Presentation at the G20 Civil Society Meeting: Fiscal Justice and the G20

The Center for International Corporate Tax Accountability and Research (CICTAR) has been a part of civil society discussions on international taxation proposed under the Brazilian's presidency of the G20. The culmination of these discussions will be at the "Civil Society Meeting on G20 and International Taxation" that will be held in Brasilia on May 22-23rd. At this event, a group of 42 Civil Society Organizations, including CICTAR, will present 11 recommendations to the G20 presidency to help foster fair, effective, transparent, and inclusive international tax cooperation.

At the event in Brasilia, CICTAR will present some preliminary research findings, examining dividend payments in Brazil and how they connect with the proposal for implementation of a wealth tax, being pushed by the Brazilian government. As a research center that specializes in identifying aggressive tax minimization strategies all over the globe, CICTAR views the emergence of this wealth tax as an important step in making sure the multinationals and their owners pay their fair share. However, our research shows the importance of coordinating national, regional, and international efforts for tax justice.

In this blog, we outline some of our preliminary findings, and outline the methodology, behind the presentation we will make in Brasilia.

It is important to note that we are not making any accusation of illegality, or of behavior that is anything out of the ordinary. The facts laid out below simply represent the consequences of policy decisions taken by the Brazilian government.

Our top line finding is that, despite the pandemic and economic crisis of the past five year in Brazil, **five Brazilian billionaire families have accumulated at least R$ 22.1 billion (US$4.27 billion) through tax free dividend payments in the last five years.** This is due to these families receiving dividends from companies they founded. Unlike most of the rest of the world, dividends are not taxed in Brazil. If Brazil taxed dividends at the same average rate as Europe, 24%[1], we

[1] A value of 24% refers to the average of European countries that are part of the OECD. https://taxfoundation.org/data/all/eu/dividend-tax-rates-europe-2022/

believe that the government could have raised at least R$5.3 billion by taxing just these five families. This amount is equivalent to the annual budget of the National School Meals Program, which serves more than 40 million public school students with daily meals[2].

This demonstrates a structural issue in Brazilian income distribution: 60% of the income of Brazil's Top 1% is made up of dividends alone[3]. Therefore, the taxation of dividends should be introduced as a fundamental step in the fight against inequalities in the ongoing Brazilian tax reform.

Methodology

According to Forbes data from March 2024[4], the 20 biggest Brazilian billionaires have accumulated a fortune of R$778.5 billion. This accumulation is, in large part, related to the control of a specific company, presented in Table 1, which they founded or inherited. It is important to remember that billionaires usually have a diversified portfolio and any income from other investments is not included in this analysis.

Table 1: Top 20 billionaires and their companies

Ranking	Nome	Companhia
1	Eduardo Saverin	Facebook
2	Vicky Safra & family	Banco Safra
3	Jorge Paulo Lemann & family	3G capital
4	Marcel Herrmann Telles & family	3G capital
5	Calos Alberto Sicupira & family	3G capital
6	Fernando Roberto Moreira Salles	Itaú Unibanco
7	Pedro Moreira Salles	Itaú Unibanco
8	André Esteves	BTG Pactual
9	Alexandre Behring	3G capital
10	Miguel Krigsner	Grupo Boticário
11	Walther Moreira Salles Junior	Itaú Unibanco
12	Joao Moreira Salles	Itaú Unibanco
13	Jorge Moll Filho & family	Rede D'Or
14	Alceu Elias Geldmann & family	Fertipar
15	Maurizio Billi	Eurofarma
16	Joesley Batista	JBS
17	Wesley Batista	JBS
18	José Joao Abdalla Filho	Banco Classico
19	Lírio Parisotto	Innova
20	Alexandre Grendene Bartelle (& family)	Grandene

2 Amount of R$1.305 billion taken from the Siga Brasil portal (29042024) https://www12.senado.leg.br/orcamento/sigabrasil
3https://www.cnnbrasil.com.br/economia/super-rico-brasileiro-ganha-mais-de-r-300-mil-por-mes-e-pode-chegar-ar-16-mi/
[4] https://www.forbes.com/real-time-billionaires/#24c60f5e3d78 data extracted on March 15, 2024.

Source: Forbes, The World's Real Time Billionaires, and own research

The ranking created by Forbes often aggregates family fortunes into a single line, but sometimes separates families. In this study, we kept the same ranking as Forbes, with only one change: the sum of the fortunes of Pedro and Alexandre Grendene, given that this family has majority control of the company Grendene, but Pedro appears separately from Alexandre on the Forbes list.

In an ideal scenario of transparency of financial information, it would be possible to estimate all the dividends received by all the billionaires on the list. However, of the 13 companies listed, it is only possible to estimate the dividends distributed by five corporations to five families with publicly available information. **This estimation was carried out by multiplying the percentage of share control with the sum of dividends distributed by the company between 2019 and 2023.**

The two biggest obstacles to transparency are:

1) the non-publication of annual reports to extract dividend distribution values, as private companies[5] are not required to publish.
2) data on the shareholding composition of companies is not always published or presented in a transparent manner.

