



## Tax on large fortunes and tax reform in Brazil

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### **ABSTRACT**

Brazilian taxation disproportionately taxes low-income citizens when compared to those with great wealth. Thus, revenue is reduced since low taxes on high values result in significant funds. Therefore, current programs to support national development are no longer founded or are discontinued due to lack of budget, as well as national economic security is reduced. The objective of this work is to present the relevance of charging the Wealth Tax, based on the Brazilian Tax Reform, as a means of promoting economic security and the country's development. Eight articles were selected, where an analysis was made of the main points defended by the authors, who unanimously demonstrated concern about the STN and the effects of the implementation of the IGF in Brazil. Among the points observed, the following stand out: the process of evolution of the tax burden in Brazil; the need for a new tax reform and the creation of a tax on financial transactions in order to promote efficient tax collection and; the Tax on Great Fortunes and its characteristics, demonstrating its relevance within the reform process in the National Tax System (STN). The study was carried out through qualitative bibliographic research.

**Keywords:** Wealth Tax, National Tax System, Tax reform, Accounting.

### **1 INTRODUCTION**

The collection of taxes on large fortunes and the need for tax reform have become increasingly relevant in the Brazilian context. In the country, social inequality persists and the concentration of wealth in the hands of a small group of individuals is one of the main drivers of this disparity. In this sense, the collection of tax on large fortunes is a measure that aims to mitigate this inequality, promoting a fairer distribution of wealth and contributing to the reduction of poverty and social exclusion (MELO, 2023).

The present study brings an approach about the need for a new Tax Reform capable of promoting the reorganization of the tax collection system in Brazil and the creation of a tax that allows the simplification of this process through the creation of a tax on financial transactions. Allied to this issue is the Tax on Large Fortunes (IGF), a point discussed that works as a resource aimed at tax reform in Brazil (CARRAZA, 2021).

Brazil has gone through several moments in which the need for a tax reform was made in order to work on the country's economic development. As much as these reforms were made, the need for new actions that allow for efficient collection is still necessary (COSTA, 2022). Thus, it is intended to understand the following question: What are the effects of a new Tax Reform in Brazil and the collection of the IGF?

Thus, the general objective of this work is to present the relevance of the collection of the Tax on



Large Fortunes, based on the Brazilian Tax Reform as a means of promoting the security of the economy and the development of the country. The specific objectives are: to understand the process of evolution of the tax burden in Brazil; mention the need for a new tax reform and the creation of a tax on financial transactions in order to promote efficient tax collection; highlight the tax on large fortunes and their characteristics.

The plausible justification for carrying out this work is the fact that tax reform is a topic that still arouses the curiosity and doubts of many taxpayers and even scholars on the subject (CARRAZA, 2021). Thus, a study mentioning the possibilities of this new reform, as well as its effects on Brazil's economy, is feasible (COSTA, 2022).

Tax Reform in Brazil has the potential to have a number of significant effects on the economy and society (MELO, 2023). However, it is important to note that the specific impact may vary depending on the specific changes, proposals, and innovations. This process can simplify the National Tax System (STN), reducing the complexity and number of taxes. This can become easier for companies and individuals to understand and comply with their tax obligations (COSTA, 2022).

The justification that allows the approach to the theme is relevant to the academic community, as it allows undergraduate students of Accounting Sciences to understand possible areas in which a reformulation in the Brazilian tax collection system is necessary. It is also relevant for society, given that the high collection of taxes has consequences that directly affect everyone's lives, thus allowing for an understanding of the need for a Tax Reform that benefits the whole society.

The method used for the construction of this work is bibliographic research, through works and authors on related themes (GIL, 2010). In bibliographic research, this research model is carried out through investigation and records. In view of the proposed concepts, this work was based on bibliographic research, discussion and analysis of documents published between 2015 and 2023 in the form of: journals, texts, articles, and books. The method used to conduct the research is hypothetical deduction (SEVERINO, 2015)

## 1.1 SEARCH DELIMITATION

The research is limited to the spatial aspect directed to the National Tax System and the discussion around the Tax Reform in Brazil.

## 1.2 RESEARCH ORGANIZATION

In order to organize the work and thus have a better understanding of the study, this research will be distributed in 5 (five) chapters.

In the first chapter, the introduction of the article is presented, containing the points defined for the approach.



In the second chapter, the theoretical framework is presented, containing the approach of the themes explored in the specific objectives of this research.

The third chapter highlighted the methodology used to organize the article.

The fourth chapter presented the results and discussions about the main findings in the selection of articles and works.

The fifth and last chapter brought the final considerations about the general approach of the article.

