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ARCHAEOLOGY OF REGRESSIVE TAXATION IN BRAZIL

Oxfam Brasil's recommendations for social dialogue and national pacts regarding the role of the tax system in reducing racial and gender inequalities in the country.

Brazil's well-known regressive tax system causes poorer people to pay proportionally more taxes than the wealthy. This scenario exacerbates historical inequalities, especially for black people and women, limiting their potential for social mobility, access to basic rights, and the possibility of living a decent life, free of violence. What are the origins of this system that penalizes poor and black people – especially black women – and benefits the richest, who are mostly white men? How does the system operate? What are the barriers preventing us from overcoming it? This document examines Brazil's tax system and proposes elements to be incorporated into future debates on measures that would reform our system to promote social justice and racial equality.

1 PRESENTATION

Oxfam Brazil addresses the topic of social inequalities in its various dimensions. Our work includes, for example, monitoring reduction in poverty and extreme poverty, food insecurity, and hunger, as well as influencing public policies that enforce basic rights. However, discussing social inequalities also means discussing concentration of wealth and assets, and examining the impacts of fiscal and economic policies on different social and economic groups. Therefore, analysing Brazil's tax system and the distribution and composition of the tax burden in society is an important part of our work to reduce inequalities and build a more just society.

We work in Brazil and other countries to demand that governments change their tax systems that are potentially benefiting the richest at the expense of the poorest. We discuss the economic practices of international taxation and resource transfer processes that harm the poorest countries, especially those in the Global South.

All of Oxfam Brazil's work integrates anti-racist and gender justice approaches. Therefore, examining the historical roots of the dynamics that enabled economic power to become political power – resulting in a taxation model that favours a white elite over the black population and thus contributing to reproduce and maintain their social and economic exclusion – means fighting for greater justice and less inequality. This document is based on the experience accumulated in our work over the years and presents challenges and opportunities to advance the decent work agenda in Oxfam Brazil's field of action.

The challenge of overcoming racism and enforcing the rights of the black population is not exclusive to Brazil, but the country must also confront the legacy it still carries. Since colonial times, racial slavery has been the foundation for the emergence of a liberal and democratic order in the country and throughout the Atlantic hemisphere. Slavery provided labour, wealth, market expansion, and tax revenues for states that are now proud to call themselves developed and democratic. From this paradox arises the challenge of challenges. Considering that the roots of today's development and democracy were nourished for centuries by racial slavery, how can we build a democratic agenda in the 21st century that transcends this pattern of economic development?

This Briefing Note looks into the role played by racial slavery in Brazil's social, economic, and political dynamics, focusing on the roots of the tax system's regressive nature in order to contribute to a reflection on the current relations between racism, market economy, democracy, and tax justice in the country.

2 BACKGROUND

The debate on inequality and taxation is at the core of Brazil's political agenda, driven by discussions surrounding the Federal Government's most recently proposed changes¹ in the Individual Income Tax (*Imposto sobre a Renda das Pessoas Físicas*, IRPF), which would increase the exempted limit from R\$3,036 to R\$5,000 per month. The government announced that the measure will benefit 10 million Brazilians and will be funded by a minimum rate of up to 10% for approximately 141,000 taxpayers earning over R\$50,000 per month. In other words, 0.13% of the country's taxpayers can fund tax relief for 10 million people, which reveals the extent of income concentration in the country.

One of the main criteria for analysing a tax system is assessing the tax burden, which is the relation of the total sum of taxes, duties, and contributions to a country's Gross Domestic Product (GDP). Brazil's tax burden is 33%, in line with the average of the seventeen most advanced economies (it is 35% in the Organization for Economic Cooperation and Development – OECD). However, the composition of this tax burden is what truly sets us apart. Consumption taxes, for example, account for 14.8% of Brazil's GDP, while the OECD average is 9.7%, pointing to a consumer tax burden that is 50% higher than that of the richest countries. As for property taxes, data show that OECD countries collect 2.4% of GDP, compared to just 1.5% in Brazil. In addition, taxes on salaries and capital gains are three times higher in the OECD (9%) than in Brazil (3%).

Furthermore, higher incomes, especially those generated by the financial market, are lightly taxed, often benefiting from exemptions and loopholes that favour income concentration among the most privileged segments of society. This taxation model results in a scenario in which the poorest, who depend primarily on wages, end up paying a higher proportion of their income in taxes compared to the wealthy, who benefit from capital.

The regressive nature of Brazil's tax system is historical, stemming from the high share of indirect taxes – such as sales and service tax (*Imposto sobre Circulação de Mercadorias e Serviços*, ICMS), excise tax (*Imposto sobre Produtos Industrializados*, IPI) and social contributions (*Programa de Integração Social/Contribuição para o Financiamento da Seguridade Social*, PIS/COFINS) – which have proportionally higher impacts on the income of the poorest segments of the population, where black people are overrepresented. In addition, the limited progressivity of the Individual Income Tax, whose low and restricted rates do not fully consider real taxpaying capacity, keeps income concentration and disproportionately penalizes black families who are beginning to move up the ladder.

Since the post-abolition period, state policies have denied access to land, education, and formal employment to the black population, favouring European immigrant groups. This structural inequality that persists to this day is also reflected in the tax system, which, by failing to consider these historical particularities, reinforces socioeconomic inequalities.

At the same time, despite the affirmative action policies adopted – such as race quotas for university admission and public service – studies show that they have not increased the income of the black population. This reveals that racial inequality continues to operate through other mechanisms to maintain the privileges of whites to the detriment of black people – including regressive taxation, even though it is not the only factor causing it.

According to estimates from the Federal Revenue Service, approximately 141,000 people with annual incomes above R\$600,000 per year could be impacted by the new minimum tax proposed under Bill 1087/2025, as they are currently below the established minimum rate, which is 10% for incomes above R\$1.2 million.

In total, approximately 600,000 Brazilians earn more than R\$600,000 per year, but only a quarter of this group would be actually affected by the new rule. Among those earning R\$600,000-R\$1.2 million, it is estimated² that only about 16% (one-sixth) would be affected, since their minimum tax rate would be just 5% on average. About half of those earning above R\$1.2 million per year should be affected by the minimum tax rate.

These are the country's economic elite: the richest 0.15% of the adult population, with approximately R\$1.1 trillion, accounting for 14.1% of the whole national income. That is more than the combined income of the poorest half of the population, who hold less than 12%.

In addition to extreme income concentration, this group also exhibits strong racial and gender biases. The 2024 National Household Survey (*Pesquisa Nacional por Amostra de domicílios, PNAD*)³ indicates that, among the richest 0.1% with average annual incomes of R\$6 million, only 19% are women and 20% are black or of mixed race. In other words, the vast majority of the super-rich are white men.

By contrast, taxpayers earning between R\$3,000 and R\$7,000 per month, who will benefit from expanded exemption, are a more diverse group: 59% are men and 41% are women; 55% identify as white and 44% are black or mixed race. While these proportions still reveal inequalities, they are considerably more diverse than the economic elite that concentrates tax privileges, composed almost exclusively of white men.