Within the limitations described in the methodology, it was possible to estimate the dividends received by five families between 2019 and 2023, as shown below.

Table 2: Billionaires and their companies: share control and dividends received (2019-2023) - Values in billions of reais.

Family - Company	Shares (%) (A)	Total Company Dividends (2019-2023) (B)	Total Family Gain (2019-2023) (A*B)
Batista Family - JBS	48.62	R$ 15.53	R$ 7.55
Safra Family - Banco Safra	100	R$ 5.52	R$ 5.52
Moreira Salles Family - Itau Unibanco	8.75	R$ 62.28	R$ 5.45
Moll Family - Rede D'Or	45.6	R$ 4.66	R$ 2.13
Grendene Bartelle Family - Grendene	69.48	R$ 2.11	R$ 1.46
		R$ 90.10	**R$ 22.11**

Source: Forbes, The World's Real Time Billionaires and company annual reports

[5] A private company is a company whose shares are not publicly traded on the respective listed markets, but rather the company's shares are offered, held, traded, exchanged privately.

Corporate tax: another challenge to increasing taxation.

A tax on dividends is a necessary but not sufficient step to change this scenario. Tax avoidance by multinationals is estimated to cost countries US$480 billion globally per year[6]. Global corporate tax revenue losses from the shifting of profits to tax havens grew from 2% in 1990 to 10% of global tax revenue collected in 2020[7].

Taxing Wealth of the Super rich

Fighting these practices will require a combination of national, regional, and international efforts. The most-high profile international initiative is the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), created by the G20 and OECD. The incipient implementation of a 15% minimum tax for multinationals, emerging from this process, is a step in the right direction.

However, these are long-running problems. Decades of underpaid taxes have underfunded public policies and increased the fortunes of billionaires, contributing to growing inequality in Brazil and around the world.

To address this issue, Brazil's leadership in the G20 is proposing the taxation of the fortunes of the super-rich[8]. There are several different ways this taxation would go. The economist, Gabriel Zucman has presented to the G20 leadership the EU Tax observatory's[9] proposal for top-up to the individual income tax to ensure a minimum of 2% of tax on the wealth of billionaires. This proposition has a potentially compensatory effect, given that unpaid taxes today and in the past – for example, for dividends in Brazil – end up in the fortunes of the billionaires and would be finally taxed. However, given that the path to global taxation of the super-rich will likely be long and will face opposition, and that it is not clear how the resources from this new tax would be allocated, it would be much easier, and quicker, for Brazil to tax dividends and guarantee that this revenue will remain in the country.

The need to coordinate efforts to achieve fiscal justice

Even if successful, efforts to curb corporate tax avoidance will not reverse the inequality created over many decades of wealth concentration. The next step must be the taxation of the great fortunes of the super-rich and billionaires, the great beneficiaries of the historic lack of international cooperation when it comes to taxation. International consensus on this issue is growing, with experts emphasizing the popularity of this taxation as a path to tackling the climate

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6https://taxjustice.net/reports/the-state-of-tax-justice-2023/#:~:text=Key%20findings,tax%20abuse%20by%20wealthy%20individual

7 https://www.taxobservatory.eu/publication/global-tax-evasion-report-2024/

8 https://www.g20.org/pt-br/noticias/economista-gabriel-zucman-propoe-que-bilionarios-paguem-pelo-menos-2-de-impostos-sobre-suas-fortunas-anuamente

9 https://www.taxobservatory.eu/www-site/uploads/2023/10/global_tax_evasion_report_24.pdf

crisis and poverty[10]. Surveys in the United Kingdom[11] and in the United States[12] demonstrate majority support among the population for this proposal, and in Brazil, 84% of the Brazilian population[13] is in favor of increasing taxes on the super-rich to finance essential services.

The tax system has enormous potential for social justice if it ensures that everyone pays their taxes according to their capabilities. One clear first step is for Brazil to implement a tax on dividends. As this analysis has demonstrated from just five families, there are potentially billions in additional income to fund essential public services, reduce income inequality and begin a transition to an equitable and sustainable future. However, a tax on dividend income in Brazil must be part of a broader national, regional, and global approach to implementing wealth taxes, reducing corporate tax loopholes, and reducing inequality.

[10] https://www1.folha.uol.com.br/ilustrissima/2024/04/taxacao-de-bilionarios-nao-e-mais-de-direito-ou-esquerda-diz-nobel-de-economia.shtml
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[13] https://www.oxfam.org.br/noticias/84-dos-brasileiros-defendem-aumento-de-impostos-para-super-ricos-para-financiar-servicos-essênios/