issues were more likely to occur in a scenario in which tax havens existed than in a scenario in which all countries imposed a wealth tax. He therefore supported the inclusion of a wealth tax in the United Nations framework convention on international tax cooperation. Moreover, there was a global consensus on the need to tax the income and wealth of the richest individuals, as the Addis Ababa Action Agenda of the Third International Conference on Financing for Development provided for the construction of progressive tax systems that promoted fairness. The United Nations, including the Economic and Social Council, must support countries in their efforts to build such systems. The Council, in particular, must provide a forum for Member States to share their experiences in order to promote effectively designed wealth taxes, including broader tax bases and measures to reduce valuation costs and liquidity risks, as well as tail provisions. Transparency standards must be incorporated into the United Nations framework convention on international tax cooperation, as they could enhance countries' ability to tax capital income and assets, facilitating the sharing of information on foreign financial assets among tax authorities at the global level, and preventing individuals from evading taxes by concealing assets overseas.

24. Prakarsa advocated tax justice in conjunction with civil society organizations worldwide, including through the Civil 20 engagement group, in which it had urged the leaders of the members of the Group of 20 to implement a wealth tax. Prakarsa was open to collaborating with the United Nations and other stakeholders to promote the global implementation of such a tax. A global policy on wealth taxation must be developed through an open process involving

stakeholders and Member States, especially developing countries and non-State actors.

25. **Ms. Payne** (Founder and President, Patriotic Millionaires), respondent, said that Patriotic Millionaires was a powerful and growing network of nearly 1,000 millionaires from across the world who were issuing public and private warnings about the threat posed by the concentrated wealth and power of the global billionaire class and calling on Governments to tax extreme wealth. Such work did not represent philanthropy but was rather in the best interests of the millionaires concerned, as it would help to protect the world from the rise of the far right and thus preserve liberal democracy, justice and basic human freedom.

26. Extreme wealth and extreme poverty were on the rise, as the tax rates imposed on the ultrarich had declined worldwide. As a result, the richest 1 per cent of people had accumulated half of all the new wealth created over the previous decade. Similarly, while since 2020 five billionaires had doubled their wealth, 5 billion of the world's poorest had become poorer. There were no benevolent or public-minded billionaires; a wealth tax was therefore essential in order to save the planet.

27. **Mr. Troya Gonzalez** (Member of the Committee of Experts on International Cooperation in Tax Matters), respondent, said that the Subcommittee on Wealth and Solidarity Taxes, of which he was Coordinator, had developed, with the support of the Department of Economic and Social Affairs, guidance on public policy options that could be introduced in relation to wealth taxation, with a focus on the taxation of the net wealth of individuals; justifications for the introduction, reform or maintenance of wealth taxes and the various ways to do so; the advantages and disadvantages of wealth taxes; and administrative aspects, countries' experiences and special considerations in the introduction of wealth taxes indefinitely or on a one-time basis, to assist in crisis situations.

28. The Subcommittee had considered the feedback received on the first draft of the guidance and had prepared a new version that would hopefully be approved by the Committee of Experts on International Cooperation in Tax Matters at its upcoming session. With the adoption of the guidance, together with the possible issuance by the Committee of a model law, countries would be better equipped to give serious consideration to the introduction of wealth taxes and would have a valuable tool to complement other tax and non-tax measures relating to inequality.

29. Countries should introduce, as soon as possible, well-designed wealth taxes with flexible rules according to which coverage could be expanded in certain extreme circumstances and reduced to a minimum in other circumstances. Such extreme circumstances would encompass not only economic, social and health crises and natural disasters, but also periods in which certain activities generated extraordinary increases in wealth. As a result, extraordinary increases or decreases in wealth would be distributed more fairly, and there would be more confidence in the tax system.

30. **Mr. Protto** (Observer for Argentina) said that his country was open to exploring different ways in which international taxation could contribute to the achievement of the Sustainable Development Goals. However, the impact of the introduction of new taxes on both domestic tax systems and the economy as a whole should be carefully measured, particularly with respect to investment and trade. In certain cases, although wealth taxes could generate an increase in countries' tax revenue, they could also have the opposite effect and hinder the sustained development of the economy. The co-existence of income taxes and wealth taxes could give rise to multiple taxation. Depending on their design, wealth taxation regimes could be regressive, negatively affecting people with lower incomes and undermining the principles of equality and equity.

31. At its forthcoming session, the Committee of Experts on International Cooperation in Tax Matters would have the opportunity to adopt guidance that would enable countries interested in introducing wealth taxes to consider the policy implications thereof and to gain a better understanding of the potential impact on their economies and tax systems. Argentina therefore recommended that the Committee adopt that guidance and that all interested countries read it.