## **2 THEORETICAL FRAMEWORK**

In contemporary times, there are a number of tributary species that were instituted in the 1980s. The Constitution of the Federative Republic of Brazil of 1988 (CF/88) is the current fundamental and supreme Law of Brazil, serving as a parameter of validity for all other normative species, placing it at the top of the legal and tax system (MELO, 2023). Called the "Citizen Constitution", it was promulgated on October 5, 1988. In CF/88, the rights and duties of citizens, whether individual, collective, social, or political, are defined, and limits are established for the power of rulers (COSTA, 2022).

The tax system created by the 1988 Constitution is contrary to the tax system created by the reforms of the 1960s (CARRAZA, 2021). It is formulated by the technical team and is the result of a process of participation of politicians as the main participants. In fact, the politicians who lead the creative process received technical and professional training from executives in the government and a group of technicians advised them (MELO, 2023). However, while these decisions are technically informed, they have obvious political characteristics (DOLABELA, 2022).

This is the type of procedure supported by the General Assembly's bylaws in early 1987, in which a national constitution was promulgated shortly after the installation. After defining the subject to be addressed in the Constitution, this task was assigned to 24 Subcommittees, initiating the preparation of a text related to their respective theme (CARRAZA, 2021). Three subcommittees were subordinated to eight committees, which acted independently and in an uncoordinated manner (DOLABELA, 2022). The texts obtained by the work of the eight committees were brought together in the systematic committee and its ownership was, in principle, only to integrate the various parts, eliminate duplications and conflicts, and prepare to submit the draft Constitution to the plenary for voting (MACHADO, 2019).

The National Constituent Assembly, despite the breadth of the debate, was promoted by the separation of almost all those affected from the committees on the role of the state, although the tax system of one of the committees is designed in isolation, creating a system of underfunding that applies to the size of the country, implicitly defined by each committee. It is not based on realistic functions of the availability of resources to finance its operations (SABBAG, 2021).

The existing budget imbalance has not been eliminated, but consolidated. The salient policy features



of the reform process and the lack of information on the recent state of public finances prevented the tax burden from being defined in the reform objectives. The natural response to the 20 years of concentration of political power made the strengthening of the federation a condition for its main objective (HARADA, 2020).

The strengthening of the fiscal autonomy of the states was due to some fundamental changes in the tax rules in force at the time. First, every state has the right to independently repair/determine a rate of its main type of tax, the Tax on the Circulation of Goods and Services (ICMS). Secondly, the Federation lost the rights granted by the previous constitution. In addition to prohibiting conditions and restrictions on the delivery and use of tax resources, state and municipal taxes may also be exempt (PEIXOTO; ANDRADE, 2021).

These measures led the 1988 Constitution to reduce the resources available to the Union, through the increase of tax transfers and the limitation of the tax base, without providing legal and financial means in the same period for an orderly decentralization process. In the post-constitutional period, in response to the deterioration of its long-term fiscal and financial imbalances, the Federal Government adopted a series of measures to compensate for its losses, prioritizing taxation and the quality of services provided (MELLO, 2018).

As the basis for the distribution of the FPN (National Participation Fund), FPE (State Participation Fund) and the Regional Development Fund and the compensation for the export of industrialized products, it is entirely composed of Income Tax (IR) and Tax on Industrialized Products (IPI), accounting for 47% of the former and 57% of the latter. The Union is obliged to use other taxes to replenish its revenue. From the point of view of the efficiency of the entire economic system, it is technically inferior to IR and IPI, but with the advantage of not sharing revenues (SILLOS, 2020).

In the area of taxation, non-transferable taxes were created and increased to existing rates, especially those taxes that were not shared with states and municipalities. In this sense, the Federal Government tends to reintroduce accumulated taxes, mainly in the form of contributions. Some examples are the creation of the Social Contribution on Net Income (CSLL), profit to society, in 1989 and the increase in the index of the Contribution to the Financing of Social Security (COFINS), formerly called FINSOCIAL, from 0.5% to 3% in 1999, in addition to the increase in the Tax on Financial Transactions (IOF) and the creation of the Provisional Tax on Financial Transactions (IPMF) / CPMF. which was later invalidated (SILVEIRA, 2021).

In all, the 1988 Constitution brought many changes in taxation. When the Federal Government faced the introduction of the new tax system, it whispered that its quality was problematic, but there was no clear way to address its fiscal imbalances. As part of the response, the process of decentralization has intensified: in 1991, local governments accounted for 56 percent of current public sector consumption and 75 percent of total fixed capital formation. However, this process is not the result of deliberate policies, but only the



result of restrictive policies aimed at controlling deficits (MACHADO, 2019).

