TAX WEALTH NOW
HOW TAXING NET WEALTH, INHERITANCES AND WINDFALL PROFITS CAN HELP SOUTH ASIA OVERCOME MULTIPLE CRISES
Following the COVID-19 pandemic, South Asia is being rocked by multiple crises of food, energy, inflation and debt, whilst facing the devastating impacts of the climate crisis. Inequality has reached unprecedented levels, and is hampering poverty reduction, eroding social stability, and undermining growth. Tax systems are failing to raise enough revenues to respond to current crises and invest in inequality-reducing public services. Now is the time to tax wealth. Citizens, activists, leading economists and major international institutions all agree: governments in South Asia must introduce a full range of wealth taxes to raise revenues, fight inequality and boost growth. New analysis for this report shows that progressive net wealth taxes alone could raise enough revenues to increase public healthcare spending by two-thirds in Bangladesh, triple healthcare spending in India and increase healthcare spending by half in Pakistan.

South Asian leaders have the opportunity to turn the legacy of current crises into quality public services for all, more equal and stable societies, and stronger economies. But they must act urgently and tax wealth now.

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INTRODUCTION: SOUTH ASIA IS FACING MULTIPLE CRISES

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A spiralling debt crisis
Wealth inequality has reached unprecedented levels
Revenues are desperately needed to fund essential public services
Case study: After collapsing revenues led to economic crisis, Sri Lanka turns to wealth taxes

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<td>MIC</td>
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<td>NPR</td>
<td>Nepali Rupee</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>SME</td>
<td>Small and Medium-Sized Enterprise</td>
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<td>UHNWI</td>
<td>Ultra High Net Worth individuals</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
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<td>USA</td>
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The COVID-19 pandemic showed the ugly face of neoliberalism, revealing and further intensifying the growing inequalities and reinforcing the exclusionary tendencies of global capitalism, thus posing questions over the legitimacy of capitalism itself. Lives and livelihoods of hundreds of thousands of people could have been saved with a well-funded public health system and social protection programmes, had the role of the state not been systematically shrunk in regulating economic growth and promoting redistribution. To make matters worse, the lack of economic activity during the pandemic adversely hit revenue collection, thus hampering the ability of a country to finance health and social protection measures at a time of crisis.

While South Asia is making little stride towards overcoming the devastation caused by the COVID-19 pandemic, the region is already mired in grave economic crises, including debt crisis and stagflation, further exacerbated by human-created climate disasters and wars. The problem of debt accumulation is a concern in most of the countries in South Asia, with Sri Lanka and Pakistan already in severe debt crises. The trends based on global debt databases show that the total debt to GDP ratio in India went up to 90.1% in 2020 from 68.5% in 2015. In Nepal, the debt to GDP ratio reached 41.8% in 2021 from around 25.3% in 2015, indicating a sharp jump in recent years. Pakistan’s debt to GDP ratio jumped to 84% in 2021 from 63.3% in 2015. The steepest jump in debt to GDP ratio took place in Sri Lanka from 77.9% in 2015 to 107.2% in 2021. Likewise, the recent catastrophic floods, found to be linked to climate change, have devastated the already fragile Pakistan, leading to losses of more than 1700 lives, displacing more than 33 million people, and causing damages and economic losses worth more than USD 30 billion. Climate crisis, such as the one in Pakistan, reminds the South Asian countries, which have contributed the least to global warming, of their vulnerability, and highlights their compulsion to urgently redirect financing, away from other priorities, towards supporting adaptation efforts and building resilience to future climate shocks. These crises have further been worsened by the current geopolitical tension between Russia and Ukraine, which has been putting high inflationary pressure with the possibility of a food crisis in low-income countries.

Ironically, while the pandemic and other overlapping crises have pushed millions into poverty, there has been an enormous concentration of wealth in a few hands and more so at the time of the recent COVID-19 pandemic. A study by Oxfam shows that the total wealth of the world’s billionaires is now equivalent to 13.9% of global GDP while 607 people became new billionaires in 2020 during the pandemic with 55 new billionaires in India alone. In South Asia, the World Inequality Report 2022 has categorized India as a ‘poor and unequal’ country with half of its people owning only 13% of the national income while the top 10% claim 57%. Global food dynasties are disproportionately benefiting from
soaring prices, where four big food companies occupy 70% of the global market. In this scenario, it is the big corporations, supermarkets like Walmart, large oil companies, pharmaceutical giants like Pfizer, and big technology companies, who have benefited the most at the expense of the common people.

Meanwhile, taxation is an important policy tool that could be used to gather resources for public spending and at the same time correct the economic system that breeds inequality. However, the regressive nature of the current tax systems in the region, where the rules are rigged in favour of the few, are geared towards consumption and wage taxes, disproportionately impacting poorer households with a higher tax burden. Big corporations are continuing to receive multiple tax breaks while the poor are further abused by higher indirect taxes. Likewise, women, who are unpaid workers or at the bottom of the income level, may not pay income tax but are compelled to pay indirect taxes such as Value Added Tax (VAT) and sales tax, all the while being excluded from the benefits of paying such taxes.

The rapidly widening inequality, the disproportionate profiting by a few out of the crises, the highly regressive tax system, and the huge budget deficit following multiple crises in the region call for the introduction and implementation of highly progressive taxation legislation that would generate resources to invest in public infrastructure, including health, education and social protection, which in turn would be crucial in reducing inequality. Wealth tax, inheritance tax, and corporate windfall profit tax are the varied forms of such progressive taxation. Against this backdrop, this report makes an important case to policymakers and civil society organisations (CSOs) in the region for the introduction and expansion of wealth tax, inheritance tax, and windfall tax in South Asia, which is the most unequal sub-region in Asia. Wealth tax and similar progressive taxes can generate significant resources for countries in the region to lessen inequality, fund public services, and come out of economic crisis. For instance, according to a calculation in this report, based on WealthX and Forbes data, a progressive net wealth tax in India (USD 5 million to USD 50 million – 3%; USD 50 million to USD 1 billion – 5%; greater than USD 1 billion – 10%) could raise USD 84.30 billion by taxing 66,860 individuals with wealth of over USD 5 million. This amount is enough to double the education spending or more than triple the healthcare spending in India.

Providing the cases of Sri Lanka, India and Pakistan, this report shows how wealth taxation can be used as an important policy tool to lessen inequality and overcome the current crises. Further, several opposing arguments against wealth taxation, including the issue of double taxation and the possibility of capital flight, have been countered so that even the elite class understand that wealth taxation and other progressive taxation policies are not antithetical to their development. Instead, such progressive taxation policies ultimately help to boost growth through redistribution, at a time
when the trickle-down policy has failed to deliver. Realizing this, the Bretton Woods institutions themselves have lately begun to support taxation of wealth for boosting growth at the time of the pandemic and beyond. In this context, it is important that the pro-poor activists and organisations come together to influence international tax architecture and domestic policy-making with the purpose of taxing the rich and generating important resources for the post-pandemic recovery.

It is expected that this report will serve as an advocacy document for civil society organisations (CSOs), activists, and academics to make evidence-based advocacy and campaign efforts for wealth taxation in South Asia. Anyone inquisitive of the rising inequality in the world should find this report useful and relevant in knowing the case of South Asia. Ultimately, it is hoped that this report initiates discourse toward framing policies to tax excess wealth and corporate windfall gains in addition to other progressive taxes.

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Regional Coordinator
SAAPE Secretariat, Kathmandu, Nepal
November 2022
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We are publishing this report on wealth taxation in South Asia at a critical juncture when the countries in the region are fighting overlapping crises – the COVID-19 pandemic, debt crisis, climate catastrophe, and cost-of-living crisis – and are finding themselves short of critical resources for funding public services and social protection, and alleviating poverty and inequality. We would like to thank the author of the report Luke Gibson for writing this report in a short span of time. We are grateful to Mustafa Talpur (Oxfam Asia Regional Platform) for his contribution in conceptualizing the report and reviewing the preliminary draft. Malini Chakravarty (India) and Monower Mostafa (Bangladesh) deserve special mention for the inputs they provided during their respective interviews with the author. Malini Chakravarty also took the time to read the preliminary draft of the report and provide her comments, for which we are thankful. We appreciate the contribution of Jyotsna Jha (India) for her critical feedback and suggestions on the draft report. We acknowledge the meticulous efforts of Sudhir Shrestha in coordinating with the author, reviewing the draft report, and copyediting. We appreciate Praman Adhikari, Reshma Shakya, Anup Chaudhary, Sugat Bhattarai, and Bhawana Khanal for the support provided in the process of preparing this report. We are grateful to Amna Khan and Jacques-Chai Chomthongdi from Oxfam Regional Platform Asia for their coordination and support. SAAPE would like to acknowledge Oxfam Regional Platform Asia for providing the financial support to prepare this report. We sincerely hope this report will contribute to a renewed discourse on the urgent need for wealth taxation policies in the region.

SAAPE Secretariat, Kathmandu, Nepal
November 2022
EXECUTIVE SUMMARY
EXECUTIVE SUMMARY

SOUTH ASIA IS FACING MULTIPLE CRISES

The COVID-19 pandemic hit all of Asia hard, driving an additional 150-170 million people into poverty. Inequality made the pandemic even deadlier, with income acting as a stronger indicator of death from COVID-19 than age. Yet there are fears that the situation could further deteriorate. South Asia is now being rocked by crises of food, energy, and inflation, all of which are disproportionately impacting marginalised groups. It is also having to face the devastating effects of the climate crisis, as demonstrated by this year’s catastrophic flooding in Pakistan. Fighting for survival amidst these multiple crises has become the ‘new normal’ for many communities in the region. Yet as if these crises weren’t enough, debt is now spiralling out of control. Enormous debt accumulation has taken the form of full-blown economic crises, especially in Sri Lanka and Pakistan. Nepal now spends 20 times as much on servicing debts as on social protection. Inequality in South Asia has also skyrocketed. While COVID-19 drove millions in Asia into poverty, its billionaires saw their wealth grow by $1.8 trillion. South Asia is the most unequal sub-region in all of Asia, with wealth inequality particularly stark. Figure 1 shows that in all countries, the bottom half of the population own only around 5% of total national wealth, whereas the top 10% own around 60%. Such high levels of inequality are hampering efforts to tackle poverty and meet Sustainable Development Goals (SDGs), and are a threat to political and social stability. Furthermore, they undermine growth: every country in South Asia now has a level of disposable income inequality high enough for it to be reducing per capita GDP growth by between 1 and 4%.

Figure 1  Percentage of national income and wealth captured by the top 10% and bottom 50% in South Asia in 2021

Source: World Inequality Database (2022)
It is clear that South Asia must turn the tide on extreme inequality to prosper. However, a lack of revenues is preventing the region from investing in inequality-reducing public services. On average, countries in South Asia allocate only 11.9% of budgets to education, despite a globally recommended target of 20%. They perform even worse on health spending, coming below even the African average at 7%. This has led to increasing privatisation, which prices out the poor. Now, many countries are reducing expenditure on healthcare, education and social protection when it’s most desperately needed. For example, Sri Lanka has further cut already-low health and education budget shares by one-fifth each since 2019. India remains one of the worst performers on health spending in the world, making further cuts between 2019 and 2021. However, there are some countries choosing a different path. For example, Nepal increased health spending by nearly 50% between 2019 and 2021, showing that fighting inequality is a political choice.

**WEALTH TAXATION: THE TIME IS NOW**

If leaders in South Asia do not act urgently, recent increases in poverty and inequality will become embedded. They must urgently create fiscal space for their response. However, tax systems in the region are failing to raise sufficient revenues or tackle inequality. Tax-to-GDP ratios are low and stagnant, and tax systems are heavily skewed towards consumptions taxes, which disproportionately impact the poor and marginalised. For example, consumption taxes account for about 60% of total tax revenue in Bangladesh. By contrast, collection from direct income taxes (such as corporate and personal income taxes) is poor, and results from low rates, bad administration, significant exemptions, and high levels of avoidance and evasion. However, there are countries taking a different route. For example, comprehensive tax reform in Bhutan has neutralised the regressive impact of value added taxes (VAT) by exempting food and small traders, and it has made its personal income tax more progressive, resulting in additional revenues.

Additional public finances must urgently be unlocked to support a just, inclusive, and transformative people’s recovery. To raise revenues, governments can either tax the poor (through regressive tax policies), tax future generations (by increasing borrowing and further fuelling debt crises), or tax the wealthy. If they want to build back stronger, more resilient and sustainable economies, they must choose the latter. Taxing wealth can increase the tax base and raise significant additional revenues. Moreover, it directly reduces inequality, and can boost growth by encouraging the productive use of assets. There is now a growing chorus of voices calling for leaders in South Asia to introduce wealth taxes, ranging from grassroots activists to leading global economists and to billionaires themselves. A recent survey found that 84% of Indians want their government to place a 2% COVID surcharge on the rich, while 90% want the government to impose a windfall tax on pandemic profiteers. Leading international institutions, such as the Asian Development Bank, World Bank, International Monetary Fund (IMF) and United Nations (UN), are now calling for a range of wealth taxes to be introduced.
Wealth taxes can apply to the holding of wealth (net wealth taxes or property taxes), the transfer of wealth (inheritance or gift taxes), or the increase in value of wealth (capital gains taxes). While corporate windfall taxes are not technically a wealth tax, they can raise significant revenues, help prevent wealth accumulation and tackle inflation. While this report focuses on net wealth, inheritance and windfall taxes, it is vital that governments introduce a full range of comprehensive wealth taxes to raise revenues and fight inequality. However, the final progressivity and revenue-raising ability of wealth taxes depends on their design, implementation and enforcement.