At the same time, while evaluating public policies aimed at reducing inequality, studies recently released by the Chamber of Deputies and the Ministry of Finance lack a fundamental aspect: including race and gender markers in their analyses. The Chamber of Deputies' study⁴ published in December 2024 found that tax and social security reforms have historically promoted regressive income redistribution, benefiting the wealthier at the expense of the poorer. Meanwhile, a study⁵ published by the Ministry of Finance in June 2025 found that, by expanding the exemption bracket and creating a minimum rate for high incomes, the proposed Income Tax reform (Bill 1087/2025) increases the system's progressivity and contributes to reducing income inequality. However, by relying exclusively on aggregate economic criteria, both studies ignore the ways in which race and gender condition access to income, work, and rights in Brazil.

The absence of race and gender markers in studies about economic inequality in Brazil, such as those mentioned above, is a significant limitation to understanding the dynamics of inequality. By failing to consider these aspects, studies may neglect the intersections between class, race, and gender, which are crucial for understanding economic and social disparities. Including race and gender markers is essential for effective public policies aimed at equity and social justice. Without this intersectional approach, there is a risk of perpetuating invisibility and reinforcing existing unequal structures.

Brazil is engaged in the global fight against racism, with a broad range of anti-racist actions and a vibrant black movement. Yet, Brazilian censuses reveal persistent inequality for the black population, with mixed-race and black people ranking worst in several social and economic

indicators⁶ as well as in police brutality, incarceration, premature death, and overexposure to the impacts of climate change and major weather events.

Selective austerity and privileges: Brazil taxes the poor to reward the rich

Brazil's fiscal debate has been marked by selective austerity⁷ that imposes sacrifices on the poor while preserving – and even expanding – the privileges of political and economic elites. An indication of this logic is the recent proposal put forward by the Federal Court of Auditors (*Tribunal de Contas da União*, TCU),⁸ which could double the salaries of its servants through tax-exempt bonuses and automatic salary raises until 2029. It is justified by the need for “modernization” but hides the perpetuation of a caste of high earners shielded from any adjustment.

This inconsistency is repeated in Congress. Lawmakers such as Chamber of Deputies President Hugo Motta demand spending cuts from the Executive while introducing bills that expand benefits⁹ for themselves – such as accumulation of pensions with salaries and bonuses for former members – without any estimate of fiscal impacts. The same Congress that blocked wealth taxes and kept subsidies for sectors like fintechs and gambling works as a syndicate of the wealthy, as sociologist Marcelo Medeiros put it.

The argument that “society can no longer bear paying taxes”¹⁰ hides a critical issue: the top of Brazil's social pyramid pays proportionally less taxes than the poorest. The country's income tax policy, as economist Marcos Hecksher points out, is a social immobility¹¹ tool that protects the top while preventing the advancement of others. It is a structure that taxes vulnerable families' consumption but exempts profits, dividends, and large inheritances.

Meanwhile, social programmes, minimum wage raises, and public policies are the primary targets of the adjustment. The powers that be demand spending cuts but fail to discuss the R\$50 billion in annual parliamentary amendments to the country's budget, the Judiciary's super salaries, or the R\$64 million that will be spent on increasing the number of seats in the Chamber of Deputies.

Such selective austerity exposes the hypocrisy of a system that transfers the burden of adjustment to those who have the least, while ensuring perks for those who should contribute the most – a real pact of privileges disguised as fiscal responsibility. The result is more inequality and the erosion of redistributive policies, which are essential for a minimally fair democracy.

3 POLITICS AND EXCLUSION: THE LEGACY OF SLAVERY IN BRAZIL'S GOVERNMENT

One of the most intriguing blind spots in studies about 19th-century slavery is the relationship between society and government. Trained experts can easily distinguish slavery-based societies from societies with slaves. In the former, the elites depend on slavery for reproduction, while in the latter, captives were a peripheral fringe in the mass of workers. A good example of a slavery-based society is the Empire of Brazil.

Few experts, however, consider the place of slavery within the political system. In Brazil, slave labour was legal throughout the national territory. Despite its regional economic variations, slavery was widespread as a universal institution in the legal system and the government apparatus. From the perspective of sovereignty, Brazil was a slavery-based society with full sovereignty.¹²

This architecture of slaveholders' power in Brazil included scenarios that were simply unthinkable and unreproducible in other historical contexts. Consider the problem of the illegality of black slavery. Transatlantic slave trade was abolished in the country in 1831, but landed, financial, and political elites decided to expand slavery through unprecedented human smuggling. As a result, Brazil illegally absorbed approximately 740,000 Africans between 1831 and 1850 – 15% of the individuals disembarked during three centuries of Brazilian transatlantic trafficking, or 60% of the country's total slave population in 1822, the year of its Independence.

In Brazil, a thick blanket of silence covered and naturalized this phenomenon of global proportions. According to the Brazilian law that banned human trafficking, the thousands of illegally enslaved Africans were now free. Repeatedly violated, the Feijó Law of 7 November 1831 gave rise to the expression still used in Brazilian Portuguese: "for the English to see," meaning "for the sake of appearances."

Today, the connection between Brazil's slavery past and the choice of a regressive tax system that penalizes the poorest – a group largely composed of black people, especially women – while favouring an elite of white people, especially men, remains overlooked. This document aims to shed light on this connection.

The resumption of slavery in independent Brazil was planned on illegal grounds by the country's conservative elite. It was intended to supply the larger plantations of the new nation's sugar and coffee enclaves. While the pro-slavery lobby had several strongholds, its heart was the coffee export complex of the middle Paraíba Valley, a region encompassing northern São Paulo, southern Rio de Janeiro, and southwestern Minas Gerais. Politicians, landowners, and traders in that area – now Brazil's richest – developed political actions and rhetorical arguments to reopen the slave trade in the form of smuggling, arguing that it was necessary.

Brazilian institutions played a key role in this process. The navy was instructed to ignore clandestine landings of enslaved Africans. Parliament closed ranks in favour of smuggling and the Judiciary followed suit by suspending the 1831 law. Under these pressures, the state did not use the normative force of the Law but rather the anti-normative force of politics, which subordinated laws to the interests of slave-owning elites. In this scenario, the government institutionalized human trafficking as a new normal, and the fate of black people ended up

being slavery, even though they were legally free. Ultimately, the Law served the interests of those who wanted to enslave people – and make money.

Besides private wealth, Africans and their descendants also generated revenue for the government. Taxes levied directly on the slave trade were always an important source of money for the Brazilian state.

In the 1820s, these taxes represented approximately 10% of total tax revenue.¹³ In places where the slave trade was more intense, figures rose. In Minas Gerais, for example – the province with the largest enslaved population – the tax on such transactions accounted for 15% of revenues in the 1860s. If we add indirect taxation of slavery, the numbers rise exponentially.