Therefore, the previous decentralization plan negotiated with local governments lacked the necessary requirements for the process. The Federal Government's performance in the social sphere is more compromised than ever and the fiscal strengthening of states and municipalities, although significant, is still insufficient to meet growing social needs (DOLABELA, 2022).

The royal plan came into force in July 1994. After the preparation phase a few months ago, according to Brazil's standards, although it is still very high compared to the most developed countries, it still managed to control at a low level. As the natural result of this plan, the economy experienced a growth spurt that had to be controlled so as not to encounter external constraints and productive capacity (HARADA, 2020).

## 2.1 FEDERAL OR FEDERAL TAXES

Federal or Union Taxes, are the taxes under the responsibility of the federal entity, in which there are 07 taxes under the competence of the Union, they are: II, IE, IPI, IR, ITR, IOF and IGF. II - Taxes on Import of Foreign Products, is a Brazilian customs tariff. It is a federal tax, that is, only the Union has the competence to institute it, as defined in Article 153, I, of the Federal Constitution (BRASIL, 1988).

The taxable event of the import tax occurs when foreign products enter the national territory. The taxpayer is the importer, or whoever the law will equate to him. In some cases, the taxpayer is the bidder. The rate used depends on an infra-legal act, i.e., a presidential decree, because being extrafiscal is not within the principle of legality (art. 150, I of CF/88). The calculation basis depends exclusively on the rate to be used.

The function of the import tax is purely economic or regulatory. For this reason, the 1988 Constitution provided that this tax does not need to obey the principle of anteriority, that is, changes in the rates may be valid for the same fiscal year (year) in which the law that increased it was published. In the same vein, the Export Tax, a tax paid on financial transactions, the Tax on Industrialized Products, social contributions and the so-called "war taxes" (Art. 150, § 1 of the Federal Constitution). What they have in common is the fact that all of these taxes are federal.

The Export Tax is a federal tax, that is, only the Union has the competence to institute it (Art.153, II, of the Federal Constitution). The taxable event of the Export Tax occurs when national (or nationalized) products are shipped abroad. The taxpayer is the exporter, or whoever the law equates to him.

The rate used depends on the law that institutes it, and the product that was imported. The calculation basis depends exclusively on the rate to be used. The Executive Branch may, under the conditions and within the limits established by law, change the tax rates or calculation bases in order to adjust it to the objectives of exchange rate policy and foreign trade. The function of the Export Tax is purely economic. IPI - Tax on Industrialized Products, being a Brazilian tax (HARADA, 2019).



The rules for the collection, inspection, administration and collection of taxes on Industrialized Products are provided for in Decree 7,212, of 06/15/2010. The occurrence of the IPI event can occur at any of the following times: during customs clearance of the imported product, when the industrialized product leaves the establishment of the importer, industrialist, trader or auctioneer, or when the seized or abandoned product is sold at auction. (SANTOS, 2016).

Depending on the circumstances, taxpayers can take many forms, such as the importer, the industrialist, the trader or auctioneer, or any natural person who meets the criteria defined by law. The rate used is subject to change depending on the product in question. It is possible for a particular product to have a one-time fee (HARADA, 2020).

Tax rates are subject to exemption in cases where the tax rate exceeds 300%, in particular in the case of cigarettes. The Tipi, also known as the Table of Tax Incidence on Industrialized Products, defines the set of rules for taxes levied on industrialized products (HARADA, 2020).

The basis for calculating a transaction varies depending on the circumstances. For sales within the country, the calculation basis is determined by the sales price. For imported goods, the basis of calculation is determined by the selling price of the goods, plus any applicable fees such as Import Duty, shipping costs, and insurance fees. (MACHADO, 2019)

Primarily, IPI serves as a fiscal instrument, but it can also be used as a targeted tax. The government may choose to exempt a certain product from IPI or reduce its tax rate to encourage its consumption. On the other hand, products that the government wants to discourage (such as luxury goods, beverages, and tobacco) are subject to high taxes. The Executive Branch is responsible for setting IPI rates, which are also used by the Federal Government in the formulation of economic policies, especially with car manufacturers (SILLOS, 2020).

The reduction of the IPI has been called for attention. The Federal Government initiated a tax reduction as a way to encourage sales and mitigate the impact of the global crisis. This tax reduction was introduced on April 20, 2009, specifically for white goods such as refrigerators and stoves. As a result, retail sales increased 30% in May 2009 compared to the same period in 2008. The increase in sales resulted in a shortage of products in the trade, which indicates the use of the tax as an extrafiscal tax. Despite the small size of these reductions, they had significant positive effects on the corresponding sectors, highlighting the potential of our economy with a tax reform (MELLO, 2018).