A **net wealth tax** is a recurrent or one-off levy on the net value of all assets belonging to an individual or household. Liabilities, such as debt, are deducted from total assets to arrive at total taxable wealth. While defining, valuing and keeping records of net wealth can raise some administrative challenges in lower-income countries, advancements in technology are helping to overcome these. Around the world, net wealth taxes are being introduced at a rapid rate to fill post-pandemic financing gaps. For example, Argentina, Bolivia and Spain have successfully introduced net wealth taxes in recent years. Just a year after implementation, Argentina had collected more than ARS 240 billion (about $2.4 billion) from around 10,000 taxpayers. Chile and Peru are planning to implement net wealth taxes, and they are under discussion in Costa Rica and the Philippines.

While net wealth taxes were historically in place in South Asia, they were severely undermined by large exemptions, unreasonably high thresholds for payment, and poor enforcement. However, there is now fervent debate about their (re-) introduction. The Sri Lankan President has supported increasing taxes on the wealthiest, and the IMF has confirmed that a wealth tax is part of their agreement with the government. There are also rumours of the re-introduction of a net wealth tax in India, and although the Pakistan government has not yet introduced a wealth tax, it has introduced a ‘super tax’ on the richest individuals. Likewise, Bangladesh does has an income tax ‘surcharge’ set at progressive rates. While some of these measures fall short of a full net wealth tax, they do show increased commitment in South Asia to taxing the wealthiest.
New analysis of WealthX and Forbes data for this report shows the potential impact of net wealth taxes in the region. As they are based only on wealth over $5 million they are likely underestimates.

In Bangladesh, a progressive net wealth tax could raise $1.82 billion, enough to increase healthcare spending by two-thirds. A one-off 10% wealth tax could raise $4.88 billion, enough to more than double healthcare spending.

In India, a progressive net wealth tax could raise $84.3 billion, enough to more than triple healthcare spending, while a one-off 10% tax raising $135.1 billion, enough to more than quadruple healthcare spending.

In Pakistan, a progressive net wealth tax could raise $1.34 billion enough to increase healthcare spending by 50%, while a 10% tax could raise $3.5 billion, enough to more than double healthcare spending.

An inheritance tax is based on the net value of property and other assets transferred to someone upon another’s death. Gift taxes are critical when inheritance taxes are in place to ensure that payment of inheritance tax cannot be avoided through in-life gifts. Inheritance taxes are in place in many countries around the world. However, they vary dramatically depending on the proximity of the relationship between the donor and the recipient, and many countries have provided far too generous a range of exemptions and other forms of relief, which often benefit the wealthiest. Avoidance through in-life gifts also reduces potential revenues, efficiency and fairness. In Asia, some countries, such as China and Thailand, are taking concrete steps towards their implementation. In South Asia, the use of inheritance and gift taxes has waned over the past four decades, with Sri Lanka, Bangladesh, Pakistan and India removing them. However, Bangladesh does have a limited gift tax, and India applies income tax to gifts. There are now increasing calls for inheritance taxes to be (re-) introduced in the region. Nepal has announced that it is exploring options to introduce an inheritance or estate tax, and in Pakistan and India there has been increasing speculation about the re-introduction of inheritance taxes.

Windfall taxes, also known as ‘excess profits’ taxes, are applied to unexpected corporate profits. These are as a result of circumstances beyond the company’s control, such as a war, pandemic or natural disaster, and are thus not the result of a company’s actions. They are seen as an efficient and targeted way to share the burden at times of crisis. It is important to ensure that all companies profiteering from external crises fall within the net of a windfall tax, not just specific sectors, and to apply them retrospectively. They can be ‘one-off’ or permanent and designed to kick-in automatically whenever excess profits are made by an industry. This ensures that they act rapidly and adds certainty to the fiscal framework. When introducing windfall taxes, governments must develop mechanisms...
to ensure that costs are not passed onto consumers. Throughout history, governments have used windfall taxes to tax crisis profiteers. More recently, windfall taxes are being introduced around the world to fill financing gaps. They are being introduced across Europe, with the EU setting out guidelines for their implementation. Windfall taxes are forecast to raise 7 billion euros (about $7.3 billion) in Spain and 11 billion euros (about $11.5 billion) in Italy. This year, Peru and Chile announced plans to tax the windfall profits of copper producers, and Argentina is implementing a windfall tax on companies earning excessive profits as a result of the war in Ukraine. In South Asia, India and Pakistan have recently introduced windfall taxes, and Sri Lanka has announced their introduction. Although imperfect, they are a welcome sign that the region wants to tackle excess corporate profits at a time of suffering for millions.

Table 1: Why wealth taxes should be introduced

<table>
<thead>
<tr>
<th>Net wealth taxes</th>
<th>Inheritance and gift taxes</th>
<th>Windfall taxes</th>
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<tr>
<td>✓ Raise revenues</td>
<td>✓ Raise revenues</td>
<td>✓ Raise revenues</td>
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<td>✓ Boost growth</td>
<td>✓ Boost growth</td>
<td>✓ Boost growth</td>
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<tr>
<td>✓ Highly progressive</td>
<td>✓ Highly progressive</td>
<td>✓ Highly progressive</td>
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<tr>
<td>✓ Supported by international institutions</td>
<td>✓ Supported by international institutions</td>
<td>✓ Supported by international institutions</td>
</tr>
<tr>
<td>✓ Broad public support</td>
<td>✓ Reduce generational concentrations of wealth</td>
<td>✓ Broad public support</td>
</tr>
<tr>
<td>✓ Directly reduce wealth inequality</td>
<td>✓ Boost equality of opportunity</td>
<td>✓ Does not harm investment</td>
</tr>
<tr>
<td>✓ New technology making easier to implement</td>
<td>✓ Ease of payment</td>
<td>✓ Fight monopolies</td>
</tr>
<tr>
<td>✓ Increasingly difficult to avoid</td>
<td>✓ Ease of administration</td>
<td>✓ Tackle inflation</td>
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RECOMMENDATIONS

In the face of multiple crises, the struggle to bring about a people’s recovery is a test of political will. Sticking with the status quo is not an option. Historically, when societies have pulled together at times of crisis, governments have increased taxes on the wealthiest. Now is the time for bold and decisive action in South Asia. Leaders have the opportunity to turn the legacy of current crises into quality public services for all, more equal and stable societies, and stronger economies. They can build a brighter future for South Asia. But they must urgently and tax wealth now. Governments in the region should:

1. Rebalance tax systems towards wealth taxation. Establish a specific unit in the tax authority for taxing the wealthy and introduce a full range of permanent wealth taxes, including net wealth taxes, inheritance and gift taxes, windfall taxes, capital gains taxes and property taxes. Apply progressive rates, which rise sharply for the wealthiest taxpayers. Minimise exemptions, whilst providing reasonable thresholds below which wealth taxes do
not apply to keep them focussed on the wealthy. Take advantage of technological advances to reduce administrative costs.

2. **Ensure that all financial and non-financial assets are taxed.** This is essential to maintain a broad tax base that covers all assets typically owned by the wealthy. It also minimises avoidance opportunities. Establish centralised, public registers of beneficial ownership of key assets, and ensure automatic exchange of information between revenue authorities. Support regional and global efforts for asset and tax transparency and join calls for a UN Tax Convention to comprehensively tackle tax havens and tax abuse.

3. **Introduce an annual net wealth tax.** Consider introducing an additional one-off net wealth ‘solidarity tax’ to raise revenues to respond to current crises and directly reduce wealth inequality. Ensure that equivalent rates for corporations are not lower than those for individuals. Support initiatives for regional and global net wealth taxes to reduce avoidance opportunities and tackle extreme wealth inequality.

4. **Introduce a lifetime inheritance and gift tax.** If some form of inheritance tax is already in place, ensure that a gift tax is in place at the same rates to reduce avoidance opportunities. Enforce gift declarations and closely monitor lifetime gifts. Where possible, introduce a lifetime gifts and inheritance tax to simplify rules and boost progressivity. Minimise exemptions to maintain a broad tax base and reduce opportunities for avoidance. While spouses may be exempt, children should not be, to reduce wealth concentration and boost intergenerational mobility.

5. **Introduce a permanent all-sector windfall tax.** Apply a minimum 90% rate to excess profits and ensure that the tax quickly kicks-in at times of crisis to raise revenues when most needed. Apply the tax retrospectively to cover excess profits since the beginning of the pandemic, and ensure that it applies to all sectors. Ensure that the windfall tax is paid in addition to other corporate taxes, and put in place mechanisms to prevent the cost from being passed on to consumers.

6. **Ensure that the fiscal system is reducing inequality.** Produce a national inequality reduction action plan, with clear time-bound targets, and aim to increase the national tax-to-GDP ratio through progressive taxation measures. Rebalance the tax system away from indirect taxes towards direct taxes on income and wealth. Work at the regional level to tackle tax avoidance and evasion and end other harmful tax practices. Use increased tax revenues to boost spending on inequality-reducing public services, such as education, healthcare and social protection. Ensure that public services are of high quality, universal and free at the point of use. Expedite gender budgeting processes to ensure that the fiscal system plays a transformative role in ending gender inequality.
INTRODUCTION
SOUTH ASIA IS FACING MULTIPLE CRISIS
South Asia is facing multiple crises. The COVID-19 pandemic hit the whole region hard, destroying livelihoods and showing that for millions there never was a permanent exit from poverty and vulnerability, only a temporary reprieve.\(^1\) Prior to the pandemic, one billion people were already trapped on incomes of less than $3.20/day in Asia.\(^2\) However, COVID-19 drove an additional 90 million Asians into extreme poverty and 150–170 million into poverty.\(^3\) The social toll of the pandemic continues to be heavy, with over-burdened health systems, lower school completion rates, and increasing hunger and malnutrition resulting from inadequate and misdirected government responses.\(^4\) Inequality made the COVID crisis even deadlier, with income being a stronger indicator of whether someone died from COVID-19 than age.\(^5\)

Yet there are fears that the situation could further deteriorate. Recent analysis suggests that the combined impact of COVID-19 and other crises could push a quarter of a billion people into poverty globally in 2022.\(^6\) Despite already facing a post-pandemic economic crisis, South Asia is now being rocked by crises of food, energy, inflation and public financing, all of which are disproportionately impacting marginalised groups. Sharp rises in food and energy prices have led to a cost-of-living crisis, and deepened food insecurity, budget and debt problems. High inflation is hitting the poorest the hardest as they hold the majority of their assets in cash, rely heavily on wage income, and spend a higher share of their income on products that have become more expensive.

According to the United Nations Development Programme (UNDP), in just the three months following March 2022, soaring inflation rates pushed over 70 million people into poverty in developing countries.\(^7\) In addition, South Asia is also having to face the devastating effects of the climate crisis, with some countries more vulnerable than others.\(^8\) Recent catastrophic floods in Pakistan, which left a third of the country underwater and displaced 33 million people, show the havoc already being reaped in the region, and demonstrate the scale of the response that will be needed.\(^9\)

These crises have real impacts on people. Babu Lama, a taxi driver in Kathmandu, Nepal says: “Hardship has always been part of my life...but I am deeply worried with recent rises in prices for petrol and food. I earn about NPR 45000 (about $370) \(^10\) I give NPR 25000 (about $206) to the bank for loan repayment,[and] with the remaining NPR 20000 (about $164), I always struggle to manage food and pay rent. I don’t have money to send my child to school. The coronavirus devastated us, and these soaring commodity prices will starve us.”\(^11\) Unfortunately, Babu’s story is all too common. Fighting for survival amidst these multiple crises has become the ‘new normal’ for many communities in the region, as rising inflation eats into wages and reduces their purchasing power.\(^12\) Women have been disproportionately affected. Despite often being at the forefront of COVID-19 responses, they were disproportionately pushed out of employment, and an increase in unpaid care work has prevented millions of women from re-joining labour markets.\(^13\) In addition, there has
been an ‘ignored pandemic’ of gender-based violence, due to lockdowns and pandemic-related stressors. Now it is often women who are expected to continue to feed their families despite huge rises in food and energy prices. Yet it is not just women facing the brunt of overlapping crises. Their impact also depends on a person’s ethnicity, caste and religion.