32. **Mr. Chowdhary** (Observer for the South Centre) said that the recent work by the Committee of Experts on International Cooperation in Tax Matters regarding the taxation of wealth was highly welcome, especially given the current times of unprecedented wealth inequality. The South Centre also welcomed the detailed draft guidance produced by the Subcommittee on Wealth and Solidarity Taxes on the design of net wealth taxes and called for its approval by the Committee at its forthcoming session. All Member States, both developed and developing, should use that guidance when considering the introduction wealth taxes.

33. Resource-constrained tax administrations, especially in developing countries, might find it hard to absorb the 100-plus pages of guidance and translate them into domestic law. Developing country members of the Committee had therefore been calling for a United Nations model wealth tax law based on the guidance. A first draft of the outline of such a model law had already

been prepared, and the support of the Committee was required to proceed. A United Nations model wealth tax law could greatly accelerate and facilitate the adoption of wealth taxes around the world and was an urgent requirement to address the extreme concentration of wealth in the world. The South Centre welcome the proposed timeline of completing the first draft of the entire model law by October 2024, with a view to finalizing it by March 2025.

34. The South Centre commended Brazil for its leadership in the Group of 20 in proposing a global minimum wealth tax, an idea also supported by Colombia and the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development. A United Nations model wealth tax law could provide the technical foundation for taking that idea forward, and a United Nations framework convention on international tax cooperation could provide the legal basis for its global and effective implementation.

35. **Mr. Pinder** (Observer for the Bahamas) said that wealth taxation was difficult to design and implement, especially in small developing countries with limited resources and narrow economies. For such countries, tax competition played an important role in generating inward economic investment. Furthermore, the use of tax preferences and incentives could be effective in attracting investment and promoting economic growth in small economies. The risk of capital flight because of a wealth tax could be devastating for small, vulnerable developing countries. Given those sensitivities, a combination of creative tax regimes should be used to achieve the Sustainable Development Goals and secure financing for loss and damage from the climate crisis.

36. Environmental taxes, also known as carbon taxes, provided a clear financial incentive for companies and individuals to reduce their carbon emissions, which could lead to innovative solutions and technological advances in clean energy and other sustainable practices. Such taxes could help to level the playing field not only for renewable energy sources, making them more competitive with fossil fuels, but also between high-emitting developed countries and low-emitting developing countries. They could also help to finance the implicit vulnerabilities experienced by small island developing countries.

37. When designing new elements of taxation, the concerns and vulnerabilities of developing countries from the global South must be considered. The implementation of new tax regimes was very difficult for those countries, as they frequently had to create the regimes from scratch, with limited domestic technical skills to support them. For large developing countries, implementation was much easier and the cost of implementation was immaterial. Such factors were important to consider in the work towards a comprehensive global tax solution that was fair and equitable for all countries.

38. **Mr. Antunes** (Brazil) said that wealth taxation was being discussed not only because of the need to increase revenue mobilization to achieve the Sustainable Development Goals, but also as part of the analytical work on forms of wealth taxation, which had improved significantly in the past decade or so. Countries should take into consideration the analytical work to be carried out by the Group of 20, which had commissioned Gabriel Zucman, an economics professor, to develop a proposal on how to tax the super-rich.

39. **Mr. Hebous** (Deputy Division Chief of the Fiscal Affairs Department of the International Monetary Fund (IMF)) said that, to facilitate the discussions, he wished to highlight the difference between a broad net wealth tax and a net wealth tax on the super-rich, with the term “super-rich” defined as the richest 0.01 per cent. A net wealth tax on the super-rich would be easier to administer because the number of taxpayers was lower. It might have fewer effects on entrepreneurship because most entrepreneurs would not be affected by it. According to the European Union Tax Observatory, in its *Global Tax Evasion Report 2024*, about 50 per cent of the top 2,800 wealthiest individuals were in Europe and North America, and a 2 per cent tax on their wealth would raise about 0.2 per cent of world GDP. Consideration would need to be given to how to implement such a global super-rich wealth tax within countries in conjunction with international coordination, and how to ensure that developing countries could tax the super-rich in their own countries with ease.

40. **Ms. Obuoforibo** (Director of the International Bureau of Fiscal Documentation Knowledge Centre; and Member of the Executive Board of the International Bureau of Fiscal Documentation) said that there was no doubt that there was a great appetite for taxing wealth. A wealth tax was not a stand-alone tax; by its nature, it must interact to some extent with other domestic tax regimes, such as those for capital gains, inheritance and real property. A wealth tax would also interact with other kinds of regimes, such as those for land tenure, inheritance, succession and trusts. It would be challenging to draw up a wealth tax without having reference to all those other regimes. The guidance to be put forward by the Subcommittee on Wealth and Solidarity Taxes would be helpful in addressing those issues.