The suspension of IPI on Raw Materials (PM) and Products is also in force. Companies procure intermediaries (IP) and packaging materials (ME) to facilitate their operations. The country's main focus is exporting. However, certain goods considered crucial for the development of the nation, such as equipment for educational purposes (NCM=90230000 with 15%), audiovisual creation (NCM=9010 with 20%) and electric vehicles (NCM=8703 with 25%), are not subject to the IPI reduction (HARADA, 2020).



The Income Tax, also known as IR – Tax on Income and Profit of Any Nature, is a tax levied in Brazil similar to those found in other countries. It has been in place since the 1920s and has already followed the cedular model inspired by the French system, which many experts believed to be equitable. However, from the 1970s onwards, several changes were implemented to increase tax collection (SILLOS, 2020).

Income tax is charged through the homologation modality, where the taxpayer prepares an annual statement of how much tax he owes, and these amounts must be approved by the tax authorities (DOLABELA, 2022).

The taxable event of the Income Tax, according to the National Tax Code (CTN) is the acquisition of the economic or legal availability of income. Of Income, understood as the product of capital, labor, or a combination of both; of proceeds of any nature, thus understood as equity increases (DOLABELA, 2022).

The taxpayers of the tax are: Individuals (IRPF) and Legal Entities (IRPJ). There is also a particular group of taxpayers, called "equated to legal persons", that is, for other mainly private rights these taxpayers would be defined as "natural persons", but for tax law, they are taxed as "legal persons". As an example, we have sole proprietorships, currently referred to by the Brazilian Civil Code as "sole proprietors" (GAGLIAN, 2022).

The tax rate used depends on the taxpayer and the amount of their income. The Individual Income Tax Return (IRPF) was amended in May 2023. The main change is in the value of the first range, which is exempt from IR. What has changed is that in the 2022 Income Tax table, the incidence of income tax will appear for people with CLT salary, self-employed or withdrawn from supported labor above 1,903.98. In the new Income Tax table, the discount is valid for those who earn more than R\$ 2,112.00. The form has been frozen since 2015 and the new discount amount will be applied in the calculation of the 2024 Income Tax (DARIDO; SOUZA JÚNIOR, 2020).

Corporate Income Tax (IRPJ) is a federal tax that all companies with an active CNPJ must pay, with limited exceptions. Its calculation basis takes into account the tax regime of the legal entity and assigns a calculated rate for each tax regime. It can be calculated monthly, quarterly, annually or per event and non-compliance with this obligation will be affected by interest and fees until its legalization (MELLO, 2023).

As well as other federal taxes, such as import taxes (II), taxes on industrial products (IPI), contributions to the financing of social security (COFINS), etc., and it is essential that they are calculated and collected correctly and in a timely manner (MELLO, 2023).

Failure to comply with this tax obligation will result in fines and may cause a lot of inconvenience to the entrepreneur. Depending on the company's tax regime, IRPJ may be levied on revenue or presumed profit. Companies covered by real profits will have IRPJ calculated based on profits and the rate of this regime is higher; there are also rules that define tax profits for tax calculation and not all company expenses are deductible (MELLO, 2023).



Companies covered by construction profits do not need to calculate their profits to calculate the IRPJ because the RFB determines constructive profits for them. This means that a company providing services (with the exception of certain activities) assumes that 32% of its turnover is profit and, therefore, the IRPJ is calculated based on this 32%. If it is trade, the profit is assumed to be 8% (MELLO, 2023).

Finally, companies included in the Simples Nacional calculate the IRPJ based on revenue because the IRPJ is included in the DAS (i.e., Simples collection file), which contains several taxes. In other words, it is a mandatory tax levied on almost all companies that operate and generate income (MELLO, 2023).

The incidence of the tax does not depend on the denomination of the revenue or income, the location, legal status or nationality of the source of origin and the form of perception (CTN, art.43). There are exemptions and reductions for companies that set up in certain regions, calculated based on Operating Profit, use of tax losses from previous years, tax incentives for investments in culture, among others. Companies can also use the figure of the payment of "interest on equity" to distribute a portion of the profit to individual shareholders with a withholding tax of 15% and without any other incidence. Salaried individuals, however, suffer withholding tax at the marginal rate of up to 27.5%, plus another amount for Social Security (SHANGAKI, 2020).

Micro-enterprises have a privileged tax treatment, the Simples Nacional, which covers the most important federal taxes (IRPJ, CSLL, PIS, COFINS and IPI), in addition to state and municipal taxes, and is also paid on a percentage of revenues, increasing according to the size of the company (MACHADO, 2019). The main advantage of SIMPLES is for labor-intensive companies, since, in this modality, they do not suffer the incidence of the employer's quota of the social security contribution (20% on wages).