**A SPIRALLING DEBT CRISIS**

As if these crises weren’t enough, debt is now spiralling out of control. At a global level, post-pandemic debt servicing now accounts for 171 percent of spending on health care, education and social protection combined for low-income countries. Asia-wide, debt has risen sharply to fund COVID-19 responses, crowding out inequality-reducing public spending. Debt servicing is now double the education spending, triple the health spending, five times the social protection spending, and 16 times the climate adaptation spending in the region. The increase in debt between 2019 and 2021 was 15% of gross domestic product (GDP) – twice as fast as any other developing region. The pandemic arrived in South Asia at a time when many countries were already struggling with unsustainable debt. At the end of 2019, Bhutan, Sri Lanka, the Maldives and Pakistan had public external debt to GDP ratios of 105%, 56%, 45%, and 32% respectively. They were then forced into significant additional expenditure to respond to the pandemic, which widened budget deficits and increased debt even further. This enormous debt accumulation has now taken the form of full-blown economic crises, especially in Sri Lanka and Pakistan (see case studies). Nepal now spends 20 times

![Figure 2. Debt Servicing as percentage of total social protection spending in South Asia (2021)](image)

Source: Commitment to Reducing Inequality Index (2022)
as much servicing debts as it does on social protection (see figure 2). The response of the international community in terms of debt relief has been very poor. Pakistan was forced to respond to its devastating floods while spending $15 billion on servicing debts, showing the enormous strain that servicing debts puts on public finances, especially at times of crisis.

WEALTH INEQUALITY HAS REACHED UNPRECEDEDENT LEVELS

Asia is also facing an extreme inequality crisis. This is in line with the global picture in recent years, as the super-rich profited whilst millions were pushed into poverty. Institutions including the International Monetary Fund (IMF), World Bank, Credit Suisse, and the World Economic Forum have all projected that the pandemic has triggered an inequality spike within countries. A new billionaire was created every 26 hours since the pandemic began, and the world’s 10 richest men doubled their fortunes. They now own more wealth than the bottom 3.1 billion people in the world combined. It’s also been boom time for large corporations, who have been exploiting rising inflation to boost profits at the expense of ordinary people. For example, high energy prices and margins have led to record profits for oil companies, while it’s expected that agricultural companies will become rapidly more profitable as food prices spiral. For the world’s 1,000 biggest corporations, profits were up nearly 70% in 2020–21 compared with before the pandemic.

Asia reflects this global pattern. While COVID-19 drove millions in Asia into poverty, Asia’s billionaires saw their wealth grow by $1.8 trillion. In just one year alone (2021-2021) there was a 7% increase in the number of ultra-high net worth Individuals (net worth of $30 million or more) in Asia. By 2026, the region is projected to surpass Europe as the second largest regional wealth hub in the world. World Bank surveys indicate that income

Figure 3  Percentage of national income and wealth captured by the top 10% and bottom 50% in South Asia in 2021
Source: World Inequality Database (2022)
Inequality in Asia (as measured by the Gini coefficient) is likely to have risen on average by 8% during COVID-19. Wealth inequality is also stark. The richest 1% of Asia’s population now holds almost 25% of the region’s total wealth. South Asia is the most unequal sub-region in all of Asia. Wealth inequality is higher than income inequality in all countries, as shown by figure 3, which demonstrates the deep divides between the richest 10% and poorest half of the population. In all countries, the bottom half of the population own only around 5% of total national wealth, whereas the top 10% own around 60%. India has the highest income inequality in all of Asia, however after direct taxes and transfers by governments, Sri Lanka is the most unequal country in the continent. A huge gap between the rich and the poor is also evident in Nepal. Prior to the pandemic, the incomes of the richest 10% of Nepalis was more than three times that of the poorest 40%, with significant geographical divides. In 2019 meanwhile, despite one in five people in Bangladesh living in poverty, it was projected that the country would record the third quickest growth in the number of high net worth individuals in the world. Such stark inequality in South Asia is hampering efforts to tackle poverty. Unless governments rapidly accelerate their efforts to reduce inequality, it will be impossible to end poverty by 2030, and the region will fail to meet its Sustainable Development Goals (SDGs). Extreme inequality is also undermining growth. Every country in South Asia has a level of disposable income inequality high enough for it to be reducing per capita GDP growth by between 1 and 4%. Reducing inequality could therefore accelerate post-COVID growth. In addition, multiple studies have found that higher levels of inequality lead to more crime, lower happiness, lower trust and more violence. Extreme inequality also can endanger democracy, as it enables political capture, whereby the super-rich and large corporations exert undue influence over political decisions. For this reason and others, it can lead to political, social and economic instability, and ultimately social unrest. It is clear that if South Asia wants to prosper, it must turn the tide on extreme inequality, and civil society across region is urging governments to take urgent action.

REVENUES ARE DESPERATELY NEEDED TO FUND ESSENTIAL PUBLIC SERVICES

However, lack of revenues and bad advice from international institutions are preventing South Asia from fighting back. In order to service their debts, or respond to collapsing tax revenues as a result of pandemic economic slowdown, many countries in South Asia are implementing austerity plans and cutting their public spending. This is in line with a global picture, in which public spending cuts were expected in 154 countries in 2021 and up to 159 countries in 2022, affecting 85% of the world’s population. Despite extensive evidence of the damaging impact of conventional neoliberal macroeconomic policies, regressive taxation, privatisation and austerity in response to economic crises (and their disproportionate impact on women), the IMF, World Bank, G20 and Organisation for Economic Cooperation and Development (OECD) are pushing for further cuts in public spending.
and Development (OECD) continue to promote these measures. At least 73 countries around the world now face the prospect of (or have already begun) IMF-backed austerity measures, which risk worsening inequality. It seems that after surviving the global pandemic and its disastrous effects, citizens are now expected to face harsh austerity. This is despite extensive evidence proving that increasing spending on universal, quality public services is vital to reducing inequality. For example, an IMF cross-country analysis found that government spending on education is “always inequality reducing”, and by preventing the poorest from facing high out-of-pocket healthcare expenses, healthcare spending is vital to close the gap between the rich and the poor. Moreover, evidence shows that the weaker the social protection system, the more unequal the impacts of future crises. Years of under investment in healthcare services left South Asia unable to cope with the pandemic, and their responses were found lacking in comparison to other Asian sub-regions (see figure 4).

Many countries in South Asia are reducing their expenditures on healthcare, education and social protection exactly at the time when its most desperately needed. This is hitting the poorest, women and marginalized groups the hardest. The 2022 Commitment to Reducing Inequality (CRI) Index shows that when it comes to spending public money on inequality-reducing essential services, Asia is the worst performing region in the world, with South Asia being the poorest performer in the region. Seven of the 10 worst performers in Asia are South Asian countries. South Asia performs poorly on education spending, allocating on average only 11.9% of budgets despite a globally recommended target of 20%. It performs even worse on health spending, coming below even the African average health allocation at 7%. Worryingly, Afghanistan, India and Pakistan allocate less than 5% each. This low spending on healthcare is reflected in access to health coverage in South Asia (see figure 5). In terms of delivery, Afghanistan and Pakistan provide healthcare access to less than half of their citizens. It’s notable that India remains one of the worst performers on health spending in the

![Figure 4 COVID-19 response in Asian sub-regions (budget spending as % GDP, as of July 2021)](image)
world (5th lowest), making small cuts between 2019 and 2021, at the time of unprecedented health needs. In terms of social protection spending, South Asia also performs poorly compared to other regions in Asia (see figure 6). However, some governments acting differently, showing that investing in essential public services to fight inequality is a political choice. For example, Nepal increased health spending by nearly 50% between 2019 and 2021. In other parts of Asia, some countries have also made better choices. During the early stages of the pandemic, and as a result of increasing taxes on the richest, South Korea increased spending on public services. This enabled nine in 10 of the poorest children to complete secondary school - the highest rate globally – and reduced catastrophic out-of-pocket health spending by 45%. Vietnam increased health expenditure from $22 to $152 per capita between 2003 and 2018, and in 2020, it drew widespread praise for its COVID-19 response, which was the result of this sustained investment on its public health system. These examples demonstrate that with political will, countries in South Asia can choose a different path.
Case study: After collapsing tax revenues led to economic crisis, Sri Lanka turns to wealth taxes

Sri Lanka is in economic and political turmoil. It is facing its worst economic crisis since independence. It owes debts of more than $50 billion to international creditors but has little means of repayment, and the debt crisis is now absorbing 60% of its budget. In May of this year, Sri Lanka defaulted on its debt. The country clearly shows how a debt crisis worsened by COVID-19 and poor policies can slash social spending. It is the sixth worst public services spender in the world and has further cut already-low health and education budget shares by one-fifth each since 2019. In the summer, following weeks of mounting protests by citizens against the government as the country faced severe shortages of food, fuel and medicine, President Gotabaya Rajapaksa resigned, which led to Ranil Wickremesinghe becoming president on July 21. In August, the country was struggling to finance its fuel and gas imports after foreign currency reserves fell to zero and inflation hit 60% year-on-year.

Poverty had already increased by 27% during the pandemic period, but subsequent crises have driven millions of people into poverty, jeopardizing their rights to health, education, and an adequate standard of living. Fuel shortages have meant that it’s been difficult for millions to get to work and there have been long lines for LPG gas for cooking. There have been extensive and unpredictable power cuts, and some hospitals have been unable to operate. Shortages of basic essentials have been compounded by price rises. For example, food prices increased by 57.4% (officially) or about 100% (unofficially) in the year up to June 2022. A street sweeper with a 6-month-old baby said: “When the baby was born a bar of soap cost 80 rupees (about $1), now it’s 210 (about $2.70).” However, not everyone has been struggling. In recent years steep rises in share and property markets have further benefitted a minority of rich people and businesses, boosting their wealth.

Like all of South Asia, Sri Lanka faces sharp wealth inequality, with the top 1% owning nearly a third of national wealth, whilst the bottom 50% own only 4%. This wealth has enabled the rich to buffer themselves from the crisis while millions struggle. Although some commentators have sought to blame the pandemic and global shocks for the crisis, experts are clear that while these exacerbated the situation, the crisis is a direct result of fiscal mismanagement. 30 years ago Sri Lanka was an accomplished tax collector, but in recent years successive governments have run fiscal deficits. Tax revenue, which averaged over 20% of GDP in 1990, has now declined to under 10%. Cuts in tax rates, various tax exemptions and weak tax administration have contributed to Sri Lanka collecting just 16% of its potential tax revenue. As tax revenues declined, Sri Lanka’s debts accumulated, and these were compounded by the previous government
borrowing large sums of money for infrastructure investments. Grave problems started to arise when the government gave away a large amount of revenue in its 2019 budget. Following these tax cuts, creditors started to become worried about repayment and so borrowing rates for the government increased. However, the government kept borrowing heavily at higher and higher rates, leading to the current fiscal crisis.

As is unfortunately all too common in times of fiscal crisis, Sri Lanka has initiated regressive tax reforms in order to raise much-needed revenues, including a 50% increase in value added tax (VAT). However, there have also been some progressive moves. For example, in October, the government cut taxes on female sanitary products in a bid to reduce costs for women. Furthermore, there have been some welcome signs on wealth taxation. Sri Lanka introduced a wealth tax in 1958, but abolished it in the early 90s, at the point where the country’s tax system went into decline. However, there has been fervent speculation that a wealth tax will be re-introduced in an upcoming budget. In August 2022, President Wickremesinghe acknowledged that the gap between the haves and have-nots has been widening in recent years and that Sri Lanka “will have to have higher taxation, even taxation on wealth… we have to resort to those measures first for economic recovery and second for social stability”.

In September the IMF confirmed that a wealth tax is a part of the agreement it entered into with the Sri Lankan authorities, with the IMF Mission Chief for Sri Lanka stating that the objective of the wealth tax is to protect the vulnerable and the poor from the impact of fiscal adjustment. At the time of writing, reports suggest that a wealth tax could be announced in the upcoming November 2022 budget, alongside a temporary COVID-19 cess at the highest-income slab. However, time will tell, and the IMF has stressed that the design and implementation of any wealth tax will take time.

Sri Lanka has also taken steps towards implementing other wealth taxes. The government has extended the definition of income tax to include capital gains on a range of financial and non-financial assets, including property, and it has been confirmed that gifts are included. However, various exemptions do exist, including the transfer of property from parents to their children, limiting its effectiveness at raising revenues and tackling inequality.

In terms of windfall taxes, earlier this year the previous administration announced the introduction of a retrospective (from April 2020) 25% surcharge tax on companies and individuals earning over 2 billion rupees (about $5.6 million). The government estimated that the tax would raise 100 billion rupees (about $280 million). However, its successful implementation is not yet clear, and in July it was announced that a review of the windfall tax was expected following a fall in global oil prices. Despite some good intent, these examples demonstrate Sri Lanka’s stuttering journey towards a fairer tax system – one which raises revenues from the wealthiest people and corporations to prevent fiscal chaos.
WEALTH TAXATION
THE TIME IS NOW
WEALTH TAXATION

SOUTH ASIA MUST URGENTLY RESPOND

The compounding crises in South Asia can and must be tackled. If not, the region risks going backwards, and the hardest hit will be women, the poorest and marginalised communities. South Asia was an unequal region before these crises hit. It is even more unequal now. These crises should be a wake-up call for leaders to aggressively tackle inequality. If they do not act urgently, recent increases in poverty and inequality will become embedded. If governments in South Asia want to ensure sustainable development, be able to adapt to climate change, and deliver for their citizens, they must end their dependence on the failed neoliberal doctrine of regressive taxation. Additional public finances must be urgently unlocked to support a just, inclusive, transformative and sustainable people’s recovery. To raise revenues, governments can either tax the poor (through regressive tax policies), tax future generations (by increasing borrowing and further fuelling debt crises), or tax the rich. If they want to build back stronger, more resilient and sustainable economies that are less dependent on debt, they must choose the latter. Now is the time for bold and decisive action to tax the wealthy to ensure a just recovery.