The end of the slave trade in 1851 freed up a significant amount of capital. In the last five years of active smuggling, it represented approximately one-third of Brazilian exports.¹⁴ Since exports generally consisted of slavery-based products and imports were also made with income generated by slaves, one conclusion was clear to all: without slavery, there would have been no revenue, and without revenue, there would have been no state in 19th-century Brazil.

The 1860s were a turning point in the history of black slavery. With abolition in the United States following the Civil War, several Brazilian actors – abolitionists, progressives, and slaves themselves, but also pro-slavery advocates and conservatives – began to dispute the management of the end of slavery in the country. In this dramatic dispute, conservatives managed to prevent immediate abolition. More than that, they created a normative framework that recognize the disappearance of racial property (black slaves) but compensated it with what can be called racial income.¹⁵ Racial income was an efficient and silent set of norms and practices that ensured higher labour income for whites even when other variables – such as education, qualifications, skills, type of work – were constant.

In the post-abolition period, for example, former slaveholders secured higher financial returns than what they used to get from formerly enslaved people. They did it by manipulating the general rules on who would make national economic policies as well as criteria for the distribution of property (land), access to credit (capital), and workers' rights.

One such measure was the electoral reform of 1881. Until that year, illiterate people could vote in Brazil, and while suffrage was property-based, the required income was so low that half of the adult male population could exercise the right to vote – not slaves, of course. The 1881 Law changed that by excluding illiterate people from future electoral censuses and requiring registered voters to provide proof of income levels that only the elite possessed, such as public debt bonds, bank shares, and industrial taxes. This measure effectively excluded from political representation the poor and illiterate, the vast majority of whom were black.

Voter turnout in Brazil fell from 50% to 0.8%.¹⁶ The gamble was clear. According to the 1872 census, whites accounted for almost half of the free population; with abolition, they would become an indisputable minority. Electoral reform prevented the white minority from becoming a political minority and forged a white political majority within a largely black free demographic.¹⁷

With abolition and the fall of the empire, racial organization also penetrated the labour market. The Glicério Law of June 1890, for example, banned Asian and African natives from entering the country without congressional authorization while offering bonuses and incentives to

farmers who provided housing and schools to white immigrants. These measures were effective: in 1890, blacks accounted for less than 20% of workers in the industrial and commercial sectors, being concentrated in domestic service and farm labour.

Brazilian republicans also kept the political exclusion of illiterate people while granting automatic citizenship to all foreigners residing in the country who did not oppose their naturalization. Since illiteracy predominantly affected black people and most foreigners were white, these arrangements granted political citizenship to whites not born in Brazil while excluding blacks born in the country from the right to vote. Race took precedence over nationality.

Top mechanisms producing inequalities in pre- and post-abolition Brazil

1824 – The Imperial Constitution recognized freedom as a general principle but excluded enslaved people from citizenship, limited citizenship of freed slaves, and defined the concepts of sovereignty and representation to stabilize reproduction of slavery as the basis of Brazil's economy and society.

1831 – The Law of 7 November banned transatlantic slave trade but was not enforced, which allowed approximately 740,000 Africans to be illegally smuggled in by 1850. This legal act became known as the "law for the English to see."

1837 – The Provincial Law of Rio de Janeiro (Law 1 of 14 January) banned slaves and black Africans – even free ones – from attending public schools.

1850 – The Land Law (Law 601 of 18 September) established purchase as the only way to access rural property, indirectly preventing the black population from owning land due to lack of financial means.

1871 – The Free Womb Law (Law 2040 of 28 September) freed the children of enslaved women but bound them to forced labour until age 21, prolonging the exploitation of black labour.

1881 – The Saraiva Law (Law 3029 of 9 January) manipulated electoral rules to artificially create white majorities within a legally eligible voter population that would otherwise be predominantly black.

1885 – The Sexagenarians Law (Law 3270 of 28 September) granted freedom to enslaved people over 60 but forced them to provide unpaid labour to their owners for three additional years, throwing them into poverty and social exclusion after a life of forced labour.

1888 – The Golden Law (*Lei Áurea*, Law 3,353 of 13 May) abolished slavery without offering reparation or support to the newly freed black population.

1890 – The Penal Code (Decree 847 of 11 October) criminalized Afro-Brazilian cultural practices such as capoeira and authorized the imprisonment of those without employment or permanent residence, primarily affecting the black population after abolition.

1890 – The Glicério Law (Decree 528 of 28 June) banned Asian and African immigrants from entering the country without congressional authorization while encouraging European immigration by granting subsidies to farmers who provided housing and schools to white foreigners. This policy reinforced racial exclusion in the labour market, concentrating black people in domestic and agricultural work.

1891 – The Federal Constitution maintained the political exclusion of illiterate people – a provision repeated in other constitutions until the 1980s.

1968 – The Cattle Law (Law 5465 of 3 July) reserved 50% of places in agricultural vocational schools and colleges for farmers' children, benefiting mainly large landowners to the detriment of the non-white population.

4 REGRESSIVE TAXES IN BRAZIL: THE UNTOLD STORY OF SLAVERY'S ROLE IN THE ESTABLISHMENT OF TODAY'S MARKET ECONOMY

Until 1820, the Americas received more enslaved Africans than white Europeans and all others combined. According to a database that is highly regarded and globally recognized by experts (www.slavevoyages.org), for 350 years, traders from Portugal, England, France, Spain, the Netherlands, and other nations sent no fewer than 12,500,000 Africans as slaves to the continent Europeans called "New World" – even though it had been inhabited for millennia by peoples with their own history and, therefore, their own rights. Colonized by the Portuguese – leaders of Atlantic slave trade history – Brazil was the destination for almost 45% of those people. However, slave trade and its consequences were decisive not only to the country's history, but also to the history of capitalism. They gave European investors the opportunity to turn money into capital, created markets for nascent industries, dynamized the European financial system – and had a devastating impact on the lives of black people. No less important, they defined the nature of political power in American nations born of slavery, including, of course, Brazil.

According to data from the same website, during this period, Europeans organized, equipped, crewed, loaded, and financed 41,190 transatlantic black slave voyages between 1500 and 1860. If they dedicated so much, for so long, and so frequently to a single activity, it was because it yielded extraordinary profits beyond any scale. Rates of return could vary due to various factors – shipwrecks, rebellions, disease outbreaks, pirate attacks – but current calculations show that, even in the worst-case scenarios, the investment was worthwhile.

More than just a source of individual profits, investment in black slavery was so attractive that the trade soon became the very pillar of modern European economies. This complex system – which began with investments in the slave trade and slavery itself, expanded to boost large consumer markets, and then evaporated into the upper reaches of financial speculation – was based on the bodies of colonial labourers, most of whom were subjected to racial domination, like the nearly 12.5 million Africans forced to cross the Atlantic to the Americas.

