PRAKARSA
Welfare Initiative for Better Societies

Analysis of Tax Asymmetry and Potential Revenue from Wealth Tax

in Indonesia, The Philippines and Vietnam

2023

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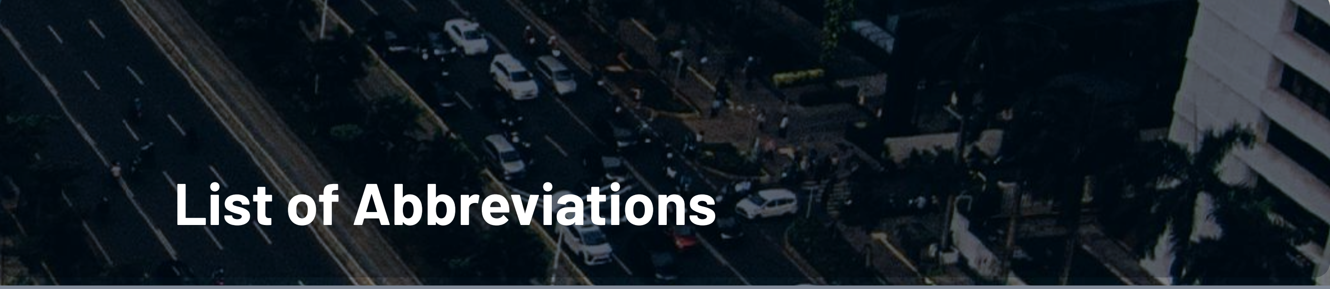


List of Abbreviations

ADB	: Asian Development Bank
ASEAN	: Association of South-East Asian Nation
BPHTB	: Bea Perolehan Hak atas Tanah dan Bangunan (Land and building acquisition fees)
BUMD	: Badan Usaha Milik Daerah (Regionally-owned Enterprise)
BUMN	: Badan Usaha Milik Negara (State-owned Enterprise)
CIT	: Corporate Income Tax
CREATE	: Corporate Recovery and Tax Incentives for Enterprise Law
DTAA	: Double Tax Avoidance Agreement
EU	: European Union
GDP	: Gross Domestic Product
HNWI	: High Net Work Individual
IMF	: International Monetary Fund
NPOPTKP	: Nilai Perolehan Objek Pajak Tidak Kena Pajak (Acquisition Value of Non-taxable tax objects)
OECD	: Organization for Economic Co-operation and Development
OJK	: Otoritas Jasa Keuangan (Financial Services Authority)
PEP	: Political Exposed Person
PIT	: Personal Income Tax
PT	: Perseroan Terbatas (Limited liability company)
PTKP	: Penghasilan Tidak Kena Pajak (Non-taxable Income)
SBN	: Surat Berharga Negara (State securities)
SDGs	: Sustaineble Development Goals
SPN	: Surat Perbendaharaan negara (State treasury bills)
TPP	: Tangible Personal Property Taxes
UU HPP	: Undang-Undang Harmonisasi Peraturan Perpajakan (Law on harmonization of tax regulations)
VAT	: Value Added Tax

Preface

With the various crises, at once economic, health, climate change, etc., socio-economic inequality is even more obvious. The slowdown in production activities has contributed to an increase in layoffs, and the number of poor people has increased, but on the other hand, the wealth of the super-rich has increased. In its report, the IMF indicates that economic growth slows down when the income of the wealthiest 20 percent increases. This condition causes social and economic inequality.

Oxfam's report stated that the COVID-19 pandemic had worsened global economic conditions. The wealth of the ten wealthiest people in the world experienced a drastic increase when all sectors were experiencing a downturn. This increase in wealth is believed to be able to prevent all people in the world from falling into poverty and is used to purchase vaccines for people around the world. Antonio Guterres, Secretary General of the UN, responded to this phenomenon by declaring the need for a policy of imposing an extreme wealth tax to reduce economic inequality due to the COVID-19 pandemic.

At the G20 meeting in 2022, increasing taxes became an essential topic of discussion. Within the C-20 group, civil society organizations at the regional and global levels, including PRAKARSA, also continue to push for more varied and sustainable alternative sources of revenue to fulfil citizens' fundamental rights, especially in crises. One of them is by increasing the ratio of tax revenues. Increasing the tax ratio can be a way to distribute wealth from the rich to the poor. However, the current taxation system still needs to play a significant role in spreading wealth. The government needs to mobilize the potential for state revenue optimally. The practice of tax evasion and evasion by corporations and the super-rich is still a complex problem for the tax authorities to solve.

In 2022, PRAKARSA examined the potential and opportunities for implementing wealth tax in Indonesia, which shows there is legislative support and the rich for options for implementing wealth tax in Indonesia.

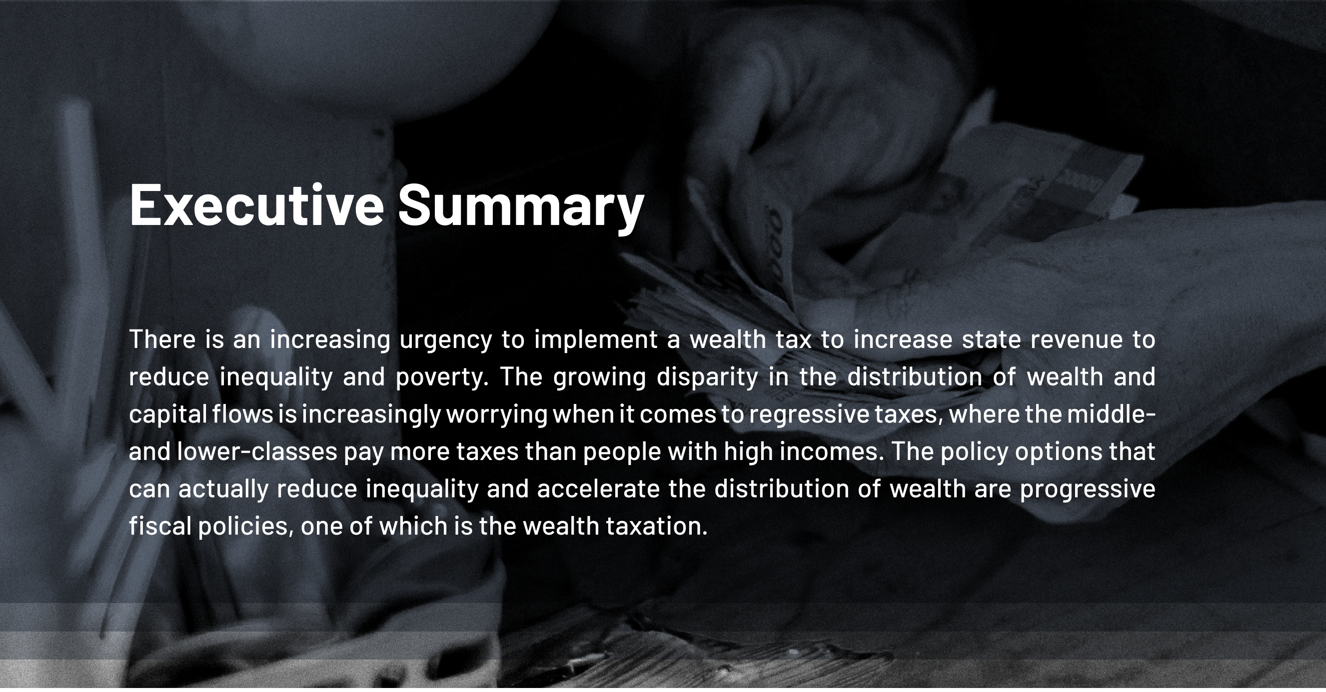
This year, PRAKARSA, together with several researchers in the Southeast Asia region, conducted a study on mapping the asymmetry of the tax system and the opportunities for implementing wealth tax in three countries: Indonesia, Vietnam and the Philippines. This research wants to see whether the taxation system in these three countries is fair and progressive for those at the upper and lower economic levels or whether there is still asymmetry, as well as explore the potential and opportunities for applying wealth tax in these countries. This tax system asymmetry mapping also outlines the strengths and weaknesses of the existing taxation system so that the proposed application of a wealth tax can be relevant for inclusion in tax regulations.