Box 2: Tax systems in South Asia are failing to raise revenues and reduce inequality

Progressive taxation ensures that the tax burden is higher for the wealthy than it is for those with lower incomes. It is one of the least distortionary tools available to help control the rise in inequality by redistributing the gains from growth. However, most governments in South Asia are currently falling well short. The majority of tax systems in South Asia actually increase inequality before the impact of public spending is factored in, meaning that if fiscal systems were not funding inequality-reducing public services, they would actually be regressive. Worryingly, some countries are making their tax systems even more regressive by further increasing their reliance on indirect taxation and fuel-based tax revenues. Tax systems in South Asia are also not realising their revenue-raising potential. Low tax-to-GDP ratios are prevalent, and tax systems are failing to collect the revenues implied by their tax rates and tax bases. Countries in South Asia collect on average only 26% of the total revenues they could be collecting, based on their tax system. This is less than half the percentage collected in North and Central Asia. Afghanistan, Sri Lanka, Pakistan and Bangladesh are among the poorest performing countries in all of Asia by this measure.

South Asian tax systems are geared towards consumption taxes. These disproportionately impact women, workers,
farmers, and other marginalized sectors, and undermine their ability to prepare for, respond to, and recover from, crises. For example, in Bangladesh, consumption taxes account for about 60% of total tax revenue. While their regressive impact can be reduced by exempting or reducing rates on basic foodstuffs, or by setting a high sales registration threshold so that small traders do not pay VAT (or charge it to their poorer customers), they are generally regressive. In many countries rates for consumption taxes are high, for example 15% in India and Pakistan. By contrast, collection from direct income taxes in the region is poor. Pakistan, Afghanistan and Sri Lanka are amongst the worst performers in Asia for corporate income tax (CIT) collection. Bangladesh and Sri Lanka are two of only 22 countries in the entire world to cut their CIT rates between 2020 and 2022 (by 5 and 4 percentage points respectively). On personal income taxation, Sri Lanka and the Maldives are among the worst performers in the region. Low collection of income taxes reflects significant tax exemptions in place for large companies and wealthy individuals, along with high levels of tax avoidance and evasion. In addition to these tax system flaws, unpaid care work, mostly conducted by women, is not accounted for in national tax systems, and is invisible in fiscal policies. This further undermines gender equality and prevents fiscal systems from working to tackle gender injustice.

The (increasing) unfairness characterised by many tax systems in the region has led to protests. For example, the Pakistan Fisherfolk Forum organised a rally against new national tax measures which would see increases in taxes on food, fuel and other basic items. This is despite the country still reeling from climate emergency-induced flooding. However, it doesn’t have to be this way. Some countries in the region are taking steps to improve the progressivity of their tax systems. For example, comprehensive tax reform in Bhutan has neutralised the regressive impact of VAT by exempting food and small traders and made its personal income tax more progressive, resulting in additional revenues. It has also increased its tax productivity (the percentage of tax it is collecting compared with what it should collect, based on the tax rates it has set) by 30%. This shows that with political will, tax systems can be reformed to fight inequality.

TAX WEALTH TO RAISE REVENUES, FIGHT INEQUALITY AND BOOST GROWTH

Taxes are a critical source of state revenue in all countries. By designing and implementing an effective tax system, countries can mobilise domestic resources, redistribute wealth and provide basic services. An effective tax structure also creates incentives to improve governance, strengthen channels of political representation and reduce corruption. However, due to a post-COVID decline in economic activities, revenues from consumption and income taxes are likely to decline, further contributing to fiscal deficits. The majority of countries in the region
have not increased taxes on the rich to fund a more just recovery.\textsuperscript{114} To fund essential public services and move away from debt, there is an urgent need to widen the tax base to increase revenues. Taxing wealth is a key way to do so. Historical evidence shows that when tax revenues increase, so too does spending on healthcare and education, which combats poverty, inequality, and generates new income growth opportunities.\textsuperscript{115} Therefore, wealth taxes can play a critical role in raising revenues to fight inequality. Furthermore, taxing wealth directly reduces wealth inequality. Around the world, wealth inequality is greater, and growing more rapidly, than income inequality.\textsuperscript{116} As shown by Thomas Piketty, Gabriel Zucman and the IMF, this is because the earnings on wealth of various kinds (especially property and financial investments) have been much higher than growth in income.\textsuperscript{117} The passing on of accumulated wealth through generations via inheritance or gifts has also fuelled wealth accumulation. If measures are not urgently taken to tackle wealth inequality, it will continue to spiral. Wealth taxes can be designed to limit the growth of wealth inequality, or if desired, reverse it. Thereby, they can prevent concentrations of wealth (and power) at the top of society, which are proven to undermine democracy and stability. This excessive wealth is corrupting politics and destabilizing countries, so taxing that wealth is good for democracy, not just for government finances.\textsuperscript{118} Furthermore, the introduction of wealth taxes sends a powerful signal that governments want to use the tax system to redistribute, which can help reduce social instability and bring people together at a time of crisis. When wealthier people are taxed effectively, tax morale in general improves and the government has increased fiscal legitimacy. This is likely to lead to less small-scale tax evasion across income groups as well as higher trust in relevant institutions.

Taxing wealth can also help to kick-start South Asian economies. It has already been shown that tackling inequality in South Asia can itself boost growth. However, the implementation of wealth taxes can also directly stimulate economic activity, by incentivising the productive use of assets. If holding wealth is exempt from tax, but earned income is taxed, the wealthy have little incentive to use their capital productively, which can result in the accumulation of unproductive assets. However, if wealth is taxed, its owners are more likely to use the wealth productively, creating economic activities, investment, employment, and additional revenue streams. Taxes on wealth are more economically efficient than taxes on consumption or income, as they have a much smaller impact on labour and spending patterns. Furthermore, the lack of clear linkages between tax cuts for the wealthy and economic growth and employment has been demonstrated in multiple theoretical and empirical studies. Evidence shows that periods of tax expansion in high-income countries have not harmed economic growth. Quite the opposite. In Europe and the USA, periods of tax expansion and high progressive taxation were associated with higher growth and employment.
information can help to mitigate the avoidance of wealth taxes by moving capital elsewhere. Furthermore, revenues raised from wealth taxes would far outweigh the costs even if a few wealthy individuals did decide to relocate.

Double taxation arguments do not stand up to scrutiny. It is sometimes claimed that wealth taxes could lead to ‘double taxation’, as they apply to accumulated income that has already been taxed. However, consumption taxes, upon which the majority of South Asian tax systems rely, are a very clear form of double taxation, as they are paid out of post-tax income. Yet these taxes, which disproportionately impact the poor, are not subject to the same critique by wealthy elites. Furthermore, direct tax rates are so low in South Asia, and prone to so many exemptions, that it is likely wealth taxes will be the first substantive tax applied to the income that has been accumulated to generate the wealth. Economically, what matters is the effective tax rate, rather than the number of times assets or income are subject to taxation.

Wealth taxation does not lead to capital flight. There is no substantial evidence that taxing wealth leads to capital flight. This argument is always used to try and undermine any attempts to tax the rich, and is often instigated by think tanks and media organisation acting in elite interests. However, as the OECD argues, “taxation is only one of many factors that affect taxpayers' location decisions” and there is no comprehensive evidence of tax-induced migration. The few available empirical studies do not find high tax-induced mobility. On the contrary, there is extensive evidence that the wealthy already do everything they can to hide their wealth offshore, whether wealth taxes are in place or not. Developments in exchange of information can help to mitigate the avoidance of wealth taxes by moving capital elsewhere. Furthermore, revenues raised from wealth taxes would far outweigh the costs even if a few wealthy individuals did decide to relocate.

Box 3: Elite push-back against wealth taxation

Extreme inequality in South Asia has enabled political capture, whereby those with huge amounts of wealth have been able to use political influence to rig the rules in their favour. Elites have a vested interest in maintaining the status quo and preventing the implementation of wealth taxes. While most wealthy elites have extensive political networks, the majority of citizens, who would benefit from the imposition of wealth taxes, have a much weaker bargaining position. For example, in Pakistan, the rich have networks that extend into elected assemblies and have been able to torpedo numerous attempts to tax them, often on disingenuous grounds. Leaders must make a clear and bold political commitment to tax the wealthy, and they must also be aware of misleading claims that often surface whenever wealth taxation (or any progressive tax reform) rises up the agenda. Two of the most common are challenged below:

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A GROWING CHORUS OF VOICES FOR WEALTH TAXATION

Civil society organisations across Asia are calling for their governments to introduce wealth taxes now. In September 2022, days of action were held in many countries across South Asia, to demand that governments tax the wealthy. Protests, including in Bangladesh, India and Pakistan, called for the urgent reform of national tax systems to end the unjust tax burdens placed on everyday people, and instead for a sharp increase in taxes on the income and wealth of corporations and wealthy elites. The C20 (the official civil society engagement group for the G20) is calling for governments to implement a wealth tax. But civil society is not alone. Following the COVID-19 pandemic, there has been a considerable uptick in political discussions on the introduction of wealth taxes. Presidential candidates in the US proposed various forms of wealth tax, and in South Asia, multiple taxes targeting the super-rich have already been introduced (see more below). Many wealthy individuals are already being advised to ‘price in’ wealth taxes, having been warned to expect more wealth taxation by their advisors as an obvious response to current financing crises. Furthermore, billionaires themselves are even calling for their excessive wealth to be taxed. This is echoed by leading world economists, such as Jeffrey Sachs and Gabriel Zucman. There is also a growing chorus from a range of prominent institutions calling for wealth taxes (see Box 4).

Box 4: Regional and international institutions are backing wealth taxes

The Asian Development Bank (ADB) argues that “using wealth as the tax base would be progressive” and has encouraged member states to consider implementing wealth taxes, especially on financial assets.

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) has called for governments to ensure that high incomes and wealth are taxed effectively. Specifically, it has stated that “taxes on wealth, including recurrent taxes on wealth and property as well as inheritance/estate/gift tax [are] important fiscal tools to reduce inequalities in a society”.

The IMF has encouraged governments to levy higher taxes on the income or wealth of the rich to help pay for the enormous cost of tackling the COVID-19 pandemic. The 2021 IMF Fiscal Monitor encourages governments to increase the progressivity of income taxation, alongside increasing their reliance on inheritance/gift taxes and property taxation, taxing excess corporate profits, and introducing further wealth taxes.

The World Bank has expressed concern about the declining trend of wealth tax collection in lower-income countries at a time when concentration and accumulation of wealth is on the rise. A senior World Bank adviser recently argued that a post-pandemic world is the right one in which to consider wealth taxes, as they could “help close the inequality gap, plug the fiscal hole and win back trust”.

The Secretary General of the United Nations has urged governments to consider a solidarity or wealth tax on those that profited from the pandemic in a bid to cut extreme inequality. He has also criticised the “grotesque greed” of oil companies and described the fact that the largest energy companies made combined profits of close to $100 billion as “immoral”, urging all governments to tax these excess profits and use the funds to support the most vulnerable.
A FULL RANGE OF WELL-DESIGNED, COMPREHENSIVE WEALTH TAXES ARE NEEDED

Governments must transform tax and fiscal systems in South Asia to make them work for people. In addition to reforming existing taxes to make them more progressive, any government which wants to use taxes to reduce inequality needs to introduce or enhance its taxes on wealth.\textsuperscript{143} Wealth taxes, as the name suggests, tax wealth, as opposed to income (e.g. personal or corporate income tax), or consumption (e.g. VAT). They can take three main forms, applying to the holding of wealth, such as net wealth taxes or property taxes; the transfer of wealth, such as inheritance or gift taxes; or the increase in value of wealth, such as capital gains taxes. While windfall or ‘excess profit’ taxes are not technically a wealth tax, as they apply to excess corporate incomes, they are important to discuss in the current context of extraordinary corporate profits and can be an important tool to tackle wealth inequality. Tackling accumulated wealth within large corporations limits wealth accumulation by their billionaire owners and wealthy shareholders. While this report focuses on three specific taxes – net wealth taxes, inheritance (and gift) taxes, and windfall taxes – it is vital that governments introduce a full range of wealth taxes to raise revenues and fight inequality. While the progressivity of property taxes depends on their design, they can raise significant revenues, and currently account for 80-100\% of total tax revenue from individual wealth at the global level.\textsuperscript{144} Indeed, many argue that net wealth taxes are just a logical evolution of property taxes, bringing them into the twenty-first century by extending the asset base beyond property and applying a progressive rate schedule.\textsuperscript{145} Nowadays the wealthiest mostly own financial assets, rather than real estate and land. Furthermore, capital gains taxes, which apply to the profit made when an asset is sold, can be highly progressive and raise significant revenues, especially when also applied to financial assets. They should be introduced, or where already in place made more comprehensive and with higher progressive rates. However, it is critical to note that while by their nature wealth taxes are highly progressive, their final progressivity depends on their design, implementation and enforcement. It is essential that governments heed the voices of citizens, not wealthy elites, as the taxes are being designed and implemented.
NET WEALTH TAXES
A net wealth tax (sometimes referred to as a ‘capital tax’ or ‘equity tax’) is a levy based on the net value of all assets belonging to an individual or household. Liabilities, such as debt, are deducted from total assets to reach net wealth. Assets can include: housing and real estate; other tangible assets such as jewellery, paintings and yachts; cash and other bank deposits; savings in insurance and pension plans; investments; corporate stock; financial securities and personal trusts. However, the wealth tax base can vary widely between countries as each tax administration can decide which assets to include. It is strongly recommended to keep the base of the wealth tax as broad as possible, and include the full range of financial and non-financial assets, to increase the tax’s revenue-raising potential. This will also minimise opportunities for the wealthy to avoid or evade the tax by transferring wealth into non-taxed assets.

