

## The Institution of the Tax on Great Fortunes and the Taxation of Profits and Dividends: Vectors of Tax Progressivity in Brazil

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### Abstract

This research aims to analyze two tax strategies, potentially capable of contributing to the principle of progressivity and contributory capacity. Middle-class citizens in Brazil must bear a high-income tax burden, while profits and dividends are not taxed and there is still no tax on large fortunes. Therefore, the research has academic relevance in addressing the reasons why there is no tax on large fortunes and the technical parameters necessary for this to become a reality. Furthermore, taxation is the means by which the individual provides revenue to the State, as well as a matter of interest to all taxpayers and the community. The study will be carried out using a deductive approach, with a qualitative nature and exploratory bibliographical research. This study will seek different alternatives and mechanisms to Income Tax,

aiming to achieve a balance that benefits both the taxpayer and the State.

**Key words:** Income tax; Tax on large fortunes; Profits and dividends

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### INTRODUCTION AND METHODOLOGY

Among nomadic peoples and political models that support the non-existence of the State, it is impossible to imagine the imposition of onerous benefits on one person to the detriment of others. However, from the most basic social constructions there was a need to raise resources to support collective interests (Schoueri, 2022).

One of the sources that generates the most revenue for the Brazilian State is Income Tax. However, this tax has faced numerous criticisms due to its regressive nature, as it has represented great burden on taxpayers from the lower classes of society.

Thus, the need to bring to the fore other tax alternatives resurfaces with the aim of relieving the average citizen from paying excessive amounts of benefits to the taxing entity. That is why the perspectives regarding the taxation of profits and dividends, as well as the institution of the Tax on Large Fortunes (IGF<sup>1</sup>), will be discussed in this study.

It is possible to note the academic relevance of the present research, which brings to the scientific discussion the reasons why there is no institution of a wealth tax, and which technical parameters need to be achieved for this to one day become a reality.

<sup>1</sup> In portuguese: Imposto sobre Grandes Fortunas.

The method used in the study will be deductive, basic in nature, qualitative approach, exploratory research, and the methodological procedure is bibliographic. This is an essential path to follow, as in scientific research of a legal nature, it is essential to be clear about the object, objectives, and final product to be achieved (Pasold, 2021).

In this sense, some commonly considered alternatives will be addressed, but studied here in more depth. So that it is possible to observe whether there are effective mechanisms other than Income Tax, as this is one of the main taxes that finance State activity. Therefore, a balance is sought so that both the taxpayer and the active subject of the tax obligation are in harmony.

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## CURRENT CONTEXT OF TAXATION IN BRAZIL

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Tax can be understood as an obligation of the individual towards the taxing entity. Such an obligation may be in cash or not (as is the case with accessory obligations). It is important to highlight that not every obligation with public authorities is included in the tax relation (Cavalcanti, 2023).

The Brazilian National Tax Code (CTN<sup>2</sup>) defines tax as any compulsory pecuniary payment, in currency or whose value can be expressed therein, which does not constitute a sanction for an illicit act, established by law and charged through a fully linked administrative activity (Brasil, 1966).

The tax will never be a punishment, which should not be confused with the penalties that can be applied for non-compliance with the tax obligation. The obligation will be provided in currency, and the seizure of goods or the closure of an establishment as a coercive means of repaying the debt is an illegal act, as a flagrant affront to the principle of free exercise of the profession, constitutionally guaranteed by article 5, XIII (Cavalcanti, 2023).

Furthermore, it is a benefit charged through linked administrative activity, which means that it must follow laws and regulations. The tax authority has no discretion to decide when or how much to charge a tax, and payment is compulsory for the taxpayer. Besides, the administrative activity cannot use instruments not authorized by law to reach the individual's assets in the search for the satisfaction of the tax credit (Cavalcanti, 2023).

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## ALTERNATIVES FOR INCOME TAX RELIEF

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Personal Income Tax (IRPF<sup>3</sup>) is a tax that falls under the

exclusive competence of the Federal Government and whose taxable event is the increase in assets. This tax is currently facing major challenges due to the lack of updating of the progressive table (Machado; Silva, 2023).

Taxation varies according to the State model in which it is inserted. In the Liberal State, the Social State and the Democratic State, there are different purposes for collecting taxes (Caliendo, 2022).