I want to thank the research team, PRAKARSA, Viet Nam Center for Economic and Strategies Studies (VESS), Third World Network in The Philippines, and all parties involved in compiling this report. This report will enrich existing sources of knowledge and become strong evidence so that every stakeholder is fully committed to realizing a fair tax and improving conditions supporting policies to make society more prosperous.

In conclusion, I hope that this report will gain the right momentum at ASEAN chairmanship in 2023 with the theme "ASEAN Matters: Epicentrum of Growth" by providing evidence-base for efforts to propose policies on implementing wealth tax in the ASEAN Region. Quoting Thomas Piketty in Capital in the Twenty-First Century, the matter of distribution of wealth is political and not merely an administrative or economic issue. The history of the distribution of wealth has always been deeply political, and it cannot be reduced to a purely financial mechanism.

Jakarta, May 2023

Ah Maftuchan
Executive Director of The PRAKARSA



Executive Summary

There is an increasing urgency to implement a wealth tax to increase state revenue to reduce inequality and poverty. The growing disparity in the distribution of wealth and capital flows is increasingly worrying when it comes to regressive taxes, where the middle- and lower-classes pay more taxes than people with high incomes. The policy options that can actually reduce inequality and accelerate the distribution of wealth are progressive fiscal policies, one of which is the wealth taxation.

The purpose of this research is to understand the asymmetrical tax system and the estimation of wealth tax in Indonesia, The Philippines, and Vietnam. The basis for selecting these countries in a regional wealth tax study is that, according to IMF data in 2023, the GDP of these countries is equivalent to the GDP of most countries in ASEAN. But the selection of these three countries represents only part of the diversity of wider Southeast Asian region. Each ASEAN member country has a unique tax structure, strategic approach, and economic environment, which may provide different analytical results from this research. Further research could be examined to broaden the analysis and include more ASEAN member countries to obtain a more comprehensive understanding. This study contributes to the literature review by pointing out the asymmetry of the tax system and providing estimates for important ASEAN countries.

The objectives of this study are:

1. To understand the asymmetrical tax system in Indonesia, The Philippines, and Vietnam.
2. To estimate wealth tax revenue in Indonesia, The Philippines and Vietnam.

This research is part of policy analysis, using both quantitative and qualitative approaches to answer research questions and is expected to be able to provide policy recommendations. A quantitative approach is used to measure the potential wealth tax revenues. In contrast, a qualitative approach analyzes the shortcomings of tax policies or regulations to achieve equitable taxation in Indonesia, the Philippines and Vietnam.

Tax payment asymmetry refers to the unequal distribution of the tax burden among different economic groups, namely the working class, especially those in the formal sector, who are subject to high tax rates. At the same time, HMWI's passive sources of revenue are taxed at lower rates. The solution to this problem is a need for significant reform of the tax law, and a wealth tax is one of the relevant mechanisms to ensure a more equitable tax system for all.

This research finds the results of the analysis of the three countries as follows:

Indonesia

There are findings of asymmetry in tax payments between the working class and HNWI. The working class is taxed at an income tax rate ranging from 5 – 35%; meanwhile, the final income tax rate from various sources of passive income that HNWI can generate ranges from 0% (inheritance) to 25% (lottery prizes). The finding means that the tax rate imposed on the working class is higher than that of the HNWI class. The potential income from the imposition of wealth tax in Indonesia is around US$18.1 billion from around 38,221 HNWIs. The potential income proves that wealth taxes can still be an essential source of revenue for the Indonesian government, primarily if implemented in conjunction with reforms to improve compliance and efficiency of the tax system.

The Philippines

There is tax asymmetry in the Philippines since the active income of the working class is subject to income tax rates ranging from 0 – 35%, while income tax rates for various sources of passive income, which is the source of income only of the rich and the upper middle class, range from 0 – 15%. Also, regarding the percentage of VAT paid relative to income earned and property owned, the poor and the middle class pay a much higher percentage than the rich.

If wealth taxes were to be imposed in a single year on the amount of net worth that exceeds US$ 6 million for each of the 9,500 HNWIs in the Philippines, the estimated tax revenues would be close to US$ 2.8 billion. Thus, introducing a progressive wealth tax in the Philippines would be the best way to increase tax revenues without increasing the tax burden on the poor, the middle class, and high wealthy individuals who do not have more than US$6M in net worth.

Vietnam

Tax asymmetry in Vietnam is that the working class is subject to income tax rates ranging from 0 – 35%, while income tax rates for various sources of passive income range from 0 – 20%. This means that the working class has higher rate of taxation than HNWI class. Based on an estimate of 15.9 thousand HNWIs with a total wealth of more than US$10 million, the State's potential property tax income is nearly US$3.1 billion. This income can complement existing types of taxation without creating disincentives. In addition, wealthy taxpayers are entrepreneurs subject to other forms of taxation. Potential wealth tax income represents nearly 1/3 of personal income tax and 1/7 of corporate income tax in 2021. The introduction of a progressive wealth tax in Vietnam could be a viable option to increase state revenues.