Net wealth taxes can be recurrent or non-recurrent. Recurrent wealth taxes are usually levied on an annual basis and become a permanent feature of the tax system to increase state revenues and expenditure on a regular basis. In contrast, non-recurrent wealth taxes, which take the form of a one-off charge, are often referred to as a ‘solidarity tax’ and are generally introduced to respond to extraordinary fiscal circumstances. They can also be applied on top of recurrent wealth taxes. To ensure that the tax targets the wealthiest in society, it is common for net wealth taxes to have a tax-free threshold below which the wealth tax does not apply. The rate of the net wealth tax can also vary, depending on the tax administration. It is encouraged to tax wealth progressively with rates rising sharply for the wealthiest individuals to maximise revenues and limit wealth concentration at the top of society. There is no sound economic justification for net wealth taxes to be set at flat rates while income taxes are set at progressive rates.

A net wealth tax is applied irrespective of the returns on wealth. It should not be confused with capital gains tax, which is only applied once an asset is sold, and applies only to the profit (or ‘gain’) made from the sale. Net wealth taxes can complement or replace existing property taxes, which, as they are generally applied at a flat rate and only tax one asset owned by the wealthy, are not as progressive. It is important to acknowledge that defining, valuing and keeping records of wealth can raise some administrative challenges in lower-income countries. However, advancements in technology are mitigating against this (see below), and net wealth taxes are endorsed by many institutions. For example, the IMF has said that “modern net wealth taxes, if designed with ease of administration in mind, can be effective, even in developing and transition countries”. The OECD also supports net wealth taxes, especially in countries where taxes on capital gains or inheritance/transfers are absent or poorly enforced, or where wealth inequality is particularly high. In addition to applying to personal wealth, net wealth taxes can also be applied to corporations.
WHERE ARE THEY USED?

The concept of net wealth taxes is not new. Indeed, countries with Islamic laws-based government systems or large Muslim populations are used to the Zakat Maal, which is effectively a form of wealth tax that has been in place since the seventh century. Net wealth taxes have also been utilized by several countries when revenues needed to be urgently raised, for example following wars. They can raise significant revenues. For example, in 2020, Switzerland’s wealth tax accounted for about 3.6 percent of the country’s total revenue. Many countries have also had corporate wealth taxes on company assets, which haveraised significant revenue. For example, Luxembourg used to collect 3% of GDP from a corporate wealth tax. Net wealth taxes have also historically been applied in South Asia, such as in India, Sri Lanka and Pakistan (see case studies). In Nepal, a wealth tax was in place in the early 90s. However, net wealth taxes in South Asia have often been severely undermined by large exemptions, unreasonably high thresholds for payment, and poor enforcement, all of which have limited their revenue-raising potential. No country in South Asia currently applies taxes on the stock of wealth. While Nepal has a tax called a ‘wealth tax’, it is in effect a property tax.

Around the world, net wealth taxes are being introduced at a rapid rate as countries seek to fill financing gaps following the pandemic, especially in Latin America. In 2020, Argentina introduced a one-off wealth tax to fund their COVID pandemic response and support small businesses. It had progressive rates from 2 – 5.25%. Just a year after implementation, Argentina had collected more than ARS 240 billion (about $2.4 billion) from around 10,000 taxpayers. Bolivia also recently introduced a permanent wealth tax for its wealthiest citizens, with progressive rates of between 1.4 and 2.4%. Chile is planning to introduce a wealth tax of 1-1.8% on the largest fortunes, alongside other efforts to make their tax system more progressive, such as introducing a top new personal income tax rate of 43%. Peru is implementing a one-off solidarity tax on the 10,000 richest citizens, which aims to raise $3 billion for social spending for those impacted by the pandemic. Costa Rica is also considering a one-time solidarity wealth tax to finance post-pandemic recovery efforts, which is expected to be levied at 1% on individuals with assets exceeding $2.5 million, and business groups with total assets exceeding $5 million. Proposals for a wealth tax have now been introduced in both houses of the Philippine Congress. Meanwhile, Spain recently agreed a new asset tax for the wealthy. Residents whose wealth exceeds 3 million euros (about $3.1 million) will be subject to a new asset tax in 2023 and 2024, with progressive tax rates applied: 1.7% up to 5 million euros (about $5.2 million), 2.1% up to 10 million euros (about $10.4 million), and 3.5% over 10 million euros.

Following the success of other countries, and the need to fill financing gaps and tackle inequality, there has been renewed debate on net wealth taxes in South Asia. The new Sri Lankan President has indicated his support for increasing taxation on the wealthiest, and recent reports suggest that a net wealth tax could be introduced in the upcoming budget (see case study). There are also rumours of the re-introduction of a net wealth tax in...
India (see case study). Although the Pakistan government has not yet introduced a wealth tax, it has introduced a ‘super tax’ on the richest individuals (see case study). Bangladesh has also taken steps towards taxing the richest. While it does not have a net wealth tax, for the past few years it has had an income tax ‘surcharge’ set at progressive rates, ranging from 10-35%. The tax applies to individuals that meet one of the following conditions: have a minimum net wealth above BDT 4 million (about $43,000); own more than one automobile; or own a residential property above a certain size in specific locations. However, a large number of rich individuals who should be paying the tax are not paying it, with a former Chairman of the National Board of Revenue stating that the rich are hiding their assets. While some of these measures fall short of a full net wealth tax, and strong enforcement is needed to ensure that they do their job, they do show increased commitment in South Asia to taxing the wealthiest.

**WHY INTRODUCE NET WEALTH TAXES NOW?**

**Raise significant revenues.** Recent research has shown the huge revenue-raising potential of net wealth taxes. Even relatively low tax rates on wealth can yield substantial tax revenue. Various estimates have been made about the potential revenue generation of net wealth taxes applied at global, regional or national levels (see Box 5). Reducing exemptions, having a reasonable non-payment threshold, and properly enforcing the tax can ensure that significant revenues are raised.

**Directly reduce wealth inequality.** As discussed, wealth inequality is growing faster than income inequality and governments must act now to prevent further concentrations of wealth by an elite minority. Net wealth taxes directly reduce the growth of wealth inequality. Moreover, by applying sufficiently high rates, governments can actually reduce the total wealth of billionaires, finally putting damaging wealth inequality trends in reverse.

**Advances in technology have made it easier to implement net wealth taxes.** Historically, tracking down assets, assigning a value for tax purposes, and attributing them to an individual could be challenging, especially in low- and middle-income countries with limited institutional capacity. Some of these challenges remain. However, advances in technology have helped. If computerised records and registers are used alongside technological innovations the process can be greatly simplified. A well-resourced tax administration, with a team dedicated to the valuation of assets of wealthy taxpayers, should be able to overcome valuation challenges. Methods can be used to ease administration. For example, the value of hard-to-value assets or of the taxpayer’s net wealth can be kept constant for a few years to avoid yearly assessments. Many governments in South Asia already implement property taxes (requiring asset valuation), showing that with political will, these challenges can be overcome.
Globally, it has been estimated that a one-off 99% emergency tax on the world’s 10 richest people, applied only to wealth accrued during the pandemic, could raise $812 billion. That’s enough to secure vaccines for everyone in the world, fill financing gaps in climate measures, universal health and social protection, and fund efforts to address gender-based violence in over 80 countries. Furthermore, a progressive global net wealth tax of just 2% on personal wealth above $5 million, rising to 3% for wealth above $50 million and 5% for wealth above $1 billion, could generate $2.52 trillion worldwide, enough to lift 2.3 billion people out of poverty, make enough COVID-19 vaccines for the world, and deliver universal healthcare and social protection for everyone living in low- and lower-middle income countries (3.6 billion people).

At the regional level, it’s estimated that a wealth tax of 2-5% on Asia Pacific’s multi-millionaires and billionaires could raise an additional $776.5 billion every year. That would be enough to increase public spending on health in the region by 60%. Elsewhere it’s also been estimated that a one-time 20% tax imposed on the 500 richest families in the Philippines could raise PHP 1 trillion (about $18.1 billion). New analysis of WealthX and Forbes data for this report indicates the scale of potential revenues from net wealth taxes applied in Bangladesh, India and Pakistan. As the calculations apply only to wealth over $5 million it’s likely that these underestimate the true revenue-raising potential of net wealth taxes:

**Bangladesh:** There are 3,550 individuals with wealth of over $5 million (with a combined wealth of $66.5 billion). A progressive net wealth tax ($5 million - $50 million 3%, $50 million – $1 billion 5%, $1 billion+ 10%) could raise $1.82 billion, enough to increase public health spending by two-thirds. A one-off 10% tax on all wealth over $5 million could raise $4.88 billion, enough to more than double healthcare spending.

**India:** There are 66,860 individuals with wealth of over $5 million (with a combined wealth of $1.7 trillion). The same progressive net wealth tax could raise $84.30 billion, enough to double education spending or more than triple healthcare spending. A one-off 10% tax on all wealth over $5 million could raise $135.07 billion, enough to more than quadruple healthcare spending.

**Pakistan:** There are 2,420 individuals with wealth of over $5 million (with a combined wealth of $47.3 billion). The same progressive net wealth tax could raise $1.34 billion, enough to increase education spending by a third or healthcare spending by half. A one-off 10% tax on all wealth over $5 million could raise $3.52 billion, enough to nearly double education spending, or more than double healthcare spending.
Net wealth taxes are becoming more difficult to avoid. As with all taxes, the rich have proved adept at avoiding or evading wealth taxes, by hiding wealth in low-tax jurisdictions or by transferring wealth into non-taxed assets. However, the effective enforcement of a broad range of wealth taxes (applied to all asset classes), can help mitigate against this. Furthermore, by leveraging modern technology, tax authorities can collect data on the market value of most forms of household wealth and use this information to pre-populate tax returns, reducing opportunities for avoidance and evasion. At the global level, the gradual introduction of international tax information exchange systems (such as Automatic Exchange of Information) is making it increasingly difficult to hide wealth ‘offshore’. The introduction of a global asset register would make wealth taxes even harder to dodge. All countries in South Asia should support such efforts, and also support calls for a UN Tax Convention, which could comprehensively tackle tax havens and tax abuse. Governments should take further measures to ensure transparency of who owns which assets, and registers should be centralised and publicly available to improve transparency and deterrence.

Ability to pay issues can be overcome. There may be some taxpayers with significant net wealth but low incomes, who therefore find it difficult to pay net wealth taxes. However, a reasonable threshold can be applied before net wealth taxes apply, in order to target the very wealthy. The tax can also be graduated to ensure that the wealthiest pay more. In addition, payment of the tax can be deferred until the sale of the asset or the taxpayer’s death to ensure ability to pay. Again, many countries in South Asia already apply property taxes and have been able to address this challenge. As the World Inequality Report argues: “a comprehensive wealth tax base with a high exemption threshold and no preferential treatment for any asset classes can dramatically reduce avoidance possibilities and apply to the truly wealthy class who by definition do not face liquidity issues".
INHERITANCE AND GIFT TAXES
INHERITANCE AND GIFT TAXES

WHAT ARE THEY?

An inheritance tax is based on the net value of property and other assets transferred to someone upon another’s death. It is imposed on those who inherit the assets of the deceased person. By contrast, an ‘estate tax’ is imposed on the deceased person before their wealth is transferred to another. Although the two taxes are technically different, the terms are often used interchangeably. As with net wealth taxes, the estate’s total liabilities are subtracted from the value of the estate to arrive at the net taxable estate. Likewise, the tax is best levied on all financial and non-financial assets to maximise the tax base and minimise avoidance opportunities. Although estate tax can be easier to collect than inheritance tax, as it involves a smaller number of collection points, taxing inheritance is considered a better approach on intergenerational mobility grounds as what matters is how much an inheritor receives from others, not what the deceased person leaves to others. It can also further reduce concentrations of wealth by encouraging the division of estates. It is worth noting that in some countries capital gains or income tax may apply to inheritance or gifts, although there are often exemptions for inherited assets or assets gifted to relatives.