In the Liberal State, taxation is the main source of funding for the State in order to serve the common good. Taxation must guarantee the freedom of the citizen, respect for legality, the public destination of income and equality in the distribution of the tax burden. In the Social State, it is aimed at promoting rights such as education, health, housing, among others. In the Democratic and Social State, it fulfills a public function of guaranteeing democratically prioritized fundamental rights (Caliendo, 2022).

In Brazil, an affluence of resources and high technology coexist with poverty and archaic structures. In view of this, the Federal Constitution has given the state a leading role in overcoming underdevelopment using public policies. Implementing these policies requires resources, which are obtained through taxation. Therefore, the importance of taxation is undeniable, with the aim of making collective life more harmonious and developing programs for those in need (Franca Junior, 2023).

This falls under the Economic Dimension of Sustainability, which essentially consists in solving the challenge of increasing the generation of wealth in an environmentally sustainable manner and finding the mechanisms for a fairer and more homogeneous distribution (Hülse; Pasold, 2018).

Economic sustainability must be seen as linked to the practice of weighing up efficiency and quality when establishing and complying with economic policies. This dimension can only be achieved through better working conditions, social security, labor rights and professional qualifications, because these changes can lead to a better quality of life for the population (Hülse; Pasold, 2018).

In order to correct the injustices caused by the IRPF, it is essential that the legislation is based on the principles of contributory capacity, progressivity and protection of the existential minimum. The main distortion arises from the disparity in the treatment of income from work and capital. In the Brazilian context, most of the economically poorest only receive income from work, while the richest have income from various sources. Thus, higher taxation on labor income than on other forms of income perpetuates the inequality (Cavalcanti, 2023).

It is proposed, in accordance with constitutional principles, especially the principle of equality, that income of any kind earned by individuals should be taxed using a single progressive scale. This measure eliminates any differentiation in the treatment of income (Cavalcanti,

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<sup>2</sup> In portuguese: Código Tributário Nacional.

<sup>3</sup> In portuguese: Imposto de Renda Pessoa Física.

2023).

Exemptions should be reassessed, and capital income from financial investments, investment funds, gains in variable or fixed income, should be taxed in the same way as labor income. The existence of a single tax system simplifies the process, makes it more transparent and facilitates compliance with tax obligations (Cavalcanti, 2023).

In addition, income from the distribution of profits and dividends should be taxed by the IRPF in the same way as shares in company profits or results received by workers, taxed exclusively at source based on the progressive table. This taxation at source is proposed, given the difficulty of taxing individual partners or shareholders who receive dividends from companies established in Brazil but who reside abroad (Cavalcanti, 2023).

In this scenario, the tax system would take on a dual role: in addition to guaranteeing resources for the State, it would also act as an instrument for transferring wealth, prioritizing taxation on income. By increasing tax collection from the rich, super-rich and large companies, space would be opened to reduce indirect taxes, which affect the prices of goods and services, resulting in a lighter tax burden for the less privileged (Cavalcanti, 2023).

This means that both consumption and production need to be restructured to change the view of the environment as a form of capital that can be consumed indefinitely. On the other hand, this dimension must be dominated by concern and action to guarantee an adequate basic income for all, so that people can have the minimum they need to live with dignity. There must be a permanent commitment to overcoming poverty so that everyone can live a quality life (Hülse; Pasold, 2018).

This reduction in taxes on consumption and workers' income would provide relief for the poorest. In addition, taxation on income would act as a mechanism to control the excessive accumulation of wealth, slowing down the growth of economic inequality, and would be in line with constitutional principles (Cavalcanti, 2023).

The role of the State is fundamental, as it must use taxation as a way of preventing the enrichment of the few and use taxes to finance the distribution of social income and develop the country for future generations. This requires the State to be functional, or to seek efficiency in the distribution of wealth (Hülse, 2020).

If the tendency towards a lighter tax burden for the richest continues and intensifies, it is likely that there will be significant impacts on wealth inequality and an increase in the concentration of capital. In addition, the tax separation of the richest could damage general support for taxes (Piketty, 2014).

Unhappiness with the tax and social system is evident, especially among the middle and lower classes, who resist paying more than the upper classes. This encourages

individualistic attitudes, in which taxpayers question why they should continue to pay for others, given that the system seems unfair. It is therefore crucial for the maintenance of the modern State that the tax system preserves a certain level of progressivity, or at least avoids becoming clearly regressive for the richest (Piketty, 2014).