The historical cost to the lives of black people and their descendants cannot be captured by any single figure. However, illustrating it with some numbers contributes to a basic understanding of the drama. Approximately 1.7 million Africans sold to the Americas never set foot on the continent, having died on the way and been thrown into the sea. Those who actually disembarked suffered from early "environmental racism", being exposed to excessively humid, hot, and stuffy epidemic environments where viruses, infectious bacteria, parasites, and other pathogens claimed their victims prematurely.

As a result, black bodies suffered from greater protein, calcium, and immune system deficiencies. Their health status is confirmed by osteological studies conducted in a cemetery on the Caribbean island of Barbados. The high incidence of hypoplasia (underdevelopment of tooth enamel) suggests levels of metabolic stress "near the human maximum."¹⁸ These deficiencies shortened lives. Slaves and their children are survivors of a war economy.

Slavery in the Americas was not only a labour regime but also an institution that alienated human beings from community contexts – where they had prerogatives, guarantees, benefits, and rights – in order to transplant them into communities that did not acknowledge their past. As a power relationship, slavery’s utopian horizon is to “cleanse” human beings of their history, since the past means family ancestry, kinship ties, lineage bonds, and belonging to political communities: it is the primary source of life’s protection. In these terms, slavery is perfectly aligned with historical capitalism because both of them abstract – they must abstract – people and things from their contexts in order to “objectify” them, that is, to turn them into commodities. The logic of capital continues in the logic of slavery and vice versa, as a closed loop.

What happens, then, when slave traders and slaveholding landowners who were colonial subjects of great empires become actors in the construction of new nation-states, as happened in Brazil? Below, we show how slaveholders’ power turned into disproportionate political power, involving constitutional, liberal, and presumably democratic states in extremely unequal and exclusionary social and political systems. And how the ideology and politics of racial inequality have structured Brazil’s current tax system.

THE RACIAL TAX STATE: FROM WHIPPING TO TAXATION

Regressive taxes have a colour. Black people, who are mostly in lower income brackets, pay proportionally more taxes. Even among those who rise socially, the burden of maintaining historically impoverished family networks makes their tax burden heavier. Black women are even more impacted as they lead households with lower incomes and more dependents.

This reality is neither accidental nor recent. It has deep roots in the institutional choices made throughout Brazil’s history. After formal abolition of slavery under the Golden Law (*Lei Áurea*) in 1888, Brazilian elites also saw the tax system a tool to perpetuate social and economic inequalities, now under new guises. Fiscal policy emerged as a social mechanism of exclusion – a set of interactions between ideas and practices that systematically structure and reproduce inequalities.¹⁹

These mechanisms do not operate abstractly; they are shaped by power relations in specific socio-historical contexts, mediating the cause-and-effect relationship to produce inequality. Brazil’s tax system, masked by the rhetoric of neutrality, was designed to create class and racial privileges. While the emancipation of enslaved people marked the end of an explicit order of exploitation, the fiscal apparatus was reorganized to covertly sustain the same economic and social hierarchies. To understand this dynamic, we can look into the role of the country’s tax system, which has been historically regressive.

The first proposal to create an income tax in Brazil, presented in 1867 during the Paraguayan War, faced strong resistance from the elites. Despite efforts by prominent figures such as the Viscount of Ouro Preto and Rui Barbosa, the tax was only effectively established in 1922, after more than six decades of debate. When implemented, it came in a regressive manner, disregarding some of the guidelines put forward by its first proponents. In the previous century, they had pointed to the absolute need to preserve a minimum subsistence level for the most disadvantaged social classes within the new tax base.²⁰

The situation worsened in the following years. Even with industrial growth in the wake of World War I (1914-1918), with strong expansion in the food and textile sectors, nothing changed in the fiscal policy.²¹

The role played by coffee in the early 20th century illustrates how taxation was used to finance local projects without altering structural inequalities. Coffee accounted for 70% of Brazilian exports and approximately 60% of state tax revenue in São Paulo. Policies such as the Taubaté Convention (1906), which stabilized prices and guaranteed revenue to states, consolidated the political and economic power of landed elites, with few benefits for black workers and impoverished segments of society.²²

During the so-called Vargas era (under President Getúlio Vargas, 1930-1945), the country focused on import replacement and the creation of basic industries, such as Companhia Siderúrgica Nacional in 1941. However, the tax framework remained regressive, with the burden falling heavily on the poor. Centralized tax collection during the military regime (1964-1985) boosted this model, increasing the tax burden to 25% of GDP in 1966 without promoting changes in income redistribution.²³

Brazil's tax framework remained regressive due to the fiscal centralization promoted by the military regime, which consolidated a tax collection system concentrated on the federal government and dependent on indirect taxes, penalizing the low-income population. The 1966 Tax Reform (Constitutional Amendment 18/1965) marked the end of fiscal federalism by restricting taxation autonomy of states and municipalities and strengthening centralized tax collection by the federal government. This process was accompanied by the creation of new tributes such as the Tax on Circulation of Goods (*Imposto sobre Circulação de Mercadorias*, ICM) – the precursor to today's Tax on Circulation of Goods and Services (*Imposto sobre Circulação de Mercadorias e Serviços*, ICMS) – increasing the burden on consumption and reinforcing the system's regressive nature.

At the same time, Law 5172/1966 (Brazil's National Tax Code) formalized the tax framework, keeping indirect taxation as a priority and establishing the basis for incentives targeted at large capital. The regime also increased tax revenues by creating the Contribution for Social Security Financing (*Contribuição para o Financiamento da Seguridade Social*, COFINS) and the Social Integration Programme (*Programa de Integração Social*, PIS), thus keeping the tax burden on goods and services. During the 1970s, the government expanded tax breaks for the industry by granting incentives to exports and the financial market, ensuring growth without redistributing income. With the economic crisis of the 1980s, the fiscal model shifted toward fiscal adjustment and spending cuts, without altering its structural logic. That is, the system consolidated by the military regime focused on taxing the poor, preserved benefits for high-income sectors, and perpetuated tax inequality in the country.

Redemocratization did not result in the expected changes in terms of tax justice. In the 1990s, reforms set the tax burden at around 35% of GDP but increased the system's regressive nature. The middle class, the black population, and low-income individuals bear most indirect taxes, while the economic elite, predominantly composed of white men, benefit from exemptions such as those applied to profits and dividends, in addition to low inheritance taxes. Income concentration at the top of the economic pyramid illustrates this structural dynamic: during the 20th century, the richest 1% held approximately 25% of total income, with the top 0.1% absorbing more than 20% and being the main beneficiaries of historical inequality.²⁴

The tax reforms implemented in the 1990s under President's Fernando Henrique Cardoso's administration consolidated an even more regressive system by reducing taxes on large corporations and high-income sectors while keeping a high tax burden on consumption and labour. Core initiatives included Laws 9249/95 and 8981/95, which cut taxes on corporate

profits, lowered the Corporate Income Tax (*Imposto sobre a Renda das Pessoas Jurídicas*, IRPJ) rate from 25% to 15%, and put an end to its progressive nature. Law 9294/95 introduced interest on equity, affecting the taxable base for the income tax and the Social Contribution on Net Income (*Contribuição Social sobre o Lucro Líquido*, CSLL), while Law 9250/95 abolished the 35% individual income tax rate, further reducing its progressive nature. Although modernization and investment attraction were used to justify these changes, in practice, they disproportionately benefited the upper classes and the financial sector, increasing fiscal inequality in the country.