In essence, the imposition of wealth taxes in Indonesia, The Philippines, and Vietnam can help address income inequality and complement existing types of taxes, especially for HNWIs who may have significant sources of passive income. It could provide a more progressive tax system and generate additional revenue for the government while fostering a fairer distribution of wealth in society.

Indonesia's CSOs in continue to advocate for wealth taxation policies through political dialogue with the government and parliament. Deputy Chairman of Commission XI DPR RI has committed to submit a wealth tax proposal to be discussed at the commission's meeting. Indonesian CSOs in Indonesia require a lot of energy and coordination to continue to oversee the implementation of the wealth tax.

In April 2021 CSOs in The Philippines, led by Third World Network, drafted a complete and comprehensive bill on wealth tax Which could as early as then be adopted and filed by legislators, both in the House of Representatives and the Senate. On March 2023, another senator and practically his entire staff, including three lawyers, met with the CSOs and agreed to sponsor the wealth tax bill. However, the senator asked the CSOs to draft a version effective for one year only, i.e., a one-off imposition, just like the one in Argentina. He believes that such version of the bill would have a much higher possibility of becoming a law, even as he continues to be open to eventually sponsoring a wealth tax bill that will be imposed perpetually on a yearly basis. His lawyers are now studying the one-off version drafted by the CSOs.[1]

[1] Further information on the process of wealth tax advocacy, see Annex 1.

Vietnam has a Property Tax Law, which consists of several popular taxes such as the agricultural land use tax and non-agricultural land use tax. The imposition of the property tax in Vietnam is equivalent to the immovable property tax, which excludes several other taxes on passive income and recurring net worth by HNWIs, such as taxes on inheritance, gifts, financial transactions and equity or shares. The imposition of wealth tax has the potential to increase state revenue in terms of taxing assets on other assets, including intangible assets owned by HNWIs that have not been included in the Property Tax Law.

An asymmetrical tax burden between the working class and HNWIs can disadvantage female workers in several forms. Tax is a crucial tool that government must address inequality. However, wealth is very lightly taxed in most countries in the world. This exacerbates inequality, with harms women. Women earn less than men in the workplace. According to UN Women Indonesia (2020), women make 23 per cent less than men on average. There is inequality for women, inequality of opportunities for women at the same time women are also burdened with products that are higher than men. At this moment, In Indonesia there is no tax that supports gender justice.

Based on the research findings, this research report sets out the following recommendations:

1. The Government and Parliament of the Republic of Indonesia should draw up a policy on wealth tax. The proposed wealth tax format is a one to two percent progressive wealth tax rate with a net worth-imposed threshold of greater than US$10 million of the net worth combining total assets, including bank savings, deposits, shares, warrants, state securities, sukuk, precious metals, donations, inheritance, cryptocurrencies, and grants. The wealth tax is imposed yearly on the taxpayer representing the family.
2. The Parliament of the Republic of The Philippines shall approve the draft policy on wealth taxation. The proposed wealth taxation format is a one-off wealth tax with a net worth-imposed threshold of greater than US$6 million of the net worth combining total assets, which are sources of HNWI's income.
3. The Government and Parliament of the Socialist Republic of Vietnam must formulate a policy on wealth taxation. The proposed wealth taxation format is a one to two per cent progressive wealth tax rate with a net worth-imposed threshold of greater than US$10 million of the net worth combining total assets, which are sources of HNWI's income.
4. The Governments and the Parliaments of the Republic of Indonesia, the Republic of The Philippines, and the Socialist Republic of Vietnam must increase the tax rate on

passive income sources as well as impose a tax on untaxable sources of income such as inheritance with a value above US$1 million in Indonesia and Vietnam. This would mean that passive source of income for HNWIs would be subject to higher rates of taxation.

5. The Governments and the Parliaments of the Republic of Indonesia, the Republic of The Philippines, and the Socialist Republic of Vietnam must regulate Trust to register and report their ultimate beneficial owner(s). Trust must make the registration and declaration of ownership mandatory to improve transparency, combat financial crimes, and prevent money laundering and illicit activities.
6. The Government of the Republic of Indonesia, the Republic of The Philippines, and the Socialist Republic of Vietnam shall accelerate multilateral cooperation on automatic information exchange systems in international fora for international taxation purposes. In multilateral forums, the state or government leaders will propose a comprehensive approach to the implementation of a global wealth taxation by preparing an initiative on global wealth taxation standards.
7. A global asset register is a proposal to create a comprehensive international registry of all wealth and assets to give policymakers and the public the data needed to tackle multinational taxation abuse and redress inequality.
8. The Governments of the Republic of Indonesia, the Republic of The Philippines, and the Socialist Republic of Vietnam, altogether with other ASEAN leaders, must propose a comprehensive global asset register in the international fora to register all wealth and assets, in order to give policymakers and the public the data needed to tackle multinational taxation abuse and redress inequality.
9. The Governments of the Republic of Indonesia, the Republic of The Philippines, and the Socialist Republic of Vietnam, altogether with other ASEAN leaders, must promote a wealth taxation by implementing it domestically to create a more equitable distribution of wealth and to raise state revenue for public services and infrastructure, which are critical for social and economic development.
10. The Governments of the Republic of Indonesia, the Republic of The Philippines, and the Socialist Republic of Vietnam, altogether with other ASEAN leaders, must increase oversight of taxpayer compliance through regulations regarding the obligation to register and report ultimate beneficial owners by Trusts, as well as formulating a regulatory framework for Beneficial Owners and Trusts for tax purposes in rules at the level of Tax Law.
11. The Government and Parliament of the Republic of Indonesia must draft a policy regarding gender based taxation, which can provide stimulus for Tax Deduction or Tax Reduction to women who work and have dependent children.