There are four types of Income Tax, they are: Withholding Income Tax, Income Tax on Annual Actual Profit and Estimate, Income Tax on Quarterly Actual Profit and Income Tax on Presumed Profit. ITR – Rural Territorial Property Tax is a Brazilian federal tax, under the exclusive competence of the Federal Government (Art.153, VI, of the Federal Constitution).

The taxable event of the Rural Land Tax occurs when there is a useful domain or possession of the property, located outside the urban perimeter of the municipality. The taxpayers of the tax can be the owner of the property (both an individual and a legal entity), the holder of its useful domain or its possessor in any capacity (CARRAZA, 2021).

The rate used varies with the area of the property and its degree of use. The basis of calculation is the value of the land without any type of improvement or improvement (including plantations): that is, it is the value of the bare land. It works as an auxiliary instrument for disciplining the public power over rural property. Part of the revenue goes to the collecting municipality and the State, in a variable proportion, depending on the inspecting entity acting is more expressive, that is, the inspector takes the largest piece of the tax (ANDRADE FILHO, 2018).





In the 1990s, the ITR was well used as a public policy igniter: the ITR became much higher for non-productive properties. This measure helped to put an end to the "unproductive latifundia" (large estates that produced nothing, and served as a financial reserve or for speculation). The unproductive latifundia were a secular reality in Brazil, being a banner of political struggle and militancy. The higher ITR made the unproductive latifundium no longer economically interesting. This was one of the reasons for the recent boom in Brazilian agribusiness from the 1990s onwards (MACHADO, 2019).

The tax on rural property is paid by every taxpayer, individual or legal entity that owns a rural property. The taxpayer's tax residence is the municipality where the rural property is located. Unlike the property tax issued by the City Hall, the rural owner registers the value of his property in the ITR, that is, he pays based on the declaration - the completed form is similar to income tax. It is up to the administrative department to verify that a statement is true. According to the second survey published by IPEA, the amount paid by landowners in 2006 was R\$300 million, and the total amount of taxes levied on property and capital revenues was R\$141.1 billion. IOF-Tax on Financial Transactions (SILLOS, 2020).

The Tax on Credit, Exchange and Insurance Transactions (IOF, which is levied on credit, exchange and insurance transactions and transactions related to securities) is a Brazilian tax. It is a federal tax, that is, only the Union has the competence to institute it (Art.153, V, of the Federal Constitution).

The taxable event of the IOF occurs at one of the following moments: in transactions related to securities when these securities are issued, transmitted, paid or redeemed; in foreign exchange transactions, when payment is made or when made available to the interested party; in insurance operations, in the execution of the issuance of a policy or receipt of the premium; in credit transactions, when the partial or total delivery of the amount that constitutes the debt is made, or when made available to the interested party. this item includes the IOF charged when withdrawing funds placed in financial application, when redeemed in less than 30 days (HARADA, 2020).

Those responsible for financing the operations are the individuals who must pay the taxes. The implemented rates can fall into several classifications, including fixed, variable, proportional, progressive or a combination of these. The term "regressive" is used to describe a specific calculation basis that varies according to the type of operation performed. In credit operations, the calculation is made on the basis of the value of the obligation.

In insurance operations, it is based on the value of the premium. In foreign exchange operations, the calculation is made based on the value of the national currency involved. In transactions related to securities, the calculation is made on the basis of the price, nominal value or quotation value on the Stock Exchange.

The IOF mainly serves as a tool for managing credit, exchange rates, insurance policies, and securities. An example that illustrates its practical application is the case of the IOF levied on income from financial investments: the rate decreases progressively from the first day of application until it reaches zero



on the 30th day.

By doing so, the government deters the practice of excessive investment trading. After the extinction of the CPMF, the government announced percentage adjustments in some taxes, including the IOF. The IGF, which stands for Tax on Large Fortunes, is a Brazilian federal tax that remains unregulated. As it is a federal tax, it is exclusively up to the Union to institute it (according to article 153, VII, of the Federal Constitution).

Despite being defined in the Constitution, the IGF has not yet entered into force, leaving no charges against it. As a result, the taxpayer, the tax rate and the calculation basis were not determined. In 2010, the Constitution and Justice Commission (CCJ) of the Chamber of Deputies approved a proposal to regulate the tax levied on large fortunes. Although approved by the Senate, the bill is still awaiting its turn to be considered again by the Chamber of Deputies.