While the tax system presents itself as neutral, its framework reproduces historical inequalities by favouring elites and marginalizing specific groups, especially black people and women. This process, which we can call the “Racial Tax State,” reveals how public finances are the result of distributive conflicts that, in practice, define which inequalities we socially accept and which ones we reject. By struggling for collectively produced resources, the elites shape the tax framework to consolidate their advantages while marginalized groups are at the mercy of arrangements decided by the powerful. That is why the consolidation of income taxes and the organization of the tax system are not a succession of isolated events but rather reveal the creation of an exclusionary mechanism. As Henricks and Seamster²⁵ argue, taxation is intrinsically linked to racialized power dynamics influenced by values, emotions, and stereotypes that promote hidden exclusion.

In the labour market and in spaces of power, these inequalities translate as structural privileges. Historical exclusion is reflected in the underrepresentation of black people and women in leadership positions and white men’s dominance over economic and political decision-making. Although 55.5% of Brazil’s population identifies as black or mixed-race,²⁶ only 26% of members of the Chamber of Deputies elected in 2022 identified as one of those categories.²⁷ This figure shows progress but also exposes the gap between the country’s demographic makeup and its political elite. The contrast is even starker when we look at the labour market. While white people earn R\$3,099 per month on average, black and mixed-race workers remain limited to around R\$1,800.²⁸

A study by the Observatory of Inequalities focused on Minas Gerais state measured “racial income” and showed that white men earn, on average, R\$742.98 more than other groups as labour income and R\$384.65 more as per capita household income (*renda domiciliar per capita*, RDPC), even under similar socioeconomic conditions.²⁹ Ending this gap could reduce the Gini coefficient from 0.47 to 0.40 in the state and decrease extreme poverty by 75.76%.³⁰ This is also reflected in the prevalence of white men in high corporate positions. In 2021, a study revealed that only one in ten top leadership positions was held by women or black people; more recently, it was found that only 9% of export companies’ directors were black.³¹ These figures reveal how cultural and institutional barriers perpetuate an elitist and racialized pattern of access to corporate power structures.

Challenges

During slavery and in the post-abolition period, political elites made sure that the tax agenda benefited large landowners and businesspeople, while black and poor populations remained marginalized, without access to credit or tax incentives. At the same time, the tax system embraced production and consumption as core bases for tax incidence. In such regimes, the middle strata (usually whites), the black population (overrepresented in low-income groups), and impoverished people in general bear a disproportionate burden of these taxes, to which elites are often indifferent.

Currently, black families – especially those headed by women – continue to pay proportionally larger indirect taxes on their total income. Despite their lower taxable capacity, these families are overburdened by consumption taxes, reflecting Brazil’s heavily regressive tax framework. These families’ consumption profile, which focuses on essential goods, makes tax incidence even more onerous. On the other hand, while the individual income tax (IRPF) is a progressive instrument, it has narrow tax rates and poorly differentiated brackets, penalizing middle-income earners and undertaxing high earners.

This tax framework perpetuates racial inequalities. Black people are overrepresented among the poorest segments of the population, and even when they manage to advance economically, they bear additional burdens. Chief among these is the responsibility of supporting family networks historically devoid of accumulated assets – a direct reflection of the structural barriers imposed after abolition. At the same time, income concentration at the top of the economic pyramid remains alarming.³² The richest 1% of the Brazilian population accounts for approximately 23.6% of household disposable income, while the top 0.1% accumulates almost half of that, demonstrating the extreme degree of inequality.

Such concentration is largely explained by the fact that these economic elites derive most of their income from profits, dividends, financial investments, and other forms of capital – which pay much lower taxes than salaries. Furthermore, these groups employ complex tax planning strategies, taking advantage of legal loopholes and tax benefits that significantly reduce their actual tax burden. Thus, the system reinforces privileges and increases the inequalities it seeks to combat.

The racial dimension and the operability of the tax system’s regressive mechanisms are best illustrated by the following categories and their respective examples:

- **Selective tax benefits:** The elites benefit from tax exemptions – such as those applied to the distribution of profits and dividends – and low inheritance taxes, ensuring that income and wealth remain concentrated at the top of the pyramid. Recent Federal Revenue Service data on tax benefits illustrate it. From January to September 2024, taxpayers reported R\$111 billion in tax incentives (Brasil, 2014³³). These benefits were largely captured by sectors dominated by economic elites, such as agribusiness, which received 18.7% of the total. Companies like Braskem and Syngenta stood out among the main beneficiaries. Profits and dividends, which accounted for 35.5% of all exempt income in 2022 tax returns, remained outside the scope of taxation, totalling approximately R\$400 billion (Brasil, 2023³⁴). Meanwhile, 70% of the individual income tax (IRPF) revenue came from salaries (Brasil, 2023³⁵). Another significant example of how Brazil’s tax framework has historically been shaped to privilege wealthier, predominantly white groups is the recent R\$20.7 billion³⁶ collected in 2024 alone as a result of Law 14754, enacted in 2023. This legislation changed specific taxation rules for offshore and onshore funds. The change highlighted the huge amount of money the state was giving up to tax benefits traditionally granted to the economic elite. The new rules affected fewer than 100,000 Brazilians³⁷ with offshores – or 0.049% of the population, approximately one in every 2,030 people – as well as fewer than 20,000 individuals in this group with closed-end funds in Brazil. That is, about 0.00985% of the total population of 203 million (or one in every 10,150 Brazilians), according to data from IBGE (the Brazilian Institute of Geography and Statistics). Meanwhile, the federal government’s Annual Budget for 2025 (LOA 2025)³⁸ allocates R\$50.4 million³⁹ for policies exclusively aimed at promoting racial equality. That is less than 0.3% of the R\$20.7 billion collected by the new tax on capital. The amount for policies aimed at Indigenous peoples is R\$3,363.2 million – equivalent to just over 16% of the new

revenue collected in 2024. Although the new tax system for offshore and onshore funds has affected an extremely restricted group – fewer than 100,000 people with offshores and approximately 20,000 with closed-end funds, representing less than 0.05% and 0.01% of the Brazilian population, respectively – its revenue exceeded R\$20 billion in just one year. In contrast, public policies focused on black people, who are 55.5% of the Brazilian population (over 112 million people), and the Indigenous population, with approximately 1.7 million people, continue to have proportionally much lower budgets. This highlights the major asymmetry between the tax collection potential at the top of the economic pyramid and the actual investment in policies to promote racial equality and guarantee the rights of historically marginalized peoples.