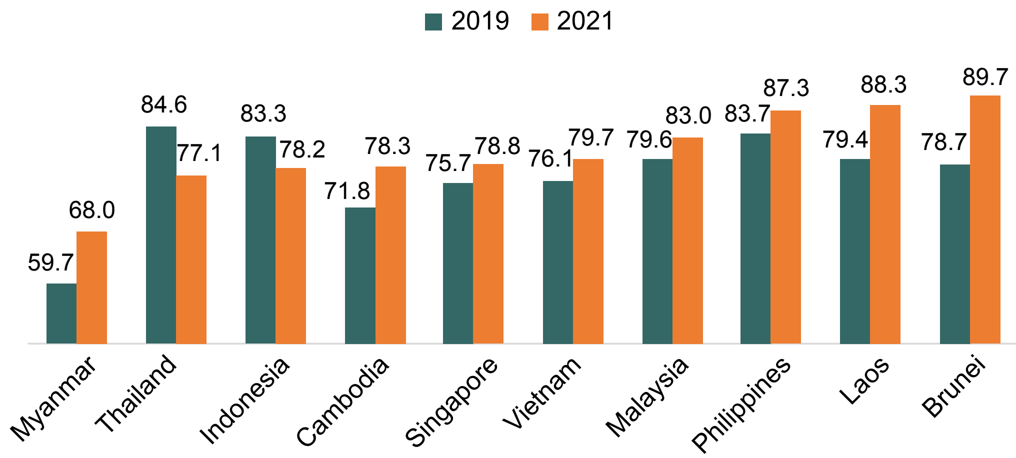
CHAPTER 1
Introduction

1.1 Background

Most countries have raised income and wealth inequality in the last three decades. 71 percent of the global population lives in countries where income inequality has increased. Despite progress in some regions, income and wealth are increasingly concentrated at the top. Since the financial crisis of 2008/2009, the number of billionaires around the world has nearly doubled. In 2018, the 26 wealthiest people in the world had as much wealth as half of the world's population, i.e., the poorest 3.8 billion poorest. There is thus considerable evidence that there is a global trend towards the accumulation of wealth and income, and as a result, increasing inequality. Southeast Asian countries, the bottom 50% of the population, capture over 10% or less than 15% of income shares. At the same time, 10% of the population earns 55% of national income shares (WIR, 2022, p. 32).

The COVID-19 pandemic, which began in 2019, has resulted in rising inequality in Southeast Asian countries worsening. Wealth inequality, which is much more unequal than income, has increased after the pandemic (WIL, 2021). This condition is illustrated by the value of the Gini index in 2021, which is trending upwards (Credit Suisse Research Institute, 2022b).

Figure 1.1 Gini Index in Southeast Asia Countries, 2019 and 2021



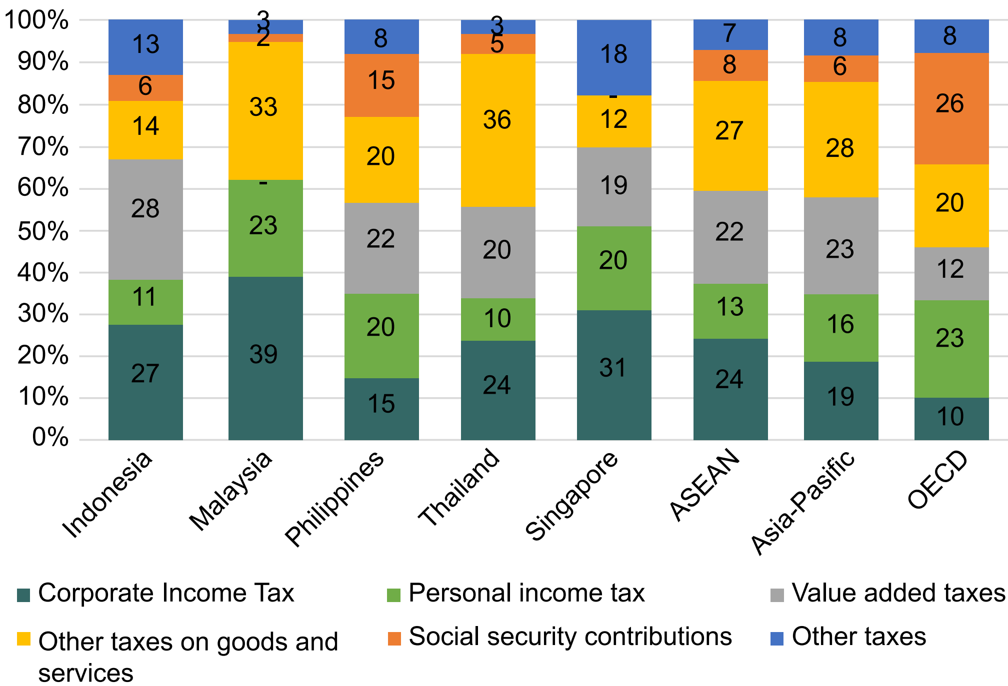
Source: Credit Suisse Research Institute (2019, 2022a)

The COVID-19 pandemic and related economic crisis, compounded by the effects of climate change, are negating hard-earned development gains. The gross world product contracted by 4.3 percent in 2020, marking the largest decline in global production since the Great Depression. About 120 million people fell in extreme poverty and 114 million jobs were lost. Governments responded to the crisis with historic stimulus packages addressing the immediate health crisis by increasing the capacity of public health systems and supporting workers and businesses, thereby preventing deeper economic downturns. However, the responses were very uneven, as many countries, particularly developing countries, lacked fiscal space. At the same time, according to Forbes' net worth calculations, relying on stock prices and exchange rates, the world's wealthiest increased their wealth by US$ 5 trillion during the 2020 pandemic year.

Billionaires' wealth has soared during the COVID-19 pandemic as businesses in the food, pharmaceuticals, energy, and tech sectors have cashed in. Meanwhile, millions worldwide are facing a cost-of-living crisis due to the continuing effects of the pandemic and the rapidly rising costs of essentials, including food and energy. Inequality, already extreme before COVID-19, has reached new levels. It is urgent that governments implement very progressive tax measures which, in turn, must be used to invest in effective and proven measures to reduce inequality (Oxfam, 2022).

Policies in taxation are still unfair. Oxfam, on their report, explains that decades of neoliberal economic policies have ripped away public services into private ownership and have encouraged the move toward massive concentration of corporate power and tax avoidance on a vast scale. These policies have contributed to a deliberate undermining of labour rights and a reduction in corporate and wealthy tax rates. They have also opened up the environment to much higher operating levels of exploitation than our planet can sustain (Oxfam, 2022). The State of Tax Justice 2021 reports have found annual tax losses of US$483 billion around the world are lost each year to tax havens. At the same time, the world is losing US$171 billion in tax annually to offshore wealth tax evasion related to financial wealth alone, and US$312 billion is lost to cross-border corporate tax abuse by multinational corporations (Tax Justice Network, 2021).Furthermore, the sources of tax revenue in the ASEAN countries show that there is still a strong dependence on regressive taxes. Contributions from Value Added Tax and Sales Tax in ASEAN countries are dominant, although these taxes tend to be regressive and unfair to low-income households.