41. **Mr. Uribe Bardon** (Special Advisor to the Minister in the Ministry of Finance and Public Credit of Colombia) said that, in a context of very high inequality, it made sense to tax wealth, and the question was how to do so. To ensure that wealth taxes applied only to persons with very high incomes, the base must be very limited. Such taxes had risks for small developing countries, and international cooperation in that regard was vital. Having applied a national wealth tax, Colombia had come to the conclusion that the only way for such a tax to prosper, be efficient and achieve its full potential was through tax cooperation. Thus, Colombia had over the past year been leading the Regional Tax Cooperation Platform for Latin America and the Caribbean, which had been discussing various policy options for reducing inequalities in member countries through tax cooperation.

42. **Mr. Maftuchan** (Executive Director of Prakarsa, in Indonesia) said that civil society organizations were advocating tax justice across the globe. Through its research, Prakarsa had found that 70 per cent of members of Parliament in Indonesia supported a wealth tax but needed to consider further how such a tax could be implemented. The role of civil society organizations was to campaign for wealth taxes as a moral obligation. Civil society organizations were able to work closely with Governments, the United Nations and international organizations on the technical aspects of wealth taxation. Such aspects needed to be combined with the political and social aspects because taxation was a political choice to some extent. No single taxation system was perfect; there was still a need to improve taxation systems and adapt them to the dynamics of economies and societies. In so doing, the main consideration must be how to finance development and ensure a sufficient budget to deliver essential services. He was optimistic about the commitment demonstrated to the implementation of wealth taxes.

43. **Ms. Asuncion** (Observer for the Philippines) said that a number of proposals on a net wealth tax or a windfall tax had been made in her country in recent years, but they had been unsuccessful because they were not based on evidence or backed by data. Most of the proposals were politically motivated, making it difficult to pass them into law. A straight tax based on net worth had been seen as too simplistic, because a single rate would be imposed without any consideration as to what constituted wealth and how such a tax would eventually be administered, and there were fears that it would drive capital out of the country. Her Government sought to reduce inequalities in the domestic tax system by rationalizing personal income taxes to address bracket creep; taxing the super-rich with the highest rate; imposing passive income taxes, estate and donor taxes, and excise taxes on some luxury items; and locally imposing a real property tax. Discussions on funding the Sustainable Development Goals through the imposition of a wealth tax should take into consideration the ability of all tax administrations to implement a wealth tax, the equitable imposition of such a tax and the need to accompany such a tax with tax transparency tools and other mutual administrative assistance measures to ensure its effectiveness.

44. **Ms. Zamora Zumbado** (Costa Rica) said that, in 2018, ambitious tax reforms with measures for increased and more progressive revenue had been undertaken in her country. However, the COVID-19 pandemic had aggravated tax vulnerabilities, with revenue falling sharply while health spending and social protection needs had increased, prompting her Government to continue to review and improve its tax system. Costa Rica therefore participated actively in the Inclusive Framework on Base Erosion and Profit Shifting and the Global Forum on Transparency and Exchange of Information for Tax Purposes, and had adopted international standards and recommendations relating to automatic information-sharing, beneficial ownership identification and tax evasion prevention. Costa Rica had also participated in Tax Inspectors Without Borders with a view to strengthening tax administration and combating illicit financial flows.

45. Through its tax strategy for the period 2022–2026, her Government was seeking to increase tax revenue by 1.1 per cent of GDP, mainly by eliminating tax exemptions on capital income and increasing tax rates for global income, capital repatriation, dividends to State-owned companies and luxury real estate. It was hoped that such measures would reduce income inequalities, improve tax management and collection, and enable significant investment in programmes, equipment and personnel training.

46. In the upcoming discussions on international tax cooperation, due consideration should be given to potential duplication of efforts in international initiatives, and careful use should be made of existing agreements and frameworks. Such an approach would ensure that tax cooperation efforts were agile, effective and aligned with established frameworks. The United Nations, and the Council in particular, had an important role to play in identifying gaps and challenges, facilitating peer learning and fostering inclusive and comprehensive discussions. Fair and progressive tax systems that were resilient to the emerging challenges of globalization and the multiple crises facing the world could be built only with continued collaboration and open dialogue.

47. **Ms. Muendo** (Observer for Tax Justice Network Africa) said that tax transparency was central to the success of wealth taxation both globally and domestically. As progress was made towards a framework convention on international tax cooperation, more emphasis should be placed on beneficial ownership, not only for companies but also for other legal vehicles for holding wealth, such as trusts and foundations. The issue of beneficial ownership had been addressed mainly at the international level, under the leadership of the Financial Action Task Force. Improving beneficial ownership at the domestic level would help to address the data gaps faced by many countries, in particular developing countries, in the implementation of wealth taxation. It should be borne in mind that politically exposed persons were the ones holding most of the wealth in some countries, especially developing countries, making it difficult for those countries to introduce wealth taxation.