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## TAXATION ON PROFITS AND DIVIDENDS

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Dividends represent the right of shareholders to receive part of the profits from their investment in shares, which occurs specifically in public limited companies, since they are publicly traded. However, the payment of these dividends depends on the decisions of the bylaws and the type of share the investor owns (Ravalia; Preza Junior, 2022).

Preferred shares are important because they offer advantages such as priority in the distribution of dividends, repayment of capital with or without a bonus and political benefits. These shares cannot exceed 50% of the company's total shares (Ravalia; Preza Junior, 2022).

Publicly traded companies distribute profits after each fiscal year at a general meeting. This includes various reserves, such as legal, statutory and profit reserves, and is called dividends, the portion allocated to shareholders (Ravalia; Preza Junior, 2022).

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## THEORIES ON INCOME TAXATION

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There are two main theories on the concept of income, which were adopted by the Brazilian legislator. They are the source theory and the accrual theory. According to the first, income is the periodic result of a permanent source, such as labor or capital. In this view, capital gains, donations, inheritances, one-off remunerations and lottery prizes are not taxable, as they do not represent periodic income from a continuous source, but rather the disposal or acquisition of the source itself (Vieira, 2020).

On the other hand, the accrual theory establishes that income is the increase in assets in an economy during a period, including imputed income and unrealized income, such as real estate appreciation (Vieira, 2020).

However, this second theory has not been fully accepted in the Brazilian legal system due to restrictions on the taxation of unrealized gains, in accordance with the principles of capacity to contribute and legal certainty. According to these principles, unrealized gains do not provide the liquidity and economic availability necessary to determine the ability to pay or guarantee certainty in relation to the amounts that would make up the tax base (Vieira, 2020).

It is possible to distinguish four categories of income sources in the IRPF, based on the nature of the income. These categories include general income, such as salaries, rents, royalties and others that make up the overall amount

subject to a progressive table during the annual tax return; capital gains, which include the sale of property and assets subject to definitive taxation; income from fixed income investments, regulated by Law 11.033/04, which establishes a regressive table according to the investment period; and income from investments in variable income, with a rate of 20% for day trade operations and 15% for operations in the sight, forward, options and futures markets (Vieira, 2020).

From 1995 onwards, several changes were introduced in the field of income tax, mainly through Law 9.249/1995. One of the most significant changes was the introduction of interest on shareholders' equity (JSCP<sup>4</sup>), allowing the remuneration of partners and shareholders based on the long-term interest rate (TJLP<sup>5</sup>) on the company's net equity, with the aim of offsetting the opportunity cost of the resources kept in the company. The amount distributed as JSCP can be deducted as an expense when calculating corporate income tax (IRPJ<sup>6</sup>) and Social Contribution on Net Profit (CSLL<sup>7</sup>) based on real profit (Vieira, 2020).

In the context of defining income for tax purposes, it is essential to consider the increase in assets, which is summarized as the positive difference between financial inflows and outflows in each period (Motta, 2021).

The possibility of deducting the return on shareholders' capital when calculating taxable income is crucial, covering interest expenses paid to third parties and shareholders. Furthermore, equity interest, which is often seen as a tax incentive, does not fall into this category, as it does not result in a tax waiver due to the taxation of the income received by the beneficiaries (Motta, 2021).

In relation to JSCP, the initiative was adopted to equalize the treatment given to shareholder contributions with that of third-party loans, encouraging investment in companies (Vieira, 2020).

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## LEGISLATIVE BILL N. 2.337/2021

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Legislative Bill n. 2.337/2021, which was drafted by Congressman Celso Sabino and authored by former Economy Minister Paulo Guedes, proposes changes to the Income of Any Nature of individuals and companies, as well as Income Tax and Social Contribution on Net Profits (CSLL) (Varão; Muller, 2023).

One of the main aspects of this bill is the taxation of profits and dividends, particularly in relation to distributions to partners and shareholders. This implies changes to Law n. 9.249/1995, eliminating exemptions. According to the bill, the rate of income tax will be 15%, with taxation at source and proportional charge (Varão; Muller, 2023).

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<sup>4</sup> In portuguese: Juros Sobre Capital Próprio.

<sup>5</sup> In portuguese: Taxa de Juros de Longo Prazo.

