TAX THE SUPER-RICH FOR THE RIGHT TO THE CITY!



Inequality in Brazilian cities is evident: a few live in luxury while the majority face precarious conditions. High-end apartments drive up rents, displacing long-time residents. This scenario reflects an injustice that must be addressed.

The wealthiest 1% in Brazil hold nearly half of the country's wealth, while millions struggle to survive. This concentration worsens social exclusion in urban areas.

During the recent G20 Finance Ministers' meeting, Brazil proposed a 2% tax on the ultra-rich, which could generate $250 billion annually. These funds could improve infrastructure, housing, and community services.

Taxing the ultra-rich is the first step towards returning our cities to those who truly need them—because while they accumulate fortunes, we are fighting to survive.

Sérgio Veloso,
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Who Are the Super-Rich in Brazil?

Before moving forward, it's important to understand who the super-rich in Brazil are. We're not talking about those who own a house or a used car, but about the top 1% who hold almost half of the country's wealth. In a country of 212 million people, this group represents about 2.1 million individuals.

Now, take a look at the graph below. If you earn R$5,000 a month, you might be among the top 20% or 30%, but you're still far from being super-rich. The top 1% earn an average of R$40,000 per month, while the poorest earn only R$600 per month. This shows the deep inequality in Brazil.

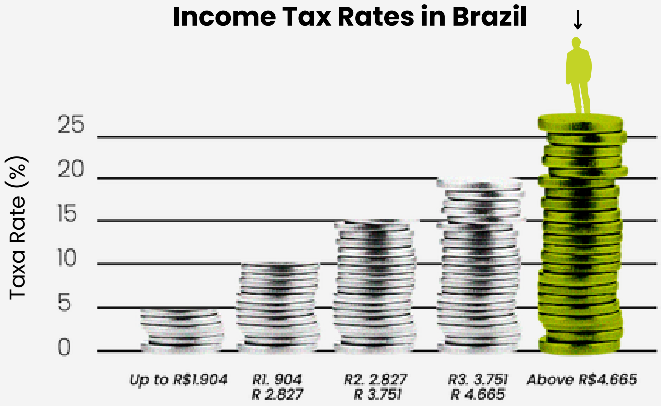
Income Distribution in Brazil

Source: http://wind.wolrd/income-comparator/

Why Is It Important to Tax the Super-Rich?

Income tax in Brazil works like a staircase: those who earn less pay less. So far, so good. But the last step of this staircase stops just before R$5,000. This means that if you earn R$5,000 a month, you pay the same 27.5% as the top 1%.

Income Tax Rates in Brazil



Source: IBPT

It doesn't matter if you earn a little more than R$4,664 or much more. Anyone earning R$40,000 or more pays the same percentage as someone earning R$5,000. This is called a "regressive tax system": the higher your income, the less taxes affect you.

Now, let's break it down. If you earn R$5,000 and pay 27.5% in taxes, that's R$1,375, almost always withheld at the source. That leaves you with R$3,625 net.

But it doesn't stop there: every purchase—from food to basic bills—includes hidden taxes, which are taxes on goods and services. In Brazil, 45.6% of revenue comes from taxes on goods and services (Bressan, Cordilha, et al., 2023c), which hits the poorest harder because they spend a larger portion of their income on consumption.

On average, Brazilians pay around 25% in indirect taxes on what they consume, including ICMS, PIS, and COFINS, which apply to everyday products and services.

So, if you earn R$5,000 gross and already have R$1,375 withheld at the source, and then spend R$2,000 a month on housing, food, and services, you'll pay another R$500 in indirect taxes. In the end, R$1,875 of your income goes to taxes (income + consumption), leaving you with R$3,125.

Now think about the super-rich, who earn R$40,000 or more. After income tax, they're left with R$29,000. Even spending R$10,000 on expenses, with 25% in indirect taxes (R$2,500), they still have R$26,500 left.

So, while you're left with R$3,125, the super-rich have almost nine times more, even though they pay the same tax percentage. Take a look at the chart below to see just how much more the super-rich are left with!