## 2.2 SIMILAR OR RELATED SEARCHES

Author (year)	Year	Objective	Result	Research Instrument or Observations
CASTILHO, A. P. T.; SILVA, L. C. C.; CAVALCANTE, D. L.	2020	Study the implementation of the IGF in other countries	There are still doubts about the efficacy of the implementation of the IGF in Brazil.	Bibliographic research through selection of various works.
COSTA, A. O.; BOSSOLANI, B. P.; LOPES, R. F. M.; GODOY, S. M.	2020	Understand the regulation of the IGF in Brazil as a means of better income distribution	The issue of IGF still needs to be more detailed and developed in order to be effective in its application.	Bibliographic research through selection of various works.
FACO, J. L. B.; SILVA, J. G. B.; RUBELO, J. G. N.; SIMONCELLI, H. L.	2020	Ponder on the IGF in Brazil.	The IGF can be applied efficiently, as long as several factors that do not impair the STN are observed.	Bibliometric research
LIMA, S. O.	2018	To analyze the social function and feasibility of the institution of the IOF in Brazil	The IGF will be able to bring advances in the STN.	Bibliometric research
NASCIMENTO, N.	2021	Present proposals and simulations on the IGF in Brazil.	The IGF may bring advances in the STN, if it is planned and executed with caution.	Bibliometric research



OLIVEIRA, L. G.; MEDEIROS	2019	Analyze the IGF from the principle of ability to pay	The IGF can be an effective instrument, as long as the needs for its application are observed.	Bibliographic research through selection of various works.
RIBEIRO, M. V. A.	2019	To study the positive and negative aspects of the implementation of the IGF in other countries	This form of taxation has been widely criticized in Latin America, where it has been adopted and has been abandoned by more developed countries.	Bibliographic research through selection of various works.
SERPA, L.S	2021	Analyse the IGF based on its ability to pay	The IGF is seen as a reinforcement in the improvement of the STN.	Bibliographic research through selection of various works.

Source: the author.

In all, 13 (thirteen) articles were selected, however, 05 (five) presented similarity or some type of divergence, requiring exclusion. Thus, 08 (eight) articles were used to be analyzed, seeking to understand the theme of the implementation of the IGF in Brazil and the Tax Reform.

### 3 METHODOLOGY

#### 3.1 FRAMING OF THE RESEARCH

This is a bibliographic research. Regarding the nature of the research, this article brought an approach based on qualitative research, through a basic, descriptive research (GIL, 2010).

#### 3.2 INSTRUMENTS USED

Bibliographic research, through the selection of works and authors.

#### 3.3 METHODOLOGICAL PROCEDURES

To carry out the bibliographic research, we searched for publications of: books, magazines, academic research sites such as Scielo and Google Scholar, in addition to other sources of educational research considered relevant to the understanding of the theme, the focus of this work (SEVERINO, 2015). The works that presented duplicity in the understanding of the approaches were excluded. We opted for the selection of works in Portuguese.

Thus, no fieldwork was carried out in order to expand the understanding of the theme, but a literature review was used as a means of understanding and analyzing the understanding of theorists and scholars on



the subject in relation to the focus addressed (GIL, 2010). The following keywords were searched: Tax on Large Fortunes. Tax Reform. Taxes. Brazil.

#### 4 PRESENTATION AND DISCUSSION OF RESULTS

The selected articles showed that there is a certain caution when addressing the issue of the implementation of the IGF in Brazil. In addition, they demonstrated the relevance of the Tax Reform so that the STN can become more efficient.

Castilho; Silva; Cavalcante (2020) demonstrated that the Brazilian tax system has been plagued by efficiency problems, resulting from the country's low income levels. This has given rise to several noteworthy concerns. Specifically, three main problems of the Brazilian tax system emerged: the excessive tax burden, the lack of justice, and their impact on division.

Costa *et.al* (2020) found that, compared to other nations, Brazil's tax burden represents an impressive 35% of its GDP, which is among the highest in the world. In contrast, their Latin American counterparts have a much lower tax burden. It is essential to consider a country's per capita income level when designing its tax system. In Brazil, the national tax burden has had a substantial impact on the population, leading to a higher tax burden compared to middle-income nations.

Faco *et.al* (2020) understood that, when analyzing the Brazilian tax burden, it is important to note that, as in other Latin American nations, a significant portion of the burden comes from taxes on the production and circulation of goods and services. This is due to the cumulative nature of the tax burden. However, this approach to taxation can lead to a high degree of regressivity, as those with lower incomes are disproportionately affected.

Although this reliance on taxes on production and circulation is less prevalent in developed countries, it is worth noting that the tax burden in Brazil is relatively low compared to other high-income countries, as highlighted by DOLABELA (2022). The unfair nature of the Brazilian tax system is another aspect worth noting.