<sup>6</sup> In portuguese: Imposto de Renda Pessoa Jurídica.

<sup>7</sup> In portuguese: Contribuição Social Sobre o Lucro Líquido.

The proposed changes are justified by the principle of *pecunia non olet*, as established in Law n. 4.506/1964, which subjects' income from illegal activities to taxation. Therefore, under this law, all earnings, regardless of their origin, must be taxed, if there are no specific exceptions (Varão; Muller, 2023).

The approval of the bill in question would not only affect the IRPF but would also have an impact on Corporate Income Tax. This is because it proposes reducing the IRPJ rate from 15% to 8% for companies under the real, presumed, or arbitrated profit regimes. This has the potential to modernize rules and stimulate the emergence of new entrepreneurs and companies operating under these regimes (Varão; Muller, 2023).

These changes would be positive as far as revenue is considered, since it is estimated that there will be a loss of around six billion reais due to the small increase in the IRPF exemption bracket. It is estimated that in the first year of the end of the exemption there will be an average increase of thirty-two billion reais in the public coffers, which could reach fifty-five billion the following year (Varão; Muller, 2023).

So, this income tax reform proposal seems promising in terms of revenue, but the best way to apply it would be with parsimony and respect for the reality faced in the country. Which is already highly taxed.

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## POSITIVE AND NEGATIVE ASPECTS OF TAXING PROFITS AND DIVIDENDS IN BRAZIL

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It is important to note that income tax on profit distributions to individuals has been exempt since January 1996, eliminating the 15% (fifteen percent) withholding tax on the amount distributed (Vieira, 2020).

The distribution to shareholders depends on the company's profits. After meeting the minimum requirements and preferential dividends, the general assembly can freely decide on the amount to be distributed. If profits are insufficient, only shareholders with preferred shares receive them, as defined in the bylaws and in the Brazilian Corporate Law (Law n. 6.404/1976) (Ravalia; Preza Junior, 2022).

Only Brazil and Estonia do not tax profits and dividends. Law n. 9.249 established a specific exemption on the argument that the company is already taxed, so taxing the shareholder as well would amount to double taxation. However, this argument is flawed, since the business unit contributes to IRPJ (Corporate Income Tax), while the partner would pay IRPF (Machado Neto, 2019).

There has been much discussion about how taxation on profits and dividends should be applied. However, income is not differentiated; it can originate from both labor and capital. Thus, there is no need for differentiated

taxation, and profits and dividends can be taxed under the IRPF (Machado Neto, 2019).

Nevertheless, taxing dividends just to be in line with other countries is not a sensible measure. It is necessary to consider the economic, political, and social conditions of the paradigm country, giving a better idea of how Brazil would fare with this change in taxation (Lucina, 2021).

Furthermore, taxing dividends would break a practice established for more than two decades by Law n. 9.249 of 1995, and this could impose a considerable burden on investors who have opted for the stock market, since dividends are a long-term investment strategy (Lucina, 2021).

Therefore, the introduction of a very high tax rate would significantly affect dividend earnings, discouraging investment in the stock market and harming publicly traded companies, which depend on capital market investors (Lucina, 2021).

It is also worth considering two aspects that refute the unpopularity of taxing dividends. Firstly, the capital withdrawn from the stock market will find different investment opportunities, such as fixed income, which can benefit other sectors. In addition, investments in government bonds can provide additional funding for the state, since they are issued by the National Treasury (Lucina, 2021).

Given all these considerations, it is crucial that the Legislative and Executive spheres exercise caution when approving any changes to the tax regime for dividends, as this will have a significant economic impact. The decrease in investor interest will affect stock market revenues, directly harming publicly traded companies, which may react with spending cuts or price increases (Lucina, 2021).

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## TAX ON LARGE FORTUNES

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The Federal Constitution provides for the existence of the Large Fortunes Tax (IGF<sup>8</sup>) in article 153, VII, assigning its competence to the Union. However, the implementation of this tax depends on the publication of a complementary law, which so far has not happened. This legal dependence limits the effectiveness of the IGF, since it is necessary to define what constitutes large fortunes, establish the calculation base, and determine the rates for the tax to come into operation (Nascimento, 2021).