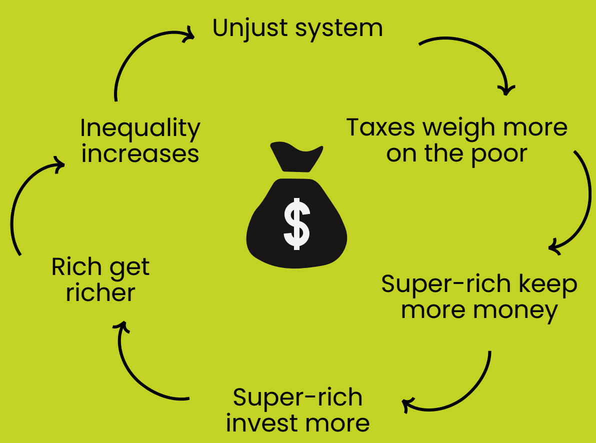
This is why the super-rich aren't wealthy just because of their income. In fact, income is only a small part of their wealth. With a lighter tax burden than the poor, they have more capacity to invest and accumulate vast fortunes in stocks, bonds, real estate, and inheritances, which are passed down from generation to generation.

This ability to accumulate wealth also leads to other advantages. As Bressan, Cordilha, et al. (2023c) point out, the super-rich benefit from things like untaxed profits and dividends, minimal property taxes, and a very low inheritance tax (ITCMD).

This keeps wealth concentrated in the same families for generations. So, if you weren't born an heir, you're already at a disadvantage.

This system perpetuates inequality and allows the super-rich to accumulate even more, while the poor struggle to survive. That's why it's crucial for the super-rich to pay more taxes!

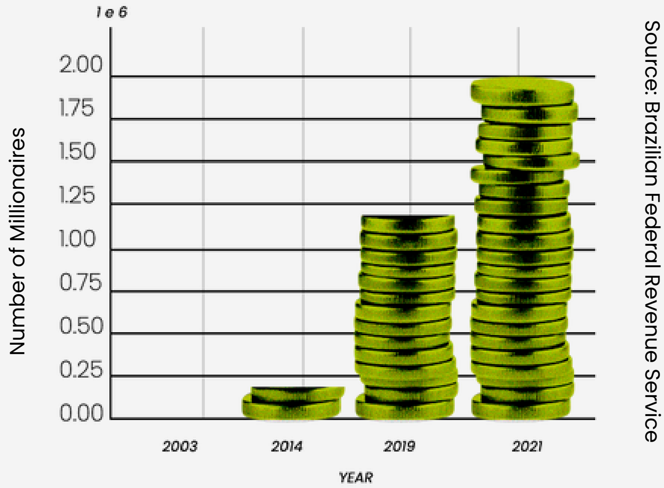
Why Tax the Super-Rich?



The Inequality Casino

Life in Brazilian cities reflects centuries of concentrated wealth, worsened by the pandemic and the government of Jair Bolsonaro (Bedê, Domingues, et al., 2023; Lavinas, Domingues, et al., 2023b). During the pandemic, the number of super-rich in Brazil increased by 562,000, reaching 2.1 million millionaires by 2021.

Number of Millionaires in Brazil



This increase is tied to **financialization**, which has turned cities into casinos, enriching a few while deepening inequality.

What is financialization?

Financialization happens when the super-rich transform essential goods, like land and housing, into financial assets such as stocks and investiment funds.

Lavinas et al. (2023b) highlight that, since the 1990s, financial products like Real Estate Investment Funds (FIIs) and Real Estate Receivables Certificates (CRIs) have reshaped urban inequality in Brazil, allowing the wealthy to speculate and profit without directly managing properties.

