

BUSINESS

G20 finance ministers agree to work toward effectively taxing the super-rich

Finance ministers from leading rich and developing nations have agreed to strive toward effectively taxing the super-rich

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By ElÉonore Hughes | AP

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RIO DE JANEIRO — Finance ministers from leading rich and developing nations agreed Friday to strive toward effectively taxing the super-rich, a joint ministerial declaration said.

“With full respect to tax sovereignty, we will seek to engage cooperatively to ensure that ultra-high-net-worth individuals are effectively taxed,” the declaration said after the two-day meeting in Rio de Janeiro.

Brazil has made a proposal to impose a 2% minimum tax on billionaires a top priority of its presidency of the Group of 20, ahead of the Nov. 18-19 summit in Rio.

While the final declaration stops short of agreeing on a specific global tax, Brazilian Finance Minister Fernando Haddad nevertheless called it a “significant step forward.”

“We were always optimistic about this result, but it really exceeded our initial expectations,” Haddad told reporters.

Brazil’s proposal to tax billionaires has divided G20 nations. France, Spain and South Africa have expressed support, while the U.S. is against.

“Tax policy is very difficult to coordinate globally, and we don’t see a need or really think it’s desirable to try to negotiate a global agreement on that,” U.S. Treasury Secretary Janet Yellen told journalists Thursday.

Governments fear the super-rich would transfer their money to tax havens if a country individually adopted such a tax, said economist Rogério Studart, a senior fellow at the Brazilian Center for International Relations think tank.

“When action is done collectively, everyone wins. When there is fragmentation, many lose,” Studart said.

The richest 1% have amassed \$42 trillion in new wealth over the past decade, nearly 36 times more than the entire bottom 50% of the world's population, according to an Oxfam analysis released Thursday ahead of the finance ministers' meeting.

Billionaires currently pay the equivalent of 0.3% of their wealth in taxes, according to a report by Gabriel Zucman, commissioned by Brazil. A 2% tax would raise \$200 billion to \$250 billion per year globally from about 3,000 individuals, money that could fund public services such as education and health care as well as the fight against climate change, the report said.

Zucman, who is the founding director of the Paris-based EU Tax Observatory, celebrated the outcome of the finance ministers' meeting.

"For the first time in history, there is now a consensus among G20 countries that the way we tax the super-rich must be fixed, and a commitment to work together for this. It's an important step in the right direction," he said in a statement.

NGOs also welcomed the declaration, while encouraging further action at the G20 summit in November.

Extreme weather events made more likely by climate change are expected to cost "trillions of dollars every year and it is outrageous to expect that the regular taxpayer should pay for it," Camila Jardim, a international politics specialist with Greenpeace Brazil, said in a statement.

Brazil has put inequality, poverty and hunger at the heart of its presidency of the G20. President Luiz Inácio Lula da Silva defended the need for increased taxation of the world's richest in Rio on Wednesday when he unveiled plans for a global alliance against hunger and poverty.

Brazil is also pushing for changes in global governance institutions and advocating for a sustainable energy transition.

On the sidelines of the discussions around taxation, Haddad and Yellen on Friday announced the launch of a climate partnership between Brazil's Ministry of Finance and the U.S. Treasury.

It will seek "to address today's most pressing environmental challenges and strengthen the region's green economy," Yellen said, citing efforts to bolster clean energy supply chains and improve the integrity and effectiveness of the voluntary carbon market.