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## LEGISLATIVE BILLS AND DIRECT ACTION FOR UNCONSTITUTIONALITY BY OMISSION N. 55

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Since the 1988 Constitution, several legislative bills have been proposed with the aim of implementing the IGF

in the country. The first was PLP<sup>9</sup> 162/89, proposed by Fernando Henrique Cardoso, a senator at the time. The bill was rejected and several others followed, improving it on some points (Lima; Gonçalves; Costa, 2023).

Complementary bill 277/2008, presented by federal deputies Luciana Genro, Chico Alencar and Ivan Valente on March 23, 2008, is currently being processed. It is considered a high priority and has received four addendums: PLP 26/2011, PLP 62/2011, PLP 130/2012 and PLP 48/2011. The authors justified the need for this bill due to the deficiencies identified in the previous bill, which went against the purpose of this tax, and the lack of updating of the rates and incidence bands, which did not reflect effective progressivity. They also presented a report, drawn up by economist Marcio Pochmann, highlighting that the wealth of the five thousand richest families in Brazil was equivalent to 42% of the Gross Domestic Product (GDP) (Lima; Gonçalves; Costa, 2023).

The PLP 277/2008 received both criticism and support. Congressman João Dado supported the bill, emphasizing the significant inequality in income distribution in the country and how the IGF could contribute to decentralizing the power associated with wealth. On the other hand, there was criticism, including from the perspective of tax expert Ives Gandra da Silva Martins, who argued that the bill was unconstitutional due to its confiscatory nature. PLP 277/2008 is still being processed in the Congress, with its last update recorded on November 3, 2020 (Lima; Gonçalves; Costa, 2023).

The Socialism and Freedom Party (PSOL<sup>10</sup>) filed a Direct Action of Unconstitutionality by Omission (ADO<sup>11</sup>) number 55, claiming that the National Congress failed to establish the IGF due to inertia in voting on projects related to the issue. PSOL argued that the creation of the tax is fundamental to fulfilling the objectives of the republic, including the reduction of inequality and the eradication of poverty (Nunes, 2023).

The Chamber of Deputies responded by affirming that a complementary bill is ready for a vote, calling for the ADO to be suspended until it is voted on. The case represents a significant change, since on previous occasions similar actions have been rejected (Nunes, 2023).

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## POSITIVE AND NEGATIVE ASPECTS OF IMPLEMENTING THE IGF IN BRAZIL

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Article 80, III of the Transitional Constitutional Provisions Act (ADCT<sup>12</sup>) establishes that the IGF would be used to form the Fund to Combat and Eradicate Poverty. Therefore, this tax has great potential to

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<sup>8</sup> In portuguese: Imposto sobre Grandes Fortunas.

<sup>9</sup> In Portuguese: Projeto de Lei Complementar.

<sup>10</sup> In Portuguese: Partido Socialismo e Liberdade.

<sup>11</sup> In Portuguese: Ação Direta de Inconstitucionalidade por Omissão.

<sup>12</sup> In Portuguese: Ato das Disposições Constitucionais Transitórias.

promote social justice in Brazil, with the aim of reducing wealth inequality and contributing to a more equitable distribution of income in the country (Nascimento, 2021).

Researchers on the subject have come up with divergent thoughts, and there is still no consensus as to whether it is beneficial or harmful. While many parliamentarians, jurists and experts in related fields argue against the viability of applying this tax in Brazil, there are also those who support it. The IGF has earned the nickname “Robin Hood Tax” due to the positivist idea that it should be applied to redistribute income and promote fiscal and social justice (Lima; Gonçalves; Costa, 2023).

One of the difficulties pointed out concerns how the tax would be applied. In most of the bills related to this issue, the obligation falls on the taxpayer’s own voluntary declaration, which makes it easier to hide information. This scenario presents challenges, because if the determination is left to the taxpayer, they may declare a much lower value than the real one; if it is the government’s responsibility, many official assessors will be needed to apply the tax, which would further increase the administrative costs of tax collection (Lima; Gonçalves; Costa, 2023).

On the other hand, supporters argue that the IGF would not encourage capital flight, but on the contrary would attract more investment, since it would relieve economic activity and thus stimulate consumption, production, and profit. It could also be seen as a way for the country to achieve greater tax justice, providing a more equitable distribution of the tax burden and reducing the considerable social inequalities present in Brazil, which in turn would reduce poverty among a large part of the population (Lima; Gonçalves; Costa, 2023).