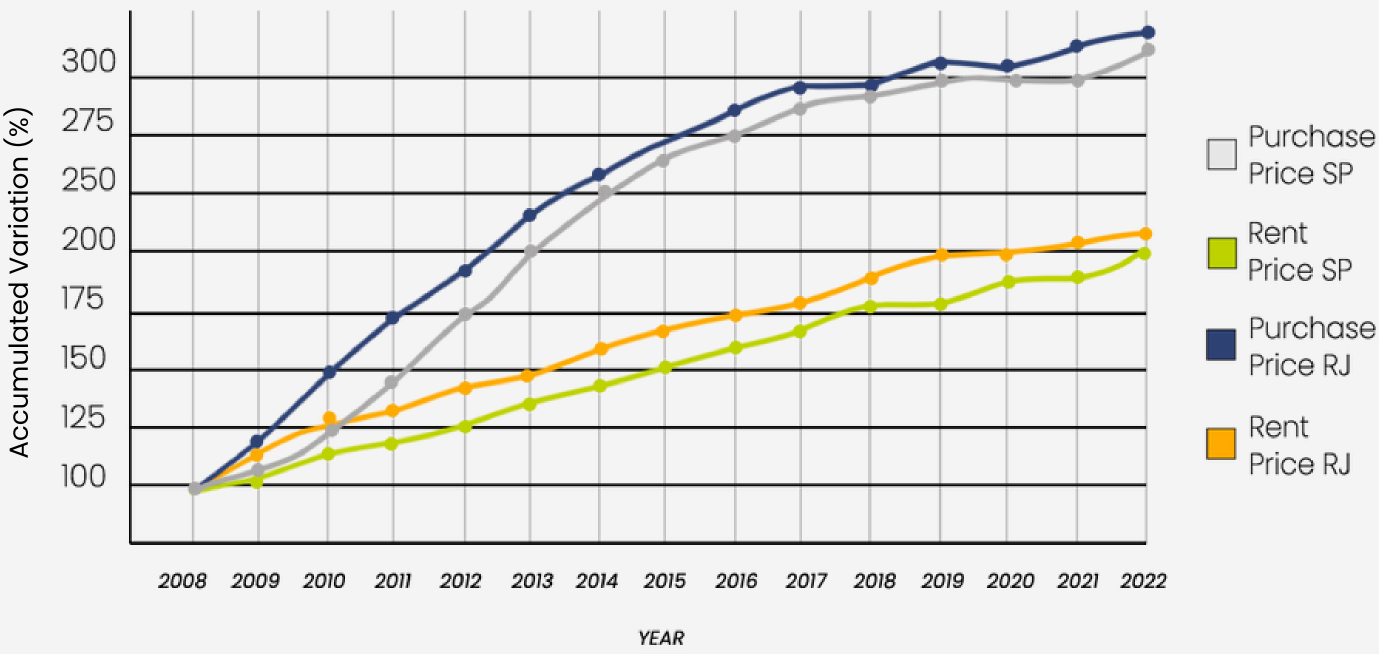
With fewer taxes, the super-rich have excess money to buy properties purely for speculation, driving up real estate prices and worsening the housing crisis.

Since the 1850 Land Law (Lavinas, Domingues, et al., 2023a), land has been central to wealth accumulation, and with financialization, it becomes a casino chip, valued for its future revenue. This attracts major investors, further increasing wealth concentration and the cost of living (Fix, Constantino, and Prado, 2023).

Financialization prioritizes profit over housing needs, resulting in a housing crisis, with more properties concentrated in fewer hands and skyrocketing rents.

Take a look at the graph below. Between 2008 and 2022, property prices rose by about 195% in São Paulo and 190% in Rio de Janeiro, while rents increased by approximately 98% and 102% (Fix, Constantino, and Prado, 2023). If you paid 1,000 reais in rent in 2008, you're now paying around 1,980 reais in São Paulo and 2,020 reais in Rio de Janeiro. Did your salary increase that much?