- **Accumulation:** Low wealth taxation and the limited progressivity of the tax system favour this process. A key example is the low inheritance tax: in 2024, Brazil collected only 0.05% of GDP from the Inheritance and Gift Tax (*Imposto sobre Transmissão Causa Mortis e Doação*, ITCMD), whose maximum rate (8%) is one of the lowest in the world.⁴⁰ In contrast, OECD countries have average rates of 15% while it may reach 40% in the United States. Such tax leniency perpetuates economic dynasties: 63% of Brazilian billionaires in 2024 inherited their fortunes, accumulating US\$154.9 billion – a 37.7% increase over the previous year (Larghi, 2024⁴¹). Although the US has a maximum inheritance tax rate of 40%, mechanisms such as trusts and exemptions allow for the preservation of vast family wealth (Rosa, 2024⁴²). With US\$105 trillion expected to be transferred between generations in the coming decades, wealth concentration is likely to increase, limiting social mobility and ensuring the permanence of economic elites (Neligh; Cobo; Tartar, 2024⁴³).

The “Billionaire Ambitions Report 2024” by Swiss bank UBS points to Brazil’s striking reality where the majority of young billionaires are heirs and white men. The country ranks second in number of billionaires in the Americas, only behind the United States (Catto, 2024).⁴⁴ These Brazilians had a combined fortune of US\$154.9 billion – a 37.7% increase in just one year. The most prominent include Eduardo Saverin, Vicky Safra and her relatives, and members of the Lemann, Telles, and Sicupira families, all associated with large companies such as Facebook, the Safra Bank, and AB Inbev (Todos [...], 2024).⁴⁵ This predominantly hereditary wealth concentration (Billionaires [...], 2024),⁴⁶ is supported by a tax system that imposes meagre inheritance taxes, facilitating the perpetuation of income concentration and social inequality.

- **Extraction:** The tax framework also reinforces this situation by imposing a disproportionate burden on low-income workers, especially black women. Because the system focuses on consumption taxes, poorer people allocate a larger portion of their incomes to paying taxes, while economic elites enjoy exemptions and benefits. Black women are 65.18% of the group in the 4th income decile, but only 8.86% reach the 10th decile, revealing how regressive taxation perpetuates structural inequalities.⁴⁷

The indirect tax burden, which affects consumption, is significantly higher in black-headed families.⁴⁸ Specifically, these families pay, on average, 10.8% of their income as indirect taxes, while those headed by white people pay around 9.7%. This is a significant difference because indirect taxation is considered regressive – that is, it weighs proportionally more on those with lower incomes, which, in Brazil, are mostly black families, who are overrepresented in the lowest-income brackets.

By decomposing the Gini coefficient, it is possible to identify the contribution of each income component to inequality. The Gini coefficient for primary income is 0.577. It falls to 0.535 with social transfers but increases to 0.539 after taxes. These figures show that, while transfers

have a redistributive effect – especially among the poorest – indirect taxation, with a concentration coefficient of 0.3741, concentrates income, exacerbating existing inequalities.

Furthermore, tax incidence varies by race and gender. Although direct taxes, which are progressive in nature, are levied more heavily on white-headed households, the greater share of black households in the lower quintiles increases the impact of indirect taxation. In short, numbers show that, by favouring indirect taxation, Brazil's tax system ends up causing more damages to the black population, primarily because this segment is overrepresented in lower-income strata where regressive taxes have a more pervasive effect.

In short, by economically overburdening the most vulnerable segments, the Brazilian state increases class, gender, and racial inequalities and operates as a mechanism for permanently drawing out resources and lives.

Tax reform could be one of the main instruments for correcting these inequalities. However, recent debates show that this change faces the usual historical barriers. During public hearings about the Proposed Constitutional Amendment 45/2019 and Constitutional Amendment 132/2023, organized civil society accounted for only 33.13% of participants while 88.89% were businesspeople, mostly white men.

Issues such as tax justice and the gender-race intersectionality have been relegated to the periphery of the debate, showing how the system is still shaped to protect elite interests.⁴⁹ The 1988 Constitution increased the tax burden to fund universal rights and social protection but maintained the regressive tax framework, favouring indirect taxes on consumption and services over wealth, profits, and inheritances. This means that, while the poorer and middle classes allocate a large portion of their income to paying taxes, economic elites are able to preserve their privileges through tax exemptions and wealth concentration.

5 RECOMMENDATIONS

A tax reform that incorporates the race dimension is urgently needed to achieve social and racial justice and seek to correct the historical and current regressive nature of Brazil's tax system. Adopting these recommendations is not only a measure of fiscal justice but also a crucial step towards overcoming racial inequalities historically entrenched in Brazilian society.

Progressive Tax Reform and combating racial inequality – Brazil is at a crucial stage in tax reform, having completed the first phase, which focused on indirect taxation. Now, taxes on income and wealth must be reformed, given that the country's economic pyramid has a significant racial bias. Any policy that targets the highest incomes and wealth can contribute to greater racial and social equity. In this context, it is essential to repeal the income tax exemption on distribution of profits and dividends that has disproportionately benefited the wealthiest segments of the population and to implement a reform that makes inheritance and wealth taxes truly progressive.

Measures to be adopted:

1. Expanding income tax brackets and increasing rates to make it truly progressive. Justification: A truly progressive individual income tax framework is essential for the wealthy to pay according to their economic capacity, alleviating the burden on middle and lower classes where the black population is concentrated.
2. Bill 1087/2025 or another proposition that replaces it must include mechanisms to assess the impacts of tax policies on the promotion of race and gender equality and include a field for self-declared race on the Individual Income Tax Return form (*Declaração de Imposto de Renda da Pessoa Física*, DIRPF). That would be an important step to collect data that supports fairer and equitable public policies.
3. Repealing the income tax exemption on the distribution of profits and dividends to put an end to the asymmetric treatment between capital and wage income, which has disproportionately favoured the wealthiest segments of the population – mostly white men.
4. Regulating the wealth tax provided for in Article 153, Section 7, of the 1988 Federal Constitution.
5. Approving the individual income tax reform to increase the exempted bracket to R\$5,000 per month, passing the costs on to millionaires with a minimum rate of 10% for untaxed income above R\$50,000 per month.
6. Implementing a reform that makes inheritance and wealth taxes truly progressive.
7. Redefining the tax benefit policy, currently designed to favour large business groups, promoting a more equitable tax distribution.
8. Implementing a transparent reporting system for granting tax benefits, similar to the federal government's "Transparency Portal," with information on criteria, duration, amounts, and beneficiaries in order to facilitate monitoring and enable social control of tax revenue expenditures by the population.

9. Internationally, Brazil should support reforms aimed at taxing the income and wealth of the richest individuals, in addition to promoting elimination of tax evasion, tax avoidance, and other forms of abuse.