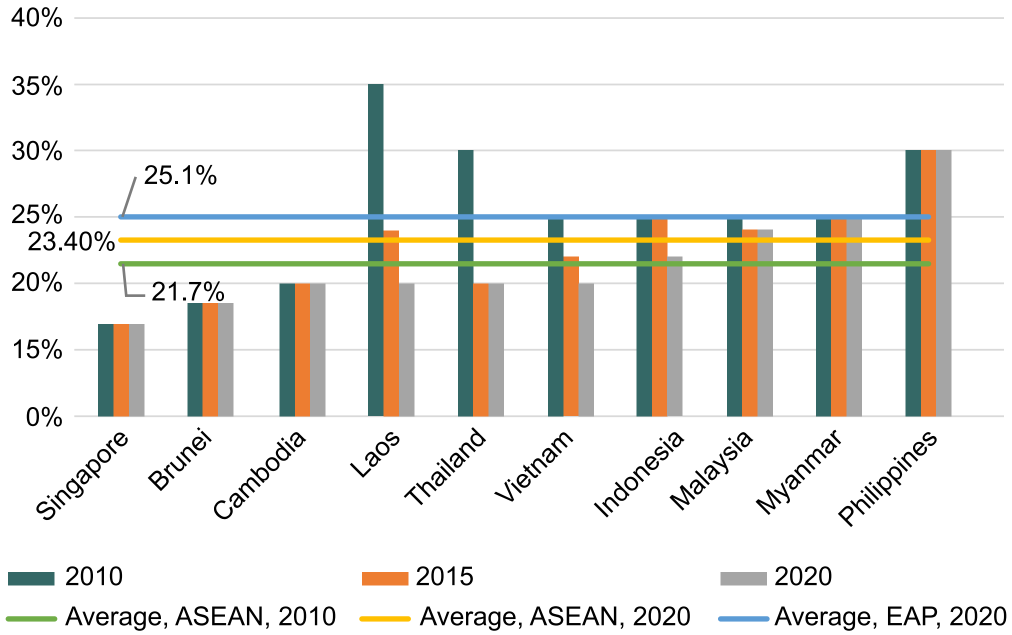
Figure 1.2 Tax structures as a percentage of total tax revenue 2020 (percent)



Source: "Revenue Statistics - Asian and Pacific Economies: Comparative tables", OECD Tax Statistics (database)

Moreover, countries in the ASEAN are competing with one another in a disastrous race to the bottom by reducing their corporate income tax (CIT) rates and offering aggressive tax incentives to foreign multinationals. Across the region, the average CIT rate has fallen over the past decade, from 25.1% in 2010 to 21.7% in 2020 (Oxfam et al., 2020).

Figure 1.3 Standard Corporate Income Tax in ASEAN countries, 2020



Source: Oxfam et al (2022)

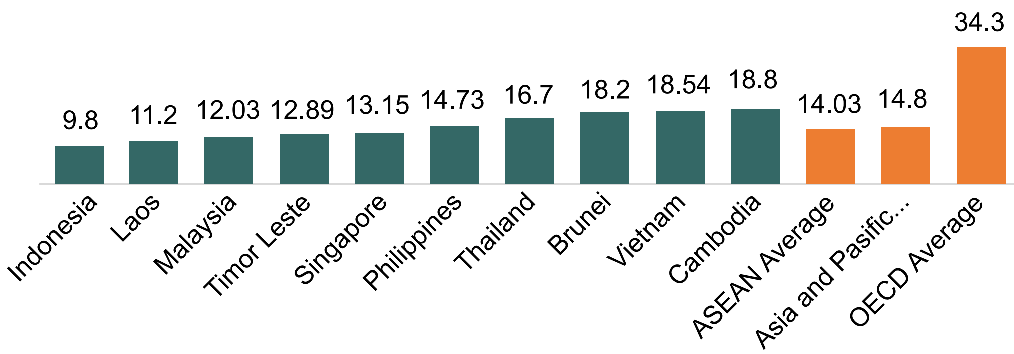
As shown above, the low corporate tax rate makes ASEAN a region with some of the lowest CIT rates in the world for large companies. Aggressive tax competition is also a breeding ground for profitsharing. Countries such as Thailand, Indonesia, and Malaysia are estimated to lose at least 6-9 percentage points of potential corporate tax revenue due to profit sharing (Oxfam et al., 2022).

The State of Tax Justice 2021 reports that multinational corporations are shifting US$1.19 trillion (about $3,700 per person in the US) worth of profit into tax havens yearly, causing governments worldwide to lose US$312 billion annually in direct tax revenue. According to the report, Indonesia lost an annual total tax of around US$2,275 million, and the Philippines and Thailand lost US$4,148.6 million and US$1.670 million, respectively. These losses are equal to 0.2 to 1.4 percent of their GDP. The loss is triggered by some causes, which corporate tax abuse and offshore wealth. The report then estimates that an additional US$171 billion in direct tax revenue is lost due to offshore wealth tax evasion, all of which can be allocated to individual countries.

As a result, the report states that the Tax Justice Network (2021) recommends that governments should introduce wealth taxes. There is a lot of work to be done, to ensure that income tax systems work progressively and more effectively for high-income earners who are consistently able to pay lower rates. Nevertheless, an essential element of progress, possible immediately, is to tax wealth directly, where again, those at the top of the distribution have benefited disproportionately during pandemic that has imposed great suffering on so many.

High inequalities are linked to the government's underoptimal tax revenues. Many developing countries have a low tax-to-GDP-ratio, which means they receive less tax revenue in relation to the size of their economies. This condition is also experienced by countries in Southeast Asia, where the tax-to-GDP-ratio is relatively low. In fact, in 2018, the average tax-to-GDP-ratio was below 15%—a minimum level of tax revenue is widely considered essential for increasing GDP per capita and achieving higher levels of development and the Sustainable Development Goals (SDGs) (ADB, 2021a).

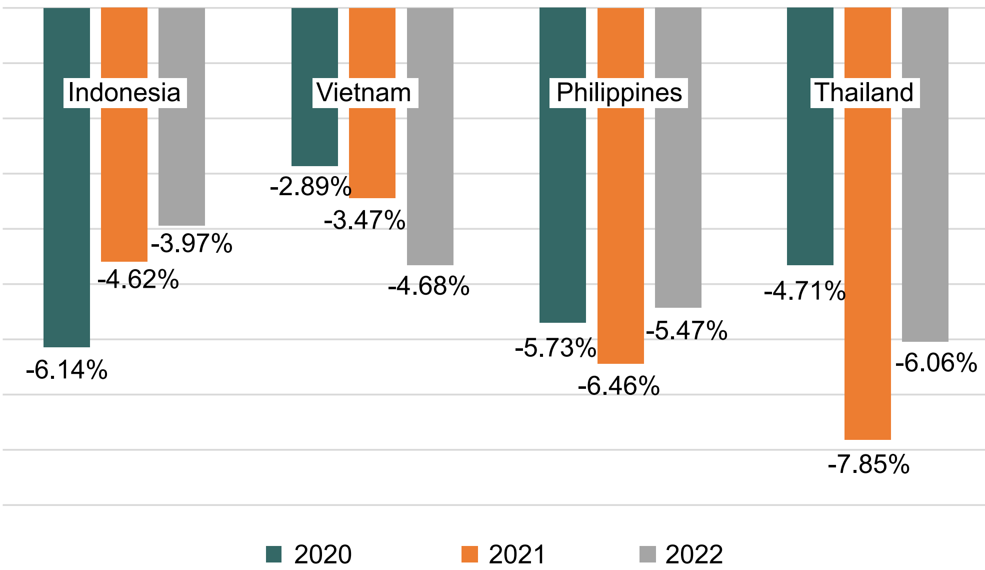
Figure 1.4 Tax to Gross Domestic Product 2018