As with all taxes, how inheritance tax is designed is critical to ensuring that it meets its objectives. A progressive rate schedule, as opposed to a flat rate, is strongly advised to increase the tax’s progressivity. In many countries, the rate depends on the value of the inheritance and the beneficiary’s relationship to the decedent. Spouses and children are in some cases exempt from inheritance and gift taxation. This is highly problematic as it reduces the revenue-raising potential of the tax, and undermines its ability to tackle wealth concentration. Furthermore, many countries which have introduced inheritance taxes have provided far too generous a range of exemptions and other forms of relief, which often benefit the wealthiest, and thus undermine revenue-raising ability and progressivity. A reasonable ‘inheritance threshold’ can be put in place to exempt small inheritances and ensure that the tax targets the wealthiest, but exemptions for specific asset classes or relatives should be avoided. For example, many countries provide very generous relief for business assets passed on to family members. However, the OECD has found that these reliefs predominantly benefit the wealthy, and has questioned the rationale, arguing that heirs tend to underperform when they inherit a business.

Gift taxes are critical when inheritance taxes are in place. These are taxes that apply to an individual receiving anything of value (a ‘gift’) from another person throughout their lifetime. The tax treatment of inheritance and gifts should be closely aligned, with the two taxes levied at the same progressive rates to ensure that payment of inheritance tax cannot be avoided through in-life gifts. Gift taxes can apply separately, or alternatively inheritance tax can be levied on a lifetime basis (on the overall wealth received by beneficiaries over their lifetime through both gifts and inheritances) to
minimise opportunities for avoidance.\textsuperscript{185} This is the most equitable approach as it ensures that individuals that receive more wealth over their lifetime pay more tax, and would remove differential tax treatment between multiple small transfers and one large transfer. Again, a lifetime exemption threshold could apply to ensure that the tax targets the wealthiest. Although administrative capacity should be taken into account, digitalisation makes a lifetime inheritance tax easier to administer.

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It should be acknowledged that in many cultures there is a deep attachment to the concept of older generations providing for younger ones by saving and then passing on their assets. This is especially true where perceptions of corruption are higher, or where governments are less trusted to spend tax revenues. Despite this, inheritance and gift taxes have broad support due their ability to raise revenues and reduce inequality. For example, the OECD argues that inheritance taxes can be an important tool to address inequality “especially in the current context of persistently high wealth inequality and new pressures on public finances linked to the COVID-19 pandemic”.\textsuperscript{186} It also acknowledges that “inheritance taxes - particularly those that target relatively high levels of wealth transfers - can reduce wealth concentration and enhance equality of opportunity”.\textsuperscript{187} Even the free-market advocate The Economist supports them, arguing that “a fair and efficient tax system would seek to include inheritance taxes, not eliminate them”.\textsuperscript{189}

**WHERE ARE THEY USED?**

Inheritance taxes are in place in many countries around the world. However, they vary dramatically depending on the proximity of the relationship between the donor and the recipient, with close family members often exempted. For example, the USA exempts all bequests to spouses and amounts under $5.5 million, making inheritance tax irrelevant to almost all citizens and of minimal anti-inequality impact.\textsuperscript{189} Most of these countries levy recipient-based inheritance taxes. Denmark, Korea, the United Kingdom and the USA, on the other hand, levy estate taxes on donors’ overall estates. Ireland levies a specific type of recipient-based inheritance and gift tax on lifetime wealth transfers.\textsuperscript{190} In OECD countries where inheritance taxes are in place, most countries have progressive tax rates, but around one third apply flat tax rates, which undermines progressivity, and the rates vary widely.\textsuperscript{191} In the majority of countries where inheritance taxes are in place, they are undermined by narrow tax bases as a result of exemptions and avoidance through in-life gifts, which reduces potential revenues, efficiency and fairness.\textsuperscript{192}

Although the use of inheritance taxes is limited in the Asia region as a whole, some countries are taking concrete steps towards their implementation. For example, Thailand introduced inheritance and gift tax for the first time in 2016. Although it was less ambitious than expected, it still marked a positive effort to contain growing inequality in the country. It has been suggested that China is preparing to introduce inheritance taxes alongside property taxes in the coming years. In South Asia, the use of inheritance and gift taxes has waned over the past four decades, with Sri Lanka, Bangladesh and Pakistan removing them. India scrapped estate duty in 1985 and has no inheritance tax, although the receipt of gifts is subject to income tax in the beneficiary’s hands. Bangladesh has a gift tax, with the rate varying between 5-20%
Case study: India must re-introduce wealth taxes to tackle surge in inequality

India is a highly unequal country. Inequality was actually in decline following independence, as a result of socialist-inspired five-year plans. However, since the mid-1980s, deregulation and liberalization have led to one of the most extreme increases in income and wealth inequality anywhere in the world. The bottom half of India's population own just 6% of the country's wealth. The middle class is also relatively poor, owning just 30% of the country's wealth. Meanwhile, the top 10% own nearly two-thirds of the country's wealth. In 2020, the richest 98 billionaires in India had the same wealth as the poorest 555 million people combined. The combined wealth of the richest hundred Indians on the Forbes list stands at more than half a trillion US dollars, and India now has more billionaires than France, Sweden and Switzerland combined. Credit Suisse estimates that in the decade prior to 2021, the wealth share of the top 1% increased from 33% to 41%, demonstrating a growing concentration of wealth in the hands of the elite. Income inequality is also huge, with the top 10% earning 20 times more than the bottom 50% of the population. Furthermore, it is highly gendered, with a female labour income share of only 18%, one of the lowest in the world and significantly lower than the average in Asia.

The COVID-19 pandemic brought unprecedented economic and social disruption to India. In 2020-2021, India's economy experienced its largest contraction since independence. It's been estimated that over 10 million jobs vanished during the second wave, whilst 97% of households saw their incomes drop. The impact of the pandemic was particularly hard for the most marginalized groups: migrants, unorganised workers, women, people with disabilities and ethnic minorities. However, the pain was not shared. While 46 million people fell into extreme poverty, the wealth of Indian billionaires more than doubled. For example, the wealth of billionaire Gautam Adani multiplied eight-fold during the pandemic, benefiting from state connections and market control over industries once considered as public goods. In October 2021, India's richest man, Mukesh Ambani, became the first Indian to amass a fortune exceeding $100 billion. Big corporations – owned by the billionaire class – have also been profiting from the pandemic. During
COVID, Ambani’s Reliance Industries added $9 billion to its market cap, while Adani Group companies posted massive profits and grew its market share. E-commerce companies made huge profits as consumers shopped from home, and two of India’s largest vaccine producers – Serum Institute of India and Bharat Biotech – profited between 2,000 – 4,000% on each dose sold to private hospitals.

Indians were already struggling before the pandemic hit. According to the World Food Programme, India is home to a quarter of all malnourished people worldwide. The majority of Indians lack affordable healthcare, decent homes, and a good education for their children, and their livelihoods are precarious. In a context where the wealth of the ten richest Indians would be enough to fund school and higher education of children in the country for 25 years, there is chronic underfunding of essential public services. In 2021, the central government allocated smaller amounts to the critical health and education sectors than ever before. The lack of investment in public services is preventing citizens from recovering from the COVID-19 pandemic. Consistently low spending on public healthcare in comparison to other middle-income countries (MICs) has left gross inequalities in the healthcare system. For example, the life expectancy of a Dalit woman is approximately 15 years less than that of an upper caste woman. Likewise, India’s expenditure on education has stagnated at around 3% of GDP, below a historic target of 6% and much lower than other MICs. Underfunding of public services has led to privatisation, with a majority of the population being pushed towards private healthcare. For example, there are now twice as many private as government institutions in the tertiary education sector. Arbitrary fee hikes and gross overcharging lead to huge out of pocket expenditure for parents, further adding to their economic misery.

India’s tax system is failing to raise sufficient revenues or tackle inequality. It has a low and stagnant tax-to-GDP ratio. Steep cuts in corporation taxes, alongside an increase in indirect taxation, has removed the rich from being the primary source of tax revenue, and reduced revenues. For example, a corporation tax cut from 30 to 22% in 2019/2020 resulted in a loss of INR 1.5 lakh crore (about $19.9 billion), which has contributed to India’s fiscal deficit. Meanwhile, in July 2022, the government increased the rate of goods and service tax (GST) on essential food items, and revenues from GST collection has increased the most post-COVID amongst all sources. However, a Public Distribution System (PDS) food subsidy is in place, and despite flaws is pro-poor. While in theory, India has some taxes designed to tax the rich, including a progressive income tax structure, capital gains tax, tax on gifts and an income tax surcharge for the super-rich, data consistently shows that the rich are not paying their fair share. These personal income tax measures are also offset by aforementioned cuts to corporate taxes. There is no net wealth or inheritance tax, and the wealthy avoid and evade taxes targeting them. The recent Pandora Papers investigation highlighted the loopholes
exploited by the rich to conceal their assets.\textsuperscript{234}

Never have wealth taxes in India been more urgently needed to rebalance the tax system, tackle inequality and raise funds for vital public services. The Indian public recognises this. A recent survey found that 84\% of Indians want their government to place a 2\% COVID surcharge on the rich, while 90\% want the government to impose a temporary tax on companies making massive profits during the pandemic.\textsuperscript{235} The need for wealth taxes is also recognised by leading economists. Economist and Nobel laureate Abhijit Banerjee has called for more taxes on the rich,\textsuperscript{236} while Joseph Stiglitz has advocated for taxing the super-rich class in India to raise vital revenues to deal with the COVID-19 fallout.\textsuperscript{237} However, the government has often been hostile to suggestions to increase taxes on the wealthiest. In 2020, three senior Indian Revenue Service (IRS) officers were fired for preparing a report that recommended higher taxes for the rich, including an increase in the top rate of income tax for the super-rich, reintroduction of the country’s wealth tax, and a COVID-19 cess (tax on the richest to pay for vital public services).\textsuperscript{238} The report noted that in unprecedented times, the super-rich “have a higher obligation towards ensuring the larger public good”, and also that the rich themselves would benefit from the economy swinging back into action.\textsuperscript{239}

There are growing calls for a net wealth tax to be re-introduced in India to generate much-needed revenues to fund the recovery from the pandemic, alongside measures to drastically improve tax compliance by wealthy individuals.\textsuperscript{240} This would complement property taxes already in place at municipal level. India introduced a wealth tax in 1957 with the aim of raising revenues, reducing inequality, and plugging loopholes in the tax system. The tax was levied at a rate of 1\% on wealth above a threshold of 3 million rupees (about $45,000),\textsuperscript{242} until it was discontinued in 2016 and replaced with an additional 2\% ‘super rich surcharge’ on those earning over Rs 10 million (about $150,000) annually.\textsuperscript{243} The government cited low tax revenues and difficulties with enforcement.\textsuperscript{244} However, there was very low awareness of the wealth tax and it was subject to a wide range of exemptions, which reduced the tax base and made it difficult to administer, therefore greatly reducing the revenues that could be raised.\textsuperscript{245} One analysis found that wealthy individuals paid on average eight times less as a result of extensive exemptions, and that exemptions resulted in an effective tax rate of just 0.5\%.\textsuperscript{246} Evidence shows that the threat of an audit, the shaming of tax dodgers, and the imposition of penalties can greatly improve tax compliance.\textsuperscript{247} Indeed, potential revenues from an annual progressive wealth tax in India are huge (see above). In addition, it has been estimated that a 4\% wealth tax on the 98 richest families in India could fund the Ministry of Health and Family Welfare for over two years, or the Mid-Day-Meal programme for 17 years.\textsuperscript{248} Earlier this year there were rumours that the wealth tax may be revived, yet similar rumours are common before every budget announcement, and as of yet the government has shown no movement.\textsuperscript{249}
India also used to have an inheritance tax (in the form of an estate duty) until it was abolished in 1985 as part of wider neoliberal reforms. It implemented progressive rates of up to 85%, and was accompanied by (albeit imperfect) measures to counter tax avoidance and evasion, such as a gift tax charged at the same rate. However, the tax was riddled with loopholes and undercut by high exemption limits. There was an attempt to re-introduce the tax in 1989, but parliament was dissolved and the bill slipped into obscurity. India remains without an inheritance or estate duty tax, and current gift tax rules exclude the transfer of assets under will or inheritance. There has been increasing speculation about the re-introduction of an inheritance or estate tax, due to its ability to provide a stable source of substantial revenue, but the government has ruled it out for now. This is despite a growing consensus on the need for its reintroduction, ranging from civil society organisations to wealth managers, who cite the egalitarian principles enshrined in the Constitution of India, the potential to raise significant revenues, and the need to prevent wealth concentration. Furthermore, this is despite a discernible improvement in the government’s tax administrative capacity due to advances in information technology, which would greatly reduce the cost of administering the tax. Administrative costs were cited as a factor for repealing the previous inheritance tax, but with advances in modern technology, digitalisation of tax returns and automation of the process of levy and collection, these costs can be minimised.