Oliveira and Medeiros (2019) understand that the tax burden on income is relatively low, especially for individuals. The tax burden on wealth, on the other hand, is mainly due to the country's high concentration of wealth. Although Brazil's personal taxation levels are lower than those of other nations, its progressive system is achieved by taxing individuals based on their income. Ultimately, this method reduces the burden on other taxpayers and results in lower taxation for products and businesses.

Ribeiro (2019) believes that, in order to achieve a more effective tax system, it is imperative to introduce changes in the current legislation and improve the overall quality of tax administration. This includes reducing high-level tax evasion cases and ensuring a fair and equitable tax system. In addition, the implementation of a comprehensive reform of treasury management will be crucial to achieving these goals.



For Serpa (2021), the effects of accumulated taxation go beyond the distortion of resource allocation. It also reduces the competitiveness of domestic products in domestic and foreign markets. Brazil's economic opening and the formation of Mercosur have increased the visibility of these impacts on competition. As globalization and regional economic groups continue to form, there is growing interest in how tax policies and market expansion will affect tax coordination.

In this way, the selected articles also demonstrated that the reform of tax regulations related to transactions between states is crucial to deter tax evasion and conflicts. This involves reviewing exemptions for capital goods and exports, as it can lead to a damaging cycle of tax competition between states. When designing a tax reform proposal for a country, it is imperative to consider the global changes that are taking place, such as the increasing globalization of production and the growth and consolidation of sectoral blocs (OLIVEIRA; MEDEIROS, 2019).

The proposed solutions not only disregard the limitations imposed by Brazil's political and economic scenario, but also ignore the country's established fiscal protocols. The aim of the reform is to improve the current system and encourage its continued evolution. However, attempting to introduce a new tax system would result in complications, ultimately causing disruptions to the production process and creating a chaotic environment (RIBEIRO, 2019).

The objective of the Tax Reform is to reduce the adverse effects of taxation on the economy. This is achieved by promoting the efficiency and alternatives of the productive sectors, while ensuring fiscal uniformity to facilitate the integration process without prejudice to the national economy, and combating tax evasion. As such, the tax system can be simplified to reduce administrative expenses (NASCIMENTO, 2021).

#### 4.1 DATA PRESENTATION

In all the selected articles, the fact that one of the most urgent and debated issues in Brazil today is the need for a Tax Reform. The Brazilian tax system is known for being complex, bureaucratic, and governed by a significant amount of taxes, fees, and contributions, which generates a high tax burden for both businesses and ordinary citizens. These factors are unanimously mentioned in the articles.

One of the main criticisms of the Brazilian tax system is its lack of simplicity and transparency. Tax legislation is broad and confusing, which makes it difficult to understand and comply with tax obligations. In addition, the multiplicity of existing taxes makes the tax payment process a complex and onerous task (NASCIMENTO, 2021).

Another important point to be highlighted, present in the development of the articles, is the regressivity of the Brazilian tax system. This means that the burden of taxes falls to a greater extent on the lower strata of society. Meanwhile, more privileged sectors end up being less impacted by the tax burden.



This is evidenced, for example, by indirect taxation, which is mainly levied on consumption and harms those with lower purchasing power, as defined by Serpa (2021).

Another challenge is the fight against tax evasion. The complexity of the Brazilian tax system facilitates the practice of tax evasion, which harms tax collection and contributes to the worsening of the country's fiscal problems. Tax reform should also seek solutions to combat this illegal practice, promoting tax justice and ensuring a more equitable distribution of the tax burden, as Ribeiro (2019) understands.

Given this scenario, the need for a tax reform is evident. The main objective of this reform should be to simplify the system, reducing the amount of taxes and reducing bureaucracy in the processes. In addition, it is necessary to seek greater tax justice, ensuring a balanced distribution of the tax burden among all sectors of society (MELLO, 2023).

A successful tax reform should also promote the country's competitiveness by stimulating production, investment, and innovation. This can be done through tax incentives for strategic sectors and by reducing taxes on production, consumption, and investment (SERPA, 2021).

In short, the need for tax reform in Brazil is urgent and undeniable. The simplification of the system, the reduction of the tax burden, fiscal justice and the stimulation of economic growth should be considered as fundamental pillars of this reform. Only with significant changes in this direction will it be possible to establish a more efficient and fair tax system for all Brazilians (PEIXOTO; ANDRADE, 2021).

#### 4.2 ANALYSIS OF THE RESULTS

In view of the analysis of the selected articles and even those that were excluded, due to their duplicate approach to the proposed themes, it was noted that this article has no other way of being worked than to commune with the ideas and opinions offered by the authors.

The lack of a policy of tax incentives for certain sectors that are fundamental for economic and social development is one of the reasons why Brazil finds itself in an unfavorable position on the international scene. Excessive taxation on production and investment discourages entrepreneurship and innovation, hindering the country's economic growth (SERPA, 2021).