Source: ADB (2021a)

Meanwhile, tax revenue has decreased significantly in some ASEAN countries since the spread of COVID-19. The decline occurred due to reduced economic activity due to domestic and international regulations to overcome the impact of the virus. On the other hand, government expenditure has increased significantly to finance health programs, social safety nets, and national economic recovery. As a result, budget deficits in 2021 were relatively wide in many countries (ADB, 2021b).

Figure 1.5 Budget Deficit to GDP between 2020 to 2022 in selected ASEAN Countries



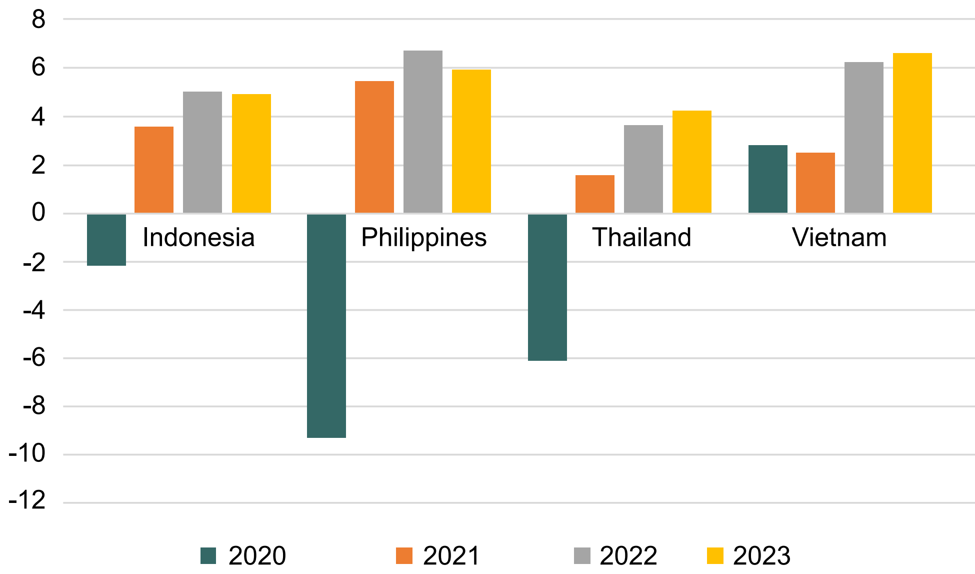
Source: Statista (2022)

More importantly, the number of people in extreme poverty (those who live on less than US$1.90 per day) is estimated to have risen by 5.4 million in Southeast Asia in 2020 due to the severe decline in economic activity. For 2021, 4.7 million people are estimated to have fallen below the extreme poverty line compared to the poverty estimate without COVID-19 in 2020 (ADB, 2022, p. 19). The World Inequality Lab (2021) shows that the impact of income distribution from fiscal policy, including after the imposition of income tax, is similar for the South and Southeast Asia regions. This condition indicates that the level of redistribution is still low.

The data presented above shows that while there is an increasing problem of economic inequality, the capacity of governments to reduce it was weakened by the increased budget deficits they suffered due to the pandemic and other economic crises.As a result, governments should explore fiscal instruments such as taxation to address both of this issues. Such taxes must have dual purposes, i.e., to reduce the burdens of poverty of most of their population and to reduce the gaps between those who can accumulate wealth and income rapidly and those who do not. This concept is increasingly finding its relevance in the post-pandemic world.

Looking ahead, Emerging Asian Economies are projected to expand by 5.8% on average in 2022 and by 5.2% in 2023. Growth in real gross domestic product (GDP) is forecast to be 5.2% for the ASEAN in 2022 and 5.2% in 2023, albeit with countries in the region varying in the pace of their recoveries (OECD, 2022).

Figure 1.6 Real GDP Growth in ASEAN-4, 2020-2023 (percentage)



Source: OECD (2022)

The concentration of wealth in the hands of a few individuals or households can lead to negative consequences for social and economic well-being. Wealth taxation is necessary to ensure fairness or distributive justice. Uncertainty remains important, although the economic recovery that began in 2021 is projected to continue in 2023. Indonesia is experiencing a steady economic recovery. Real GDP growth is projected to reach 5.2% in 2022 and 5.1% in 2023. Fiscal stimulus is expected to do the heavy lifting, with the 2023 budget aimed to improve welfare for the lower-income fringes of the population.

In the Philippines, the outlook is for robust growth in 2022 (+7%), while output growth will likely remain strong in 2023 (+6.1%). Faster implementation of infrastructure investment projects poses upside risks to the forecast and requires strong government spending. In Vietnam, real GDP is expected to expand by 6.5% in 2022, then to edge 6.9% higher in 2023. Still, the balance of risk remains tilted mainly to the downside. A marked deterioration in employment in the third quarter of 2021, when Vietnam's unemployment rate surged to multi-year highs, is expected to weaken household demand in the short term.

However, governments and tax administrators often argue that wealth taxation is not required because there are samples of similar extant types of taxation and taxation policies that can reduce inequality and boost economic growth. Also, most OECD countries have abandoned wealth taxation in recent decades.

Perret (2021) argues that the current situation is different, and a wealth taxation is relevant for several reasons. In the first place, the backdrop has changed: there is evidence that wealth disparity has grown and that capital income and wealth taxation now play a far more minor role than they did previously. The ability of nations to tax wealth has improved due to practical advances, including notable advances in global tax transparency. In addition, nations can now improve the previous wealth tax using the lessons they have learned from it, and existing wealth tax ideas diverge significantly from previous ones.

Finally, there is evidence that the circumstances of political economy are changing, including increased public perception of inequality and increased demands for fair cost-sharing. An asymmetric tax analysis needs to be conducted to strengthen the wealth tax argument. In addition, the estimation of potential wealth tax revenues is also carried out to provide an overview of potential new source of state revenue. Hopefully, these two efforts will strengthen the argument for the importance of applying wealth taxation in ASEAN countries.