In countries with a regressive tax burden, as is the case in Brazil, the less favored social strata and workers are the main financiers of the state, bearing a disproportionately high indirect tax burden. Furthermore, despite having one of the highest global tax burdens, Brazil stands out negatively for offering one of the worst returns in terms of social welfare (Nunes, 2023).

Considering data from 2010, more than 79% of the population belongs to the group earning up to three minimum wages, and this portion contributed 53% of the total national tax revenue. Information like this highlights the urgency of remodeling the national tax system to promote greater social justice, reducing socioeconomic disparity in Brazil (Ribeiro, 2019).

With the pandemic, caused by the mass transmission of the Covid-19 virus, many people ended up in extreme poverty. At the same time, there has been a significant increase in the number of billionaires worldwide. Before the meeting of the World Economic Forum in Davos, Switzerland, Oxfam conducted a study which revealed that there are 2.668 billionaires in the world, an increase

of 573 compared to 2020. The total wealth of these billionaires currently represents 13.9% of global GDP (Nunes, 2023).

This increase in the fortunes of a small group of individuals occurred while most of the global population faced hunger, inaccessibility to health and education, as well as a lack of life prospects. This is deeply worrying and reflects an inversion of human values due to the concentration of wealth, power, and privilege (Nunes, 2023).

To combat this global inequality, Oxfam recommended, during the Davos meeting, the implementation of measures including the creation of a wealth tax. This tax would start at a rate of 2% for millionaires and 5% for billionaires, potentially generating US\$2,52 trillion annually. This revenue could lift 2,3 billion people out of extreme poverty and provide health and social protection services to low and middle-income countries around the world (Nunes, 2023).

From the Brazilian perspective, the Getúlio Vargas Foundation (FGV) conducted an analysis of wealth and concluded that the pandemic has exacerbated social inequality in the country. The Brazilian Institute of Social and Economic Analysis (IBASE) observed that, even with emergency aid, inequality has not decreased during the pandemic. While the richest only registered a small loss of income of 1,5%, the middle class, who lost jobs and had no access to government assistance, saw their incomes fall by 4,2%. This was mainly due to rising inflation and high unemployment, which mainly affected those who were in the middle class but not living in poverty (Nunes, 2023).

Studies by Unafisco Nacional show that the tax on large fortunes, along the lines adopted by the OECD, would only affect 0,1% of the Brazilian population, showing a glaring inequality of income. Furthermore, the IGF could be a way of achieving greater tax equity, but this would require, in addition to its implementation, a reduction in taxation on products and services and a review of the rates and basis for calculating income tax (Nunes, 2023).

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## RESULTS AND FINAL CONSIDERATIONS

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It can be seen, in view of the above, that in the current national tax situation, the tax on income violates social justice and the principle of contributory capacity, taxing heavily those who earn little. For this reason, it is extremely important to consider alternatives for reducing IRPF taxation. Considering that this tax is currently one of the main ways of collecting State revenue.

The possibility of taxation of dividends becomes clear, as they also fall within the concept of asset growth. Brazil is one of the only countries in the world that does not use this interesting taxation method.

However, this must be done in a considered manner. It is believed that the single rate of 15% also violates the principle of progressivity and contributory capacity. Therefore, a study must be carried out in relation to the most sensible and moderate rate with a view to reintroducing the charge in the Brazilian scenario.

There are several and very long discussions about the tax on great wealth. This is a type of exaction brought by the federal constitution of 1988, but which was never instituted, as it hurt the intentions of a few, but powerful, Brazilians.

One possibility would be to institute it as a test, or in a transitional manner to overcome moments of intense crisis, such as that generated by the recent Covid-19 pandemic. Which further increased social inequality and the number of people at the poverty line.

Therefore, to achieve greater equity, the national tax system must urgently review its concepts. Because it is unacceptable that the State's support falls so severely on the poor. The tax reform, already approved by the national congress, will bring few and poorly calculated changes to the Brazilian scenario. If on the one hand it relieves consumption, on the other it burdens the services sector, responsible for job creation.

A firm remodeling of income taxation is a measure that is necessary. Which, without a doubt, is very challenging, given the interests involved in taxation of the richest. However, if it does not happen, Brazil will have no hope of seeking any type of social justice. The poor will continue to become poorer and poorer.

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