Regarding windfall taxes, the government has already taken a step in the right direction. In July, India – the world’s third biggest importer of oil – imposed an exceptional tax on the excess profits made by oil exporters, taking the form of an increase in export duties on petroleum products. The aim was to increase revenues from domestic oil firms making huge profits from the jump in global oil prices, and also to shore up domestic supplies. However, a control measure to prevent the levy from being passed on to the price of barrels was not included, and since its introduction, the levy has had to be continually adjusted to take account of changing oil prices. Up until early September, the tax had already been revised four times. In early October, the government made yet again another revision to their version of a ‘windfall tax’, and scrapped an export tax on jet fuel and halved export duties on diesel. While efforts to extract further tax revenues from oil companies profiteering from a crisis are welcome, this case shows the importance of introducing a permanent sector-wide windfall tax on excess profits to provide stability and ensure that all sectors (including the pharmaceutical industry) are covered. It also demonstrates the need to implement clear measures to ensure that costs are not passed onto consumers alongside the introduction of a windfall tax, as has been done in other countries (see below).
WHY INTRODUCE INHERITANCE TAXES NOW?

Boost equality of opportunity. Inheritance taxes reduce the amount of wealth being handed down through generations, tackling unfair advantages to heirs of wealth, and supporting equality of opportunity. The acquisition of wealth handed down through inheritance is generally unrelated to the merits and efforts of those who benefit, and inheritance taxes help to create a more level playing field. It’s been argued by Thomas Piketty, Gabriel Zucman and others that, from a meritocratic perspective, inherited wealth should be taxed at higher rates than earned income and self-made wealth.

Reduce concentrations of wealth. The disparity caused by inherited wealth is a key driver of today’s levels of wealth inequality. Inheritance and gifts have been found to play a strong role in wealth persistence across generations, especially between parents and their children. By limiting wealth being passed down and further amassed by the same families, the inheritance taxes act as a barrier to the further concentration of wealth.

Highly progressive. Although it depends on how they are designed, inheritance taxes are often the most progressive elements of a country’s tax system. It’s been found that the inheritances and gifts reported by the wealthiest 20% of households are close to 50 times higher than those reported by the poorest 20%. Multiple studies have found that inheritance taxes have both short-term and long-term redistributive effects.

Stimulate economic activity. Evidence shows that inheritance taxes have minimal impact on savings decisions, and empirical studies have shown that they increase the incentive of those who are due to inherit wealth to work stimulating economic activity. Research suggests that a single person who inherits an amount above $150,000 is four times more likely to leave the labour force than one who inherits less than $25,000. Furthermore, the perpetuation of wealth accumulation and family business successions over generations reduces competition, with long-term impacts on entrepreneurship and innovation.

Ease of payment. As the inheritor is gaining a net sum, and the inheritance is taxed before it is received, there are minimal concerns about the ability of inheritors to pay the tax. If necessary, deferrals or other mechanisms, such as payment in instalments, can be put in place for those inheriting non-liquid assets that may have issues paying the tax.

Ease of administration. The OECD has found that inheritance taxes are one of the easiest wealth taxes to collect. In order to pass down wealth an individual must have a documented claim to that wealth, meaning that uncovering wealth and assigning ownership is less challenging. Furthermore, as inheritance is only taxed once, administrative costs are relatively low. By developing clear rules on when and how estates are valued, and using available public data, valuation challenges can be overcome.

Inheritance taxes can garner broad public support. While taxing inheritance can be politically challenging in some contexts, with effective communication on the state of wealth inequality in the country alongside the reach and purpose of inheritance taxes, this
challenge can be overcome. Furthermore, designing the tax with a significant threshold before payment to ensure that it is focussed on the rich greatly improves its popularity.

Avoidance challenges can be overcome.

Empirical evidence of tax evasion directly linked to inheritance taxes is scarce. Although the date of inheritances are uncertain, it has been suggested that the fact that inheritance taxes are infrequent allows a long period of tax planning. However, measures can be put in place to clamp down on avoidance and evasion. Gifts can be carefully monitored and lifetime gifts can be incorporated into the inheritance tax system. Measures have been put in place by many countries to stop taxpayers from transferring wealth in the guise of business assets to benefit from exemptions or preferential tax rules. Continued progress on international tax transparency will help prevent offshore evasion.
WINDFALL TAXES
Windfall taxes, also known as ‘excess profits’ taxes, are additional taxes applied to big companies registering sudden and significant increases in their profits due to external circumstances. This could include a geopolitical disturbance, war, pandemic, natural disaster, or other unusually favourable market factors. As these events are beyond their control, the excess profits cannot be attributed to the firm’s actions, such as an investment strategy, expansion of the business, innovation, extra effort or increase in efficiency. Excess profits are calculated by either comparing current profits with profits in a previous period, or estimating the company’s real costs. The windfall tax is only applied to these excess profits, not overall profits. Windfall taxes are often used in times of crisis by governments to redistribute unexpected gains when high prices benefit producers at the expense of consumers, or to fund social welfare programs. They are seen as an efficient and targeted way to share the burden at times of crisis.

It is important to ensure that all companies profiteering from external crises fall within the net of a windfall tax, not just specific sectors. For example, in response to the global COVID-19 pandemic and recent soaring energy prices, big pharma and energy companies are recording record profits, which should rightly be taxed. However, companies in other sectors, such as big tech and those in the food industry are also making excess profits. Therefore, windfall taxes should apply to as wide a range of sectors as possible to ensure that all crisis-profiteers pay their fair share of tax. Windfall taxes can be applied retroactively or proactively. It is recommended to apply windfall taxes retrospectively wherever possible to ensure that excess profits from recent crises are covered.

The windfall tax can be ‘one-off’ or it can be designed to kick-in automatically whenever excess profits are made by an industry. It is recommended that windfall taxes be made permanent to ensure that excess profits are always taxed effectively and that windfall taxes can rapidly respond to external crises. It also adds certainty to the fiscal framework for companies and investors and encourages multinationals to reinvest the excess profits in employees, productive investment or price reduction. By contrast, temporary windfall taxes can often be legally contested, can surprise companies and investors, and sometimes have a sub-optimal redistributive impact as they are adopted after people have already suffered. Indeed, permanent windfall taxes are recommended by the IMF, who argue that a permanent tax on excess profits would support social cohesion by making companies that prosper during crises contribute instead of those who are heavily affected. They also argue that windfall taxes would be a significant source of revenue and cause few market distortions.

When introducing windfall taxes, governments must develop mechanisms to ensure that costs are not passed onto consumers. For
example, in Italy, where a windfall tax was recently proposed, additional budget was made available so that the competition and market authority, in coordination with the Ministry of Finance, could carry out necessary inspections and audits. Windfall taxes should be based on reported profits at the national level, as opposed to consolidated profits in the headquarter country, as it makes national windfall taxes easier to implement and avoids situations of double taxation. Measures can be put in place to prevent companies from avoiding tax by reallocating profits to countries without a national windfall tax. Critically, the windfall tax should be paid in addition to other corporate taxes, as if loopholes are in place, such as allowing the tax to be deducted from corporate income tax payments or offset by the activation of deferred tax assets, their revenue-raising potential can be greatly reduced.

WHERE ARE THEY USED?

Windfall taxes are nothing new. Throughout history, crisis profiteers have sought to take advantage of economic turbulence to get exponentially richer, and governments have sought to tax them. For example, in World Wars I and II, windfall taxes brought in significant revenue to help governments around the world rebuild and stop wartime profiteering. In the US the tax rate for excess profits was set at 95%. These taxes were not only used to mobilize important resources to support the war effort, but they also represented an important lever to allow workers to demand wages corresponding to the increase in the cost of living, as well as to control the growing concentration of economic power in a few large companies.

More recently, in response to multiple global crises, governments across the world are implementing windfall taxes. Various windfall taxes are being introduced across Europe, with the EU setting out guidelines for their implementation. Italy, Belgium, Greece, Spain and the United Kingdom all have recently instituted windfall taxes, with rates ranging from 25-90%. They mostly target the energy sector, but Spain is also targeting banks, who have made substantial excess profits in recent years. Some are applied retroactively, and almost all have put in place measures to ensure that costs are not passed on to consumers. Forecasts suggest that they will raise substantial revenues. In April of this year, Peru also announced plans to tax the windfall profits of copper producers who are benefiting from soaring world metal prices. Likewise, Chile announced in July that it hopes to increase royalties on its largest copper producers and tax their profits by following the variations in the price of copper. Argentina is implementing a windfall tax on companies earning excessive profits as a result of the war in Ukraine. In South Asia, India, Pakistan and Sri Lanka are taking steps towards the introduction of windfall taxes (see case studies).
Case study: Failure to tax the rich contributed to Pakistan’s turmoil, but it may be changing course

Pakistan is in crisis and is desperately trying to shore up revenues. It has been grappling with deteriorating reserves, a sliding currency and surging inflation. It has had low flows of FDI and dwindling exports alongside faltering tax revenue for many years, which has led to over-dependence on foreign loans, and as a result major debt. Successive governments have tried to balance the books by borrowing rather than directly taxing the rich, with the country’s elites effectively running a “fiscal Ponzi scheme” that gives an illusion of sustainability but remains perpetually vulnerable to sudden collapse.

While Pakistan’s recurring economic crises have many origins, fiscal disorder has been a key factor. It has had a persistently low tax-to-GDP ratio, much lower than neighbours India and Bangladesh. The taxation structure is complex, inefficient, regressive, overly reliant on indirect taxes and defined by multiple exemptions. Pakistan’s Federal Board of Revenue (FBR) has regularly issued exemptions on duties and tariffs, and the agricultural and real estate sector remain hugely undertaxed. Furthermore, Pakistan’s tax collection system has long been riddled with corruption and evasion. It has been suggested the country’s history of military regimes has influenced the dysfunctional nature of the fiscal system, with the military reluctant to pursue progressive tax reforms that could hurt military elites or other politically influential groups upon which the military relies for its power base. The country has received significantly more foreign aid during its military regimes than during its elected governments.

It has long been recognised at the highest level of policymaking in Pakistan that the country needs to broaden its tax base and unprecedented inflation has made clear the unfairness of increasing taxes on ordinary people. The previous Finance Minister, Miftah Ismail, acknowledged that it is the poor who have always suffered the burden of taxes. While less than one percent of people in a country of 220 million pay direct income taxes, the tax burden is imposed on the poor through a raft of indirect taxes. Contrastingly, the rich have long avoided paying their fair share. A 2021 editorial in Dawn, one of Pakistan’s leading newspapers, stated that: “By avoiding tax payments and securing exemptions, the rich have for long forced successive governments to run large deficits, cut expenditure on social and economic infrastructure and increase the tax burden on the rest of the country.” Furthermore, in the past Pakistan has instituted several tax amnesty schemes which have helped the privileged classes by enabling them to legalise their wealth.

At a time of crisis, it’s time for the rich to pay their fair share. Powerful interest groups that have managed to remain outside of the tax net must be brought under it. Among
them is the rentier class that have made windfall gains from the real estate bubble but have continued to evade even minimal levels of taxation.\textsuperscript{307} However, there will be pushback. As one of Pakistan’s leading economic commentators notes: “When it comes to taxing the rich, large properties, big agricultural incomes, they suddenly remember the constitution which is otherwise practically treated as a piece of paper by the powerful elites of Pakistan”.\textsuperscript{308} Politicians are poorly incentivized for tax reform, as a widening of the tax base would require the country’s elites to tax themselves and to tax politically sensitive constituencies.\textsuperscript{309} This means when it comes to raising revenues they often turn to ordinary people to pick up the tab. Indeed, since coming to power in April, Sharif’s administration has raised fuel prices and power tariffs and unveiled austerity measures, as requested by the IMF.\textsuperscript{310}

However, in recent years, appetite to tax the rich in Pakistan has grown.\textsuperscript{311} Despite a mixed summer 2022 budget in terms of progressivity, Pakistan has taken some positive steps with a focus on direct as opposed to indirect taxation.\textsuperscript{312} Some welcome measures include increasing corporate tax rates on banks from 35 to 39\% (although a higher increase was previously mooted).\textsuperscript{113} Capital gains taxes are also being amended to increase their scope to tax inheritance and gifts, especially in relation to property, with some suggesting that this paves the way for an inheritance tax.\textsuperscript{314} Pakistan had a wealth tax but it was abolished in 2003.\textsuperscript{315} However, the government has introduced a new ‘super tax’ on high earners. The tax applies to individuals earning above 150 million PKR (about $750,000), with progressive rates applied 1-4\%.\textsuperscript{316} The ‘super tax’ is also applied to companies at the same rates, except for banking companies, where the top rate of 4\% is applied regardless of income.\textsuperscript{317} Furthermore, where corporate income exceeds PKR 300 million (about $1.5 million), an enhanced ‘windfall’ super tax rate of 10\% (instead of 4\%) applies for a range of sectors, including airlines, automobiles, cigarettes, tobacco, petroleum and pharma in 2022 and the banking sector in 2023.\textsuperscript{318} This is the first time a windfall levy has been introduced in Pakistan, and it is being introduced to target sectors earning extraordinary profits during the last few years.\textsuperscript{319} Indeed, most of these industries have prospered over the decades on the back of hefty government handouts and protections,\textsuperscript{320} and financial institutions, particularly banks, were earning record profits during the COVID-19 pandemic.\textsuperscript{321} However, the previous Finance Minister Miftah Ismail was keen to observe that the ‘super tax’ is a “one-time tax” needed to curtail the previous four record budget deficits.\textsuperscript{322}
Why Introduce a Windfall Tax Now?