This study focuses on understanding the asymmetrical tax systems and estimating wealth tax revenues in Indonesia, the Philippines, and Vietnam. These countries were selected mainly because the GDP of these countries is equivalent to the average GDP of the ASEAN countries (IMF, 2023), which make them relevant choices for our analysis. However, it is essential to note that the findings may only partially represent the diversity within the broader ASEAN region. Each ASEAN country may have unique taxation structures, policy approaches, and economic contexts that could affect the outcomes and generalizability of our results. Further research could extend the analysis to include more ASEAN countries for a comprehensive understanding. Nonetheless, this study contributes to the literature by providing insight into asymmetrical tax systems and estimates for these important ASEAN countries.

1.2 Research questions

1. How is the asymmetrical tax system in Indonesia, The Philippines, and Vietnam?
2. What is the estimated wealth tax revenue in Indonesia, The Philippines and Vietnam?

1.3 Research objectives

1. To understand the asymmetrical tax system in Indonesia, The Philippines, and Vietnam.
2. To estimate wealth tax revenue in Indonesia, The Philippines and Vietnam.

CHAPTER 2
Theoretical Framework

The concepts of tax justice and wealth tax guide this research. In the first research question, existing tax policies in the three countries was examined against some characteristics of tax justice to find the gaps between existing policies and distributive tax justice ideals. In the second research question, the research team compares wealth tax potential revenue with other tax types of revenue. These concepts are briefly elaborated in the following:

2.1 Distributive Tax Justice Concept

Tax justice refers to ideas, policies and advocacy aimed at achieving equality and social justice through fair taxation for the wealthier members of society and multinational corporations. For this purpose, tax justice often focuses on the fight against corruption and tax abuse by multinational corporations and the super-rich. Tax justice encompasses the fight against tax havens and extends beyond taxes (Tax Justice Network, 2022).

The equitable distribution of benefits and expenditures and the equitable distribution of tax liabilities among taxpayers are the primary concerns of distributive tax justice. This is a very important issue that needs to be addressed in a very serious manner It is essential to ensure that taxpayers' money is spent in a transparent manner. One way to achieve this is to use advertising to inform the public about the services provided. Thisallows taxpayers to easily see their contributions being exchanged for public services (Kirchler & Hoelzl, 2017).

The concept of tax justice encompasses three dimensions: exchange, horizontal equity, and vertical equity. When taxpayers pay taxes, they expect to receive perceived benefits in return, known as exchange parity. Ensuring equity for those who are equal is the objective of horizontal equity, while ensuring equity for those who are unequal is the objective of vertical equity (Porcano in Jun & Yoon, 2018, p. 3). Kirchler and Hoezl (2017) characterised equity in taxation as exchange, which considers the tax burden concerning the provision of public goods funded by taxes; horizontal, which examines an individual's tax burden in comparison to others; and vertical, which looks at an individual's tax burden relative to those who can contribute more.

Income taxes levied on passive sources of income—in the cases of Indonesia, the Philippines, and Vietnam—are taxed less than income taxes on active sources of income. This asymmetry in tax payments is runs counter to the concept of distributive tax fairness.

Why is that an asymmetry? Wages received by workers are subject to personal income tax, compensation resulting from service by a professional is subject to income tax, and profits generated by micro-enterprises run by single proprietorships are also subject to income tax. Meanwhile, sources of revenue for HNWIs, derived from financial market instruments, are subject to final income tax at a much lower rate than active sources of income (workers, professionals, and small business owners).

HNWI—who does not earn wages—generates income from investment. The money they invest is so important that the return they get from it is high enough to make them prefer not to work to earn work income. An old word for such people is renters (Woodcock, 2022).

Woodcock (2022) argues that the way to make an equivalent income tax is "to redefine the income tax to apply to financial capital". In his opinion, wealth tax taxes the return on capital and the capital itself, whether that capital is labour or finance.

A wealth tax is benefits distributive tax justice. Wealth tax can ensure that HNWIs pay their fair share in taxes, contributing to a more equitable tax burden and bearing on the tax system's integrity (OECD, 2009). If HNWIs are perceived to be compliant, tax morale will likely increase among other categories of taxpayers. Second, even though HNWIs often represent only a tiny percentage of taxpayers in many countries, they have the potential to contribute significantly to total tax revenue (OECD, 2009).

A wealth tax can have positive economic impact by encouraging more attractive investments. By reducing the concentration of wealth and promoting a more even distribution of resources, a wealth tax can help to ensure that resources are invested in productive activities that benefit the broader economy. This can help reduce the gap between the rich and the poor, and promote a more equitable distribution of wealth. Globally, the top 10 percent, the wealthiest, capture more than 55 percent of total household wealth, compared with below 5 percent captured by the bottom 50 percent (World Inequality Report, 2022).

Wealth taxes can incentivize wealthy individuals and households to invest their wealth in productive activities that generate long-term sustainable growth rather than channelling their wealth towards personal consumption. This can help fund programs such as education, healthcare, and social security which are essential SDGs.

The concentration of wealth in the hands of a few individuals or households can may have adverse consequences on social and economic well-being. A wealth tax is needed to ensure the principle of distributive tax justice.

2.2 Wealth Tax

This study examines the principles and practices of a broad-based tax on the ownership of net worth, known as 'wealth tax'. By "broad-based", which means broad, the wealth tax is the imposition of taxes on most (or all) types of assets owned by individuals, not only certain types such as housing (Advani et al., 2020). Wealth tax is imposed on net worth (holding of wealth/total assets minus liabilities), transfer of wealth, and appreciation of wealth resulting from capital gains.

Taxes on net worth are derived from taxes on several assets, including (but not limited to) savings/current accounts, bank deposits, shares, vehicles, estimated property values, and so on. Taxes on the transfer of wealth are levied on inheritance taxes, donations, and grants. At the same time, the tax on wealth appreciation is taken from capital gains. For example, if someone owns a home on a mortgage, their net worth is the house's value minus outstanding loans. The definition of wealth includes all types of property but excludes other advantages that a person may have that are legally invaluable, such as 'human capital'. Therefore, there are many ways to levy a wealth tax. Among these taxes are income tax, value-added tax (VAT) on personal expenses, value-added tax on luxury goods, and other taxes.

Table 2.1. Wealth tax Category

Category	Object
Holding of wealth	Assets minus liabilities. Assets: 1. Saving/current accounts; 2. Bank deposits; 3. Shares; 4. Vehicles; 5. Estimated property values; 6. Precious metals (gold, silver, diamond, etc.)