48. **Mr. Hebous** (Deputy Division Chief of the Fiscal Affairs Department of the International Monetary Fund (IMF)) said that his main takeaways were that priority should be given to improving capital income tax and tax administration and that consideration should be given to a net wealth tax as a way to improve capital income tax.

49. **Ms. Obuoforibo** (Director of the International Bureau of Fiscal Documentation Knowledge Centre; and Member of the Executive Board of the International Bureau of Fiscal Documentation) said that her takeaway was that there was a clear appetite for a tax on wealth, but policy questions remained regarding how to design and implement such a tax. Developing countries would clearly face challenges in introducing and implementing brand new taxes. She wondered whether a wealth tax was always the best tool for taxing wealth or whether other existing systems for taxing income could be used instead. If a wealth tax were to be implemented, it would be necessary to take into account the recent history of wealth taxes across the world in terms of where they had succeeded and failed, the unique characteristics of such taxes and the policy and implementation challenges.

50. **Mr. Uribe Bardon** (Special Advisor to the Minister in the Ministry of Finance and Public Credit of Colombia) said that his main takeaway was that there was consensus on the need to develop tax policies that contributed to reducing inequality. Complex technical discussions were being had on the best ways to do so. One such way was a wealth tax, which must be carefully designed for it to make a real contribution to reducing inequalities and to not generate any undesired effects on public policy.

51. **Mr. Maftuchan** (Executive Director of Prakarsa, in Indonesia) said that the main issue was how to move forward on a United Nations tax convention while ensuring tax justice, namely, through a wealth tax. If faster progress was made, financing for the Sustainable Development Goals would be mobilized sooner and the Goals would get back on track.

52. **Mr. Ferreri** (Vice Minister of Economy and Finance of Uruguay and General Director of the Uruguayan Tax Administration) said that it was clear from the historical level of inequality and the rise in the level of public debts that tax systems were not collecting enough money to finance public services and were not successful in combating inequality. Changes therefore needed to be considered.

53. The debate on how and how much to tax wealth must continue. It was fundamental to learn from the experiences of countries that were pursuing wealth taxation. Taxing wealth would undoubtedly generate more resources to finance public policies and thus provide more opportunities for citizens, especially those most in need. Reducing inequality also benefited the richest members of society, because living in a cohesive society was better for everyone. Building strong and sustainable democracies was financed by resources, and such resources must be raised in a way that contributed to reducing inequality.

54. International organizations, especially the United Nations, could play an essential role in creating spaces for the exchange of experiences and knowledge and assisting developing countries. The Committee of Experts on International Cooperation in Tax Matters was currently developing guidance on the design and administration of policies, with practical examples and tools, which would hopefully be useful for developing countries. Its publication, expected by the end of 2024, would be an important step forward.

Conclusion of the special meeting

55. **Mr. Li** Junhua (Under-Secretary-General for Economic and Social Affairs) said that, during the special meeting, the Council had heard about the pressing need to strengthen international cooperation by making it fully inclusive and more effective. The international tax system needed to respect countries' tax sovereignty and adjust to the way in which markets operated and business was conducted in the modern world. Establishing transparent international tax rules and processes that responded to the needs, priorities and capacities of all countries was key. Enhancing the legitimacy, stability, resilience and fairness of international tax rules would enable countries to better

combat tax evasion and avoidance and illicit financial flows, and thus help to fill some of the finance gaps that were hampering progress towards the achievement of the Sustainable Development Goals.

56. Participants had underscored the urgent need for agreed solutions to current tax challenges and had highlighted the complexity of current international tax rules for many developing countries. They had stressed the importance of simpler, easier-to-administer rules, the need for fair income allocation and the practical value of a United Nations framework convention on international tax cooperation. The discussions on the potential of wealth taxation as a tool for domestic resource mobilization were welcome. Participants had highlighted the potential of net wealth taxes to increase public revenue for investment in sustainable development and to increase equity and distributive justice. There was a chance to learn from the past and make better policy design choices and to leverage advancements in technology.

57. **The President** said that the discussions during the special meeting had underscored the urgent need for collaborative action to get the Sustainable Development Goals back on track and ensure a more equitable, inclusive and sustainable future. During the first panel discussion, insights had been offered on the need to foster inclusive and effective international tax cooperation at the United Nations. The establishment of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation had been a landmark decision. Panellists and speakers had highlighted the likely impact of the framework on developing countries and its potential to advance the reform of the international financial architecture.

58. During the second panel discussion, the critical issues of wealth inequality and the potential of net wealth taxes to promote equality and finance the Goals had been addressed. Participants had highlighted the alarming trend of increasing wealth concentration and its detrimental effects on equality, and had illustrated how policy design and international cooperation could work hand in hand to improve net wealth taxes.

The meeting rose at 4.55 p.m.