Reducing the racial income gap on a global scale – Radically reducing inequality is an urgent goal that requires clear global and national objectives. It is essential to eradicate extreme wealth and commit to a global equality target, seeking a balance in which the income of the richest 10% does not exceed that of the poorest 40% worldwide, in line with the concept known as “Palma of 1.” To achieve this equity, specific, time-bound goals must be established in order to reduce economic inequality at country level.

Additionally, racial disparities in income distribution must be urgently addressed on a global scale, as national anti-racism policies may not be enough in the face of international trade dynamics, which often perpetuate inequality. Purchasing power in nations of the Global North expands through exploitation of human resources in countries of the Global South, resulting in unfair, race-biased income transfer – where white citizens earn more at the expense of their non-white counterparts, contributing to a cycle of global exploitation.

To combat this problem, a set of measures must be implemented to reduce income disparities both within and between nations, taking racial factors into account. To this end, the World Bank and the International Monetary Fund (IMF) should:

1. Develop indicators that measure racial income gaps within and between countries;
2. Establish a programme of voluntary adherence to this index;
3. Provide special credits to nations that successfully reduce their domestic inequality rates, especially those that are behind in global rankings. If effectively implemented, these recommendations can potentially have positive impacts on the fight against inequality and racial discrimination, promoting a more inclusive and sustainable agenda at both national and global levels.

Consolidating leadership in the fight against racial inequalities – Brazil has made progress in building an anti-racist political culture, standing out for its institutional initiatives that include a broad quota system in public universities, creation of gender and race quotas in political parties, and the enactment of Law 10639/2003, which established mandatory teaching of African, Afro-descendant, and Indigenous history in schools. These pioneering initiatives have been crucial to build a truly anti-racist political culture in the country. The proposed creation of Sustainable Development Goal (SDG) 18, announced by President Luiz Inácio Lula da Silva during the 78th UN General Assembly in September 2023, reflects Brazil’s commitment to eliminating all forms of racism and ethnic-racial discrimination, positioning the country as a leader in the fight against racial inequalities at global level.

To consolidate this leadership, Brazil must turn its domestic achievements into soft power, advancing its anti-racist struggle as a model for the geopolitical realignment of the Global South and contributing to a new, fairer and more egalitarian world order. Furthermore, the country should encourage voluntary participation in global programmes to combat racism, expanding international collaboration and experience exchange, which will strengthen the global network of anti-racist initiatives.

Recommendations:

1. Transforming domestic achievements into soft power by promoting Brazil's anti-racist struggle as an example to the Global South.
2. Encouraging voluntary participation in global programmes to combat racism by expanding international collaboration and experience exchange.

These actions will enable Brazil to become a leader in promoting equity and addressing racial inequalities both nationally and internationally.

Strengthening the representation of the Global South – Slavery's and colonialism's historical debt requires robust confrontation through an agenda of reparations targeted at the black diaspora and African countries. For a global agenda that promotes socioeconomic justice, the governance frameworks of global trade and international relations must be reformed, prioritizing fair membership and operation. The systems of modern colonialism must be abolished to change the governance of institutions such as the IMF, the World Bank, and the UN, in order to end the formal and informal dominance of the Global North and confront the interests of its elites and wealthy corporations. This change must emphasize the economic sovereignty of countries in the Global South, guarantee fair wages and labour practices, repeal free trade policies that perpetuate inequalities, and crucially review the foreign debts faced by many countries in the South to promote a more sustainable economic environment. Furthermore, countries in the Global North must not only acknowledge their obligations but also support the cancellation of all unsustainable debt, playing a proactive role in disrupting the power structures that perpetuate the economic domination of the Global North over the rest of the world.

Measures to be adopted:

1. Amending the World Bank's bylaws to ensure equal voting rights to all countries and eliminate the concentration of power in the hands of the five largest shareholders (the United States, Japan, Germany, the United Kingdom, and France).
2. Reforming the OECD to expand Global South representation and establish mechanisms for economic cooperation and technology transfer.
3. Reforming the UN Security Council to increase the number of permanent members and ensure adequate representation for the Global South.
4. Creating a UN-supervised international taxation forum to combat tax havens and promote progressive taxation of the wealthy.
5. Reviewing the foreign debts of Global South countries, seeking renegotiations that consider their socioeconomic realities and allow for sustainable development.
6. Supporting the cancellation of all unsustainable debt, with the aim of breaking up the economic dominance of the Global North.

Promoting South-South cooperation and solidarity – In addition to reforming global institutions, cooperation and solidarity among countries of the Global South must be promoted. Governments must establish regional alliances and agreements that favour equitable and mutually beneficial exchanges, strengthening economic independence and reducing dependence on former colonial powers and the economies of the Global North. Collectively, countries of the Global South must demand reforms in international institutions, shared knowledge, technologies, and resources, and policies that support sustainable development. At the same time, it is crucial that governments strengthen public services and implement land reform, guaranteeing access to land and promoting economic and social justice.

Measures to be adopted:

1. Strengthening the Regional Platform for Tax Cooperation in Latin America and the Caribbean (*Plataforma Regional de Cooperação Tributária para a América Latina e o Caribe*, PTLAC) as an important forum for developing tax policies based on the interests and needs of the countries of the region.
2. Establishing regional alliances and agreements focused on fair and collaborative trade exchanges.
3. Demanding reforms in international institutions such as the World Bank and the IMF that meet the needs of the Global South.
4. Sharing knowledge and technologies to support sustainable development initiatives.
5. Strengthening public services and implementing land reforms to guarantee access to land and promote social justice.

These initiatives are essential to building a more equitable and sustainable future in which the voice of the Global South plays a core role in decisions shaping its development and well-being.

6 FINAL REMARKS

Brazil is deeply marked by a colonial legacy that generated and perpetuated structural inequalities, which manifest themselves in its internal dynamics and its relations with other nations. This history leaves a trail of problems, including systemic racism, poverty, and social exclusion, which disproportionately impact black and Indigenous populations. Consequently, most of the country's business and political classes are composed of individuals who benefited from the accumulation of wealth stemming from this colonial process, contributing to maintain social and economic disparities that still plague us today. This reality highlights the importance of integrating the notion of a "racial tax state" into analyses of inequality, as taxation and fiscal policies often favour the interests of elites to perpetuate an exclusionary model. To promote true social and economic justice, Brazil's tax reform must confront the historical foundations that sustain these inequalities.

This document reveals how prevailing analyses of inequality are relevant to shed light on economic and social aspects but ignore the historical and structural roots of racial issues and slavery. The centrality of racism and slavery is often treated as secondary or contingent both in the formation of market economies and in the consolidation of modern democracies. This omission obscures the fact that slavery and racism were not mere incidental components; they were fundamental pillars of global inequalities and the capitalist economic model.