Redistribute wealth. Windfall taxes redistribute wealth from large corporations and their wealthy shareholders (who are profiteering from global crises) to ordinary citizens facing a cost-of living crisis. Oxfam has calculated that 1000 of the world’s biggest companies have recorded excess profits of at least $1.15 trillion compared to the pre-pandemic period, with the biggest winners being the financial, energy and pharma sectors. These record profits line the pockets of the billionaires that control the companies and their wealthy shareholders. As citizens all around the world are increasingly forced to make difficult choices on whether to put food on their table, get medical care or heat their homes such crisis-profiteering by companies is unacceptable. Windfall taxes are a solidarity tool to more equally share the burden.

Boost revenue. Windfall taxes could boost revenues when they’re needed most. At the global level, it’s estimated that a 90 percent windfall tax on 1,000 of the world’s biggest companies would generate more than $1 trillion. In Europe, recently proposed windfall taxes are forecast to raise significant revenues, for example 7 billion euros (about $7.3 billion) in Spain and 11 billion euros (about $11.5 billion) in Italy. These vital revenues can be channelled towards essential public services to lift the burden on ordinary people and reduce inequality.

Stimulate economic activity. A windfall tax is widely recognised as a sound tool in times of economic crisis in economic fora. They don’t reduce the willingness of companies to invest if they are only applied to excess profits, as they are applied to the portion of profit that investors cannot predict. Companies themselves have declared that they will not abandon planned investments because of windfall taxes. Moreover, ever-increasing shareholder pay-outs show that companies are not using extra profits for productive investments or to boost innovation. In the first semester of 2022, shareholder pay-outs in the world’s largest companies surpassed all previous pay-outs, totalling over $300 billion. Furthermore, if in crisis conditions companies and investors want to avoid paying the tax, they would have the choice of lowering the prices of their products, investing in their employees by increasing wages, or reinvesting the excess profits in the company, all of which stimulate the economy.

Excess profits are not justified. Booming profits for some large corporations in recent years are not the result of smart investments or ingenious ways to cut costs. Instead they are due to factors beyond their control, such as inflation, the economic shock of the Ukraine war, rising energy prices, global supply-chain challenges, pandemic lockdowns and government support packages. For example, it’s estimated that the five largest energy companies (BP, Shell, Total Energies, Exxon and Chevron) are together making $2,600 profit every second. At a time of crisis for millions, there is no justification for companies raking in these large excess profits.

Fight monopolies. Excess profits are themselves exacerbated by monopoly or oligopoly power. This is especially evident in the food, pharmaceutical and digital sectors, where companies are free to set prices and conditions, and also influence
policies in their interest. Monopolies mean that big companies can set the rules of the game enabling them to further increase prices and their profits. Indeed, the pricing power of big corporations has reached historical highs in recent years. A windfall tax can help limit the power of companies and prevent them from increasing prices.

**Tackle inflation.** Growing corporate profits contribute directly to inflation. Analyses show that current inflation is accelerated by corporate behaviour rather than any increase in wages (which are often stagnant). For example, in Spain it has been estimated that expanding corporate profits are responsible for over 80% of the increase in inflation in the first quarter of 2022. Windfall taxes limit the excess profit gained by companies from monopolistic behaviour and reduce the incentives to hike prices.

**Level the playing field with SMEs.** While large corporations rake in excess profits, many SMEs are struggling, and in many cases being driven to bankruptcy. Just as windfall gains are not earned, neither were the consequences of the pandemic for SMEs. Taxing excess profits helps level the playing field by limiting the benefits of monopoly power for large corporations (many of whom have benefited from tax loopholes that SMEs have not).

**Mechanisms can be put in place to prevent costs being passed onto consumers.** They are already in place in many countries that currently implement windfall taxes, with governments providing some additional budget to departments that can monitor whether price rises are being passed on to consumers. With active enforcement, governments can ensure that costs are not passed onto consumers.
CONCLUSION
TAX WEALTH NOW FOR A
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In the face of multiple crises, the struggle to bring about a people’s recovery is a test of the political will of governments in South Asia. There is nothing inevitable about inequality, and there is nothing inevitable about responding to current crises with a failed neoliberal doctrine of austerity and privatisation. Historically, when societies have pulled together at times of crisis, governments have increased taxes on the wealthiest. The pandemic must serve as a wake-up call to leaders in South Asia to implement an inclusive recovery that aggressively tackles inequality. Sticking with the status quo is not an option. However, we know that introducing wealth taxes will face tough resistance from wealthy elites. Governments must respond to the growing chorus of voices in support of wealth taxes – from ordinary citizens to frontline activists to international institutions – and implement a full range of comprehensive wealth taxes now. They must do this to raise revenues for vital public services, fight inequality and boost growth. Leaders should ask themselves: whose side are they on? A wealthy elite holding back progress to protect their narrow interests, or the majority of their citizens struggling under the weight of multiple crises. If they make the right choice, they can turn the legacy of current crises into quality, publicly funded essential services available to all, more equal and stable societies, and stronger economies. They can secure a people’s recovery from current crises and build a brighter future for South Asia. But they must act now.
RECOMMENDATIONS
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REBALANCE TAX SYSTEMS TOWARDS WEALTH TAXATION

• Establish a specific unit in the tax authority to deal with taxing the wealthy. Ensure that it is sufficiently resourced and encourage cross-departmental co-operation. Politically exposed persons (PEPs) should be a specific focus.

• Analyse the medium-term revenue potential of a full range of wealth taxes and publish a time-bound plan to increase the percentage of total revenues raised by wealth taxes.

• Introduce a full range of permanent wealth taxes, including net wealth taxes, inheritance and gift taxes, windfall taxes, capital gains taxes and property taxes.

• Apply progressive tax rates, with rates rising sharply for the wealthiest taxpayers.

• Minimise exemptions, whilst applying reasonable thresholds before wealth taxes apply to keep them focussed on the wealthy.

• For taxpayers with liquidity issues, put a deferral system in place or allow payment in instalments, whilst taking measures to stop the use of deferrals for avoidance or evasion.

• Where wealth taxes are already in place, increase tax rates on the wealthiest and remove harmful exemptions that undercut the tax base and open up avoidance opportunities.

• Take advantage of technological advances to collect, monitor and analyse data on net wealth and reduce administrative costs.

• Publish data on revenue raised (total and proportionally) by wealth taxes to raise tax morale.

• Launch public information campaigns on wealth taxes, including how they will be implemented, how they will target the wealthy, and what revenues will be used for.

• Ensure that revenues raised from wealth taxes are used to fund quality, universal, inequality-reducing public services, such as healthcare, education and social protection.

• Ensure that the design and implementation of wealth taxes is not unduly influenced by actors with a vested interest in minimising wealth taxation liabilities.

• Donors and International Financial Institutions (IFIs) should support the development of technical solutions to overcome any design or implementation challenges associated with the introduction of wealth taxes.

ENSURE THAT ALL FINANCIAL AND NON-FINANCIAL ASSETS ARE TAXED

• Ensure that the full range of financial and non-financial assets owned by the wealthy are taxed to keep a broad tax base and minimise opportunities for tax avoidance and evasion.

• Introduce mandatory declarations of all assets and liabilities for the wealthy. At minimum, encourage voluntary wealth disclosure programs, but do not introduce tax amnesties.
• Establish centralised, public registers of beneficial ownership of key assets, and ensure automatic exchange of information between revenue authorities.
• Ensure transparency of the treatment of assets held in companies, trusts, foundations and other vehicles used by the wealthy to hide asset ownership.
• Support efforts for a global asset registry to disclose the true owners of assets.
• Cooperate at regional and global levels in support of asset and tax transparency.
• Support calls for a UN Tax Convention to comprehensively tackle tax havens and tax abuse.
• Ensure whistleblowing protection for those who expose tax avoidance and evasion schemes.

INTRODUCE ANNUAL NET WEALTH TAXES

• Introduce an annual net wealth tax with progressive rates that rise sharply for the wealthiest taxpayers. Consider introducing an additional one-off net wealth ‘solidarity tax’ to boost revenues to respond to current crises and directly reduce extreme wealth inequality.
• Ensure that the full range of financial and non-financial assets owned by the wealthy are covered by the net wealth tax, and that there are no exemptions for specific asset classes.
• Apply a reasonable threshold below which net wealth is not taxed, to ensure that the tax targets the wealthy.
• Ensure that equivalent rates for corporations are not lower than those for individuals to minimise opportunities for avoidance and evasion.
• Make use of technological advances to reduce administrative challenges and costs.
• Support efforts for a regional net wealth tax, which introduces standardised taxes on net wealth, and minimises opportunities for avoidance and evasion.
• Support efforts for a global net wealth tax to reduce the total number of global billionaires and reverse dangerous wealth inequality trends.

INTRODUCE LIFETIME INHERITANCE AND GIFT TAXES

• Introduce inheritance and gift taxes at progressive rates, which rise sharply as total wealth received from gifts and inheritance increases.
• If inheritance taxes are already in place, ensure that gift taxes are in place and charged at the same rates to reduce opportunities for avoidance and evasion.
• Where possible, introduce a lifetime gifts and inheritance tax to simplify rules and boost progressivity. The tax authority should keep track of each taxpayers’ lifetime accumulated gifts and ensure that a progressive tax rate applies.
• Minimise exemptions to maintain a broad tax base and reduce opportunities for avoidance. While spouses may be exempt, children should not be, to encourage intergenerational mobility and reduce wealth concentration.
• Apply a reasonable threshold below which gifts and inherited wealth are not taxed, to ensure that the tax targets the wealthy.
• Closely monitor lifetime gifts, which are more prone to under-reporting than inheritance, and enforce gift declarations.

INTRODUCE PERMANENT ALL-SECTOR WINDFALL TAXES

• Introduce a permanent windfall tax, with a minimum 90% rate on all excess profits. Ensure that it can be rapidly activated to enable quick revenue generation at times of crisis.
• Ensure that windfall taxes apply retrospectively and cover excess profits since the beginning of the COVID-19 pandemic.
• Ensure that the windfall tax applies to large corporations in all sectors, especially in a post-pandemic context where many industries posted windfall gains.
• Base windfall taxes on reported profits at the country level to ease implementation and avoid double taxation. Put in place measures to prevent companies from avoiding windfall taxes by reallocating profits to other jurisdictions.
• Ensure that windfall taxes are paid in addition to other corporate taxes. Do not allow the tax to be deducted from corporate income tax or offset by the activation of deferred tax assets.
• Put in place well-resourced mechanisms to ensure that cost of the tax is not passed on to consumers, and apply strong sanctions to non-compliant companies.

ENSURE THAT THE FISCAL SYSTEM IS REDUCING INEQUALITY

• Produce a national inequality reduction action plan, with clear time-bound targets for reducing inequality, and ensure that marginalised groups are included in decision-making.
• Set time-bound targets to increase the national tax to GDP ratio through progressive taxation measures.
• Rebalance the tax system away from indirect taxes towards direct taxes on income and wealth. Exempt essential items and small traders from consumption taxes. Increase top rates of direct taxes. End unproductive corporate tax incentives, exemptions and holidays.
• Work together at the sub-regional and regional level to tackle tax avoidance and evasion by corporations and wealthy individuals and end other harmful tax practices.
• Use increased tax revenues to boost spending on inequality-reducing public services, such as education, healthcare and social protection. Ensure that public services are of high quality, universal and free at the point of use. Increase investment in care infrastructure to reduce women’s disproportional care responsibilities.
• Expedite gender budgeting processes to ensure that the fiscal system plays a transformative role in ending gender inequality, and ensure equal representation of women in all fiscal decision-making bodies. Carry out a gender-impact-assessment for all fiscal policies.
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About SAAPE

South Asia Alliance for Poverty Eradication (SAAPE) is a regional platform of civil society organisations, social movements and people’s networks fighting unitedly against the structural causes of poverty and social injustices in the region and beyond. It was conceived in 2001 against the backdrop of increasing anti-people globalisation marked by privatisation, deregulation, extractivism and capital accumulation. SAAPE’s mission is to facilitate the process for establishing mechanisms to ensure people’s genuine participation in the decision-making processes at all levels to contribute towards poverty eradication and sustainable development. SAAPE facilitates linkages among and between groups in the region, throughout the global South and with like-minded groups in the North.