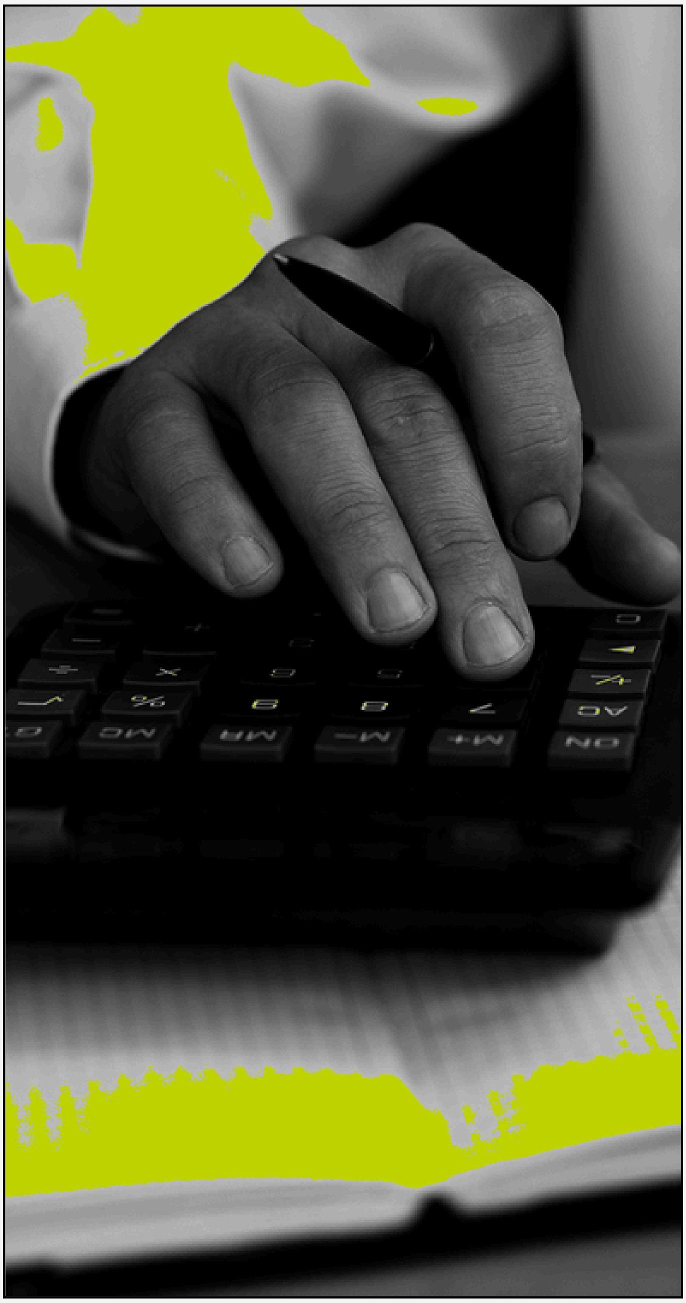
Accumulated Price Fluctuation of Purchase and Rent - SP and RJ (2008-2022)



Source: Adapted from Fix, Constantino And Prado (2023), "Urban property, expropriation and wealth concentration in Brazil"

To mitigate these impacts, it’s essential to implement a wealth tax, directing resources towards public services and affordable housing. This is why Brazil's proposal at the G20 to tax large fortunes is crucial!

Additionally, as Fix, Constantino, and Prado (2023d) point out, expanding and making property taxes, like IPTU and ITBI, more progressive is essential to curb real estate speculation and reduce the super-rich's power to turn cities into financial casinos, promoting a fairer redistribution of accumulated wealth.



TAX THE SUPER-RICH FOR THE RIGHT TO THE CITY!

How Taxing the Super-Rich Will Improve Our Cities

Reducing Speculation
➔ In addition to taxing wealth, more progressive property taxes (like IPTU) reduce speculative power, lowering housing prices and rents.

More Affordable Housing
➔ Revenue can be invested in public housing, making cities more inclusive.

Social Justice
➔ By redistributing wealth, the tax creates more opportunities for everyone, improving urban quality of life.

Cities for All
➔ With more resources for public services, cities become fairer and more accessible places.

Taxing the super-rich isn't just about increasing revenue, it's about reclaiming our cities and restoring justice. For centuries, the wealthy have reaped the rewards of a system that leaves many behind. Now, they need to contribute their fair share.

A progressive wealth tax can fund public services, affordable housing, and create opportunities for everyone. It's not about punishing success, but ensuring that success doesn't come at the expense of the poor.

Spread this discussion. By raising awareness and fostering dialogue, we can push for fairer and more inclusive cities, transforming them for the benefit of all.

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