On the other hand, the Tax on Large Fortunes in Brazil is a proposal that has been discussed for years and raises important questions about the redistribution of wealth in the country. The idea of this tax is to tax individuals who have a very high net worth, in order to reduce social inequality and help finance public policies (MELLO, 2023).

The application of this tax faces several challenges. One of the main ones is the definition of what would be the limit to consider a fortune as "big". There are different proposals that suggest varying values, which leads to political debates and negotiations (RIBEIRO, 2019).

Another challenge is to determine how equity would be calculated. It would be necessary to create



a way to correctly measure and evaluate the assets of each individual, which requires an efficient and transparent system to prevent fraud and tax evasion (PEIXOTO; ANDRADE, 2021).

In addition, the application of this tax can generate discussions about tax fairness and the government's collection capacity. Those who have large fortunes may argue that they already pay enough taxes and that the creation of a new tax would be unfair. On the other hand, proponents of the measure claim that it is necessary to create mechanisms to reduce inequality and finance essential public services (FACO *et.al*, 2020).

It is important to remember that the application of the tax on large fortunes is not a one-size-fits-all solution to the country's problems. Income inequality in Brazil is complex and requires a comprehensive approach, including education, employment, and income distribution policies (COSTA *et.al*, 2020).

Despite the challenges and controversies, the application of the tax on large fortunes can be a viable alternative to reduce inequality in Brazil. However, a broad debate and consensus among the various sectors of society is necessary, in addition to an efficient system of collection and inspection to ensure its effectiveness, all of which were unanimously addressed in the selected articles and which in fact represent the necessary points for the implementation of the IGF in Brazil, as well as the realization of the long-awaited Tax Reform (SERPA, 2021).

## 5 CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the idea of implementing the Tax on Large Fortunes in Brazil presents itself as a promising alternative for the search for greater tax justice and redistribution of wealth. This tax could contribute to reducing social inequalities and rebalancing the tax burden in the country, since currently the richest layers of the population do not contribute proportionally to their economic capacity.

However, implementing a wealth tax faces significant challenges. One of the main obstacles is the resistance of those who would be the most affected by the measure. Many argue that levying this tax could discourage investment and entrepreneurship, hurting the economy as a whole. In addition, it is necessary to carefully analyze the concept of "great fortune" and define objective criteria for its application, in order to avoid injustices or loopholes for tax evasion.

Another challenge lies in the administrative capacity of the State to efficiently implement and supervise the tax on large fortunes. It is necessary to ensure a fair and transparent tax system, with the appropriate technological support and adequate human resources for the collection and monitoring of payment by taxpayers.

In addition, it is important to note that, in isolation, the tax on large fortunes is not enough to solve all the economic and social inequalities in the country. It is also necessary to plan for other measures of income redistribution and social justice, such as a broad and progressive tax reform, investment in education,



and public policies that promote social inclusion.

In summary, although the implementation of the tax on large fortunes is a valid and necessary idea to promote greater tax justice, its application faces complex challenges and requires an in-depth public debate, which takes into account the various perspectives and seeks solutions that balance the economic and social interests of the country.

### 5.1 AS FOR THE RESEARCH PROBLEM

The research problem to be understood was: What are the effects of a new Tax Reform in Brazil and the collection of the IGF? It is understood that the research problem was answered throughout the article, especially from the teachings of Serpa (2021) and Nascimento (2021), who brought with clarity and simplicity the effects of the implementation of the IGF in Brazil and its challenges, especially if practiced from the Tax Reform, currently in progress in the National Congress.

The authors brought a clear approach to the necessary caution to define how this process should be done so that it becomes efficient in the STN and can bring benefits to the country.

### 5.2 REGARDING THE RESEARCH OBJECTIVES

Likewise, the general and specific objectives were achieved, especially in the teachings of Faco *et.al* (2020) and Castilho; Silva; Cavalcante (2020), as they presented convincing arguments about the points addressed and about the relevance of implementing the IGF in Brazil, as well as an effective Tax Reform in favor of advances in the STN.

### 5.3 LIMITATIONS

Although the topic is currently on the agenda, there is still little availability of texts that mention in an updated way the issue of the implementation of the IGF in Brazil, although much is debated about the Tax Reform in Brazil.

### 5.4 RECOMMENDATIONS FOR FUTURE RESEARCH

Considering the difficulties mentioned above, it is recommended as a future research practice the negative and positive context of the implementation of the IGF in Brazil, based on the current text of the Tax Reform and its effects, especially for those who, in some way, disagree about its implementation.





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