Furthermore, the problem of racial inequality in Brazil cannot be understood in isolation. As this document underscores, racial hierarchies and colonial exploitation have global reach, connecting the Global South and North in a system of unequal accumulation. The example of the transatlantic slave trade and the European financial system's dependence on tropical products produced by enslaved labourers illustrate how racism was at the heart of the formation of modern capitalism. Even the most celebrated democratic economies such as the British and American ones have been shaped by this racial legacy often overlooked in current economic and political literature.

Finally, it is clear that no single reform will be able to eliminate historical inequalities. Changing fiscal arrangements in Brazil is essential in order to redistribute resources and combat structural injustices, but it will not solve disparities accumulated over centuries. However, without these reforms, it will be impossible to create the basic conditions to overcome Brazilian society's racial and economic chasm. Addressing inequalities requires interconnected efforts that combine tax justice, inclusive public policies, and historical reparations.

Above all, it is essential to recognize that the roots of these inequalities are deeply linked to structural racism and the legacy of slavery, both in Brazil and globally. Therefore, building a more just future requires collective work to address historical and current causes of inequality. This is a challenge that transcends borders, demanding international coordination, but also depends on profound local changes and a renewed commitment to memory, reparations, and justice. Without this, any equality project will be, at best, an incomplete attempt to erase the scars left by history.

A close look at Brazil's tax system reveals that it was historically designed to concentrate wealth in the hands of white elites, perpetuating the social exclusion of the black population. Brazil still has low progressive income tax, minimal taxation on assets and inheritances, and no wealth tax. Furthermore, exemption of income tax for profit and dividend distributions disproportionately benefits the wealthy, ensuring that the structure of privilege remains intact.

Even with recent advances such as Complementary Law 214 of 2025, which created the Tax on Goods and Services (*Imposto sobre Bens e Serviços*, IBS), the Social Contribution on Goods and Services (*Contribuição Social sobre Bens e Serviços*, CBS), and the Selective Tax (*Imposto Seletivo*, IS), the changes remain timid given the depth of racial inequalities. This new legislation requires that the five-yearly assessment of personalized cashback mechanisms and distinguished tax regimes consider the impact of tax laws on racial and gender equality. This inclusion represents progress as it recognizes the need to address the historical inequalities that persist in Brazil.

However, for these advances to be effective, tax reforms must be comprehensive and strongly address the structures that have historically favoured wealth concentration among white elites and perpetuated social exclusion for the black population. Alleged neutrality of tax policy ignores the reality that indirect taxes disproportionately penalize the poorest. This demonstrates that regressive taxation works as a sophisticated mechanism for maintaining and reproducing racial inequalities, whose roots date back to the colonial and slavery periods. Therefore, while racial equality policies have focused on remedying the effects of inequalities, they have not addressed the mechanisms that perpetuate them. Without a tax reform that corrects historical distortions and redistributes wealth more fairly, any attempt at reparation will be incomplete.

Notes

¹ Bill 1087/2025, introduced by the Executive on 18 March 2025, proposes changes to the Income Tax legislation, setting a minimum rate for high-income taxpayers and expanding the exemption bracket for lower-income individuals. The bill is now being processed in the Chamber of Deputies, awaiting the rapporteur's opinion in the Special Committee designated to analyze the matter: <https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2487436>.

² Estimates of income concentration and the impacts of the proposed changes to income tax are based on data from 2023 Individual Income Tax (IRPF) returns. The income of the wealthiest groups (10%, 5%, 1%, and 0.1%) was calculated on the basis of percentiles published by the Federal Revenue Service, considering that each percentile represents approximately 406,000 taxpayers. To estimate the income concentrated by the wealthiest 1%, for example, data from the 100th to the 97th percentiles were proportionally added together using complementary and convergent statistical methods to ensure the accuracy of projections.

³ The Continuous PNAD provides updated data on the socioeconomic characteristics of the Brazilian population, including employment, income, and education. It is essential for analysing social inequalities in the country: <https://www.ibge.gov.br/estatisticas/sociais/saude/17270-pnad-continua.html>.

⁴ <https://www.camara.leg.br/noticias/1122556-estudo-analisa-causas-da-persistencia-da-desigualdade-economica-no-brasil/>.

⁵ <https://www.gov.br/fazenda/pt-br/assuntos/noticias/2025/junho/estudoda-fazenda-mostra-que-reforma-do-irpf-melhora-progressividade-e-reduz-desigualdade>.

⁶ According to the 2024 DIEESE Special Bulletin, black people earn 40% less than non-blacks on average, and blacks with higher education earn 32% less than other workers with the same level of education. See: <https://www.dieese.org.br/boletimespecial/2024/conscienciaNegra.pdf>.

⁷ GONÇALVES, Carolina Lima. A armadilha do crescimento: austeridade e neoliberalismo. 1. ed. Uberlândia: Laboratório Americano de Estudos Constitucionais Comparados – LAECC, 2020.

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¹⁰ <https://www1.folha.uol.com.br/colunas/viniustorres/2025/06/onde-vive-o-que-come-e-o-que-faz-essa-sociedade-que-nao-aguenta-mais-pagar-imposto.shtml>.

¹¹ <https://valor.globo.com/brasil/noticia/2025/06/13/politica-do-imposto-de-renda-e-de-imobildade-social-diz-economista.ghtml>.

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¹⁵ The concept of racial income used in this document was developed under an interdisciplinary approach. It incorporates theoretical contributions on the role of racial capital in reproducing structural inequalities and critical reflections about the historical links between capital, race, and inequality. Therefore, it connects with analyses of Legassick, Martin, and Hemson (1976) as well as with the studies of Tâmis Parron (2020). This concept was employed in the Technical Report on Fiscal Sociology and Racial Inequalities (*Relatório Técnico sobre Sociologia Fiscal e Desigualdades Raciais*, Tavares et al., 2022) prepared for Educafro Foundation's public civil action against the Federal Government. The lawsuit, filed on 13 May 2022 at the 5th Federal Civil Court of São Paulo, demands the creation of a permanent fund to combat racism as a form of compensation for the historical damage perpetrated by the Brazilian State against the Black population.

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⁴⁷ Income decile is a statistical measure used to divide the population into ten equal parts based on income distribution, ordered from lowest to highest income. Each decile corresponds to 10% of the population: the first decile includes the poorest 10%, while the tenth decile includes the wealthiest 10%. This tool allows for the analysis of economic inequality by identifying the concentration of social groups in different income brackets. It is widely used in inequality studies and public policy.

⁴⁸ Analysis of microdata from the 2017/18 Household Budget Survey (*Pesquisa de Orçamentos Familiares*, POF) allows us to measure how direct and indirect taxes affect income distribution among different groups, especially considering race and gender variables. To this end, the breakdown of income into stages – primary, initial, disposable, and post-tax – allows us to calculate inequality indicators such as the Gini index and concentration coefficients for each portion (transfers and taxes). This methodology allows us to identify not only the extent to which each tax impacts inequality but also how these impacts are distributed between black-headed and white-headed households. This was the methodology employed here: <https://publicacoes.tesouro.gov.br/index.php/cadernos/issue/view/88>.

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