Category	Object
Transfer of wealth	1. Inheritance; 2. Donations; 3. Grants;
Wealth of appreciation	Capital gains

Source: ActionAid (2018)

According to Thomas Piketty, in "Capital and Wealth Taxation in the 21st Century" (2015), the wealth tax must be used to solve economic problems, especially inequality. Piketty explained, in the current world economy, there are symptoms where the rate of return on capital investment (r) exceeds the rate of growth (g). In the Piketty model, known as the r > g model, the wealth growth rate resulting from capital turnover in the capital market proliferates compared to the economic growth rate. Economic inequality will continue to be established and widen unless political intervention is applied through a wealth tax (Piketty, 2015).

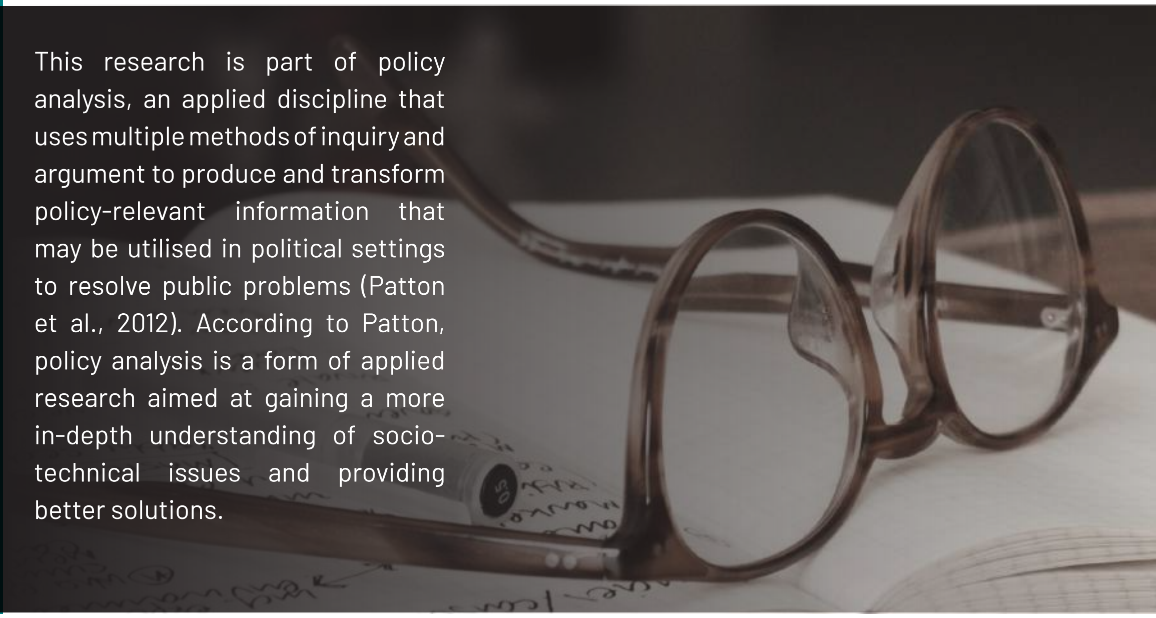
To put a brake on the development of r > g, Piketty emphasized the need for applying a wealth tax alongside an income tax. Implementing a wealth tax can also stimulate economic activity and spur growth. If net worth is not taxed but income is taxed, unproductive assets will accumulate. However, if net assets are taxed, asset owners will invest their assets, such as savings, in real investments, triggering the job creation and reducing asset accumulation.

In principle, the application of the wealth tax is also based on a threshold scheme. Piketty gave an example of its application in the European Union (EU), imposing a 1 percent tax on the wealthiest group of €1 million and €5 million and 2 percent for the group of wealth over €5 million. Piketty estimates that if the EU implements it, the level of tax revenue will increase by 2 percent of GDP.

In its development, the implementation of the wealth tax in several countries is divided into two types of wealth tax policies: a recurrent wealth tax and a one-off wealth tax. The two types of wealth tax have their own characteristics.

CHAPTER 3

Research Method

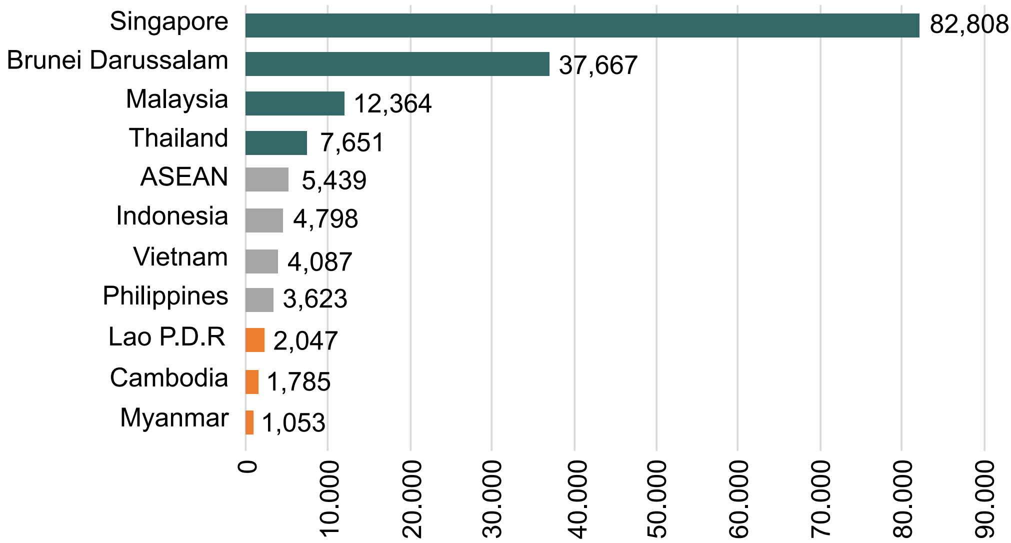


This research is part of policy analysis, an applied discipline that uses multiple methods of inquiry and argument to produce and transform policy-relevant information that may be utilised in political settings to resolve public problems (Patton et al., 2012). According to Patton, policy analysis is a form of applied research aimed at gaining a more in-depth understanding of socio-technical issues and providing better solutions.

In this research, we combine quantitative and qualitative methods to address the research questions and expect to propose policy recommendations. The quantitative approach measures the potential revenue of wealth tax, while the qualitative approach is used to analyse the gaps in tax policies/regulations to achieve tax justice in Indonesia, Vietnam, and the Philippines.

We will use Indonesia, Vietnam, and the Philippines as the scope of research since we identified these countries have a similar character in the GDP per capita (USD) and the technicality issue.More important, these GDP countries are equivalent to the ASEAN's average (IMF, 2023).

Figure 3.1 Southeast Asia Countries GDP Nominal per Capita (USD) 2022



Source: IMF, 2023

Even though we only used three countries, we think the result could be adopted by other remaining countries and used in the ASEAN context. This could also be considered one of our research limitations should we raise the issue in the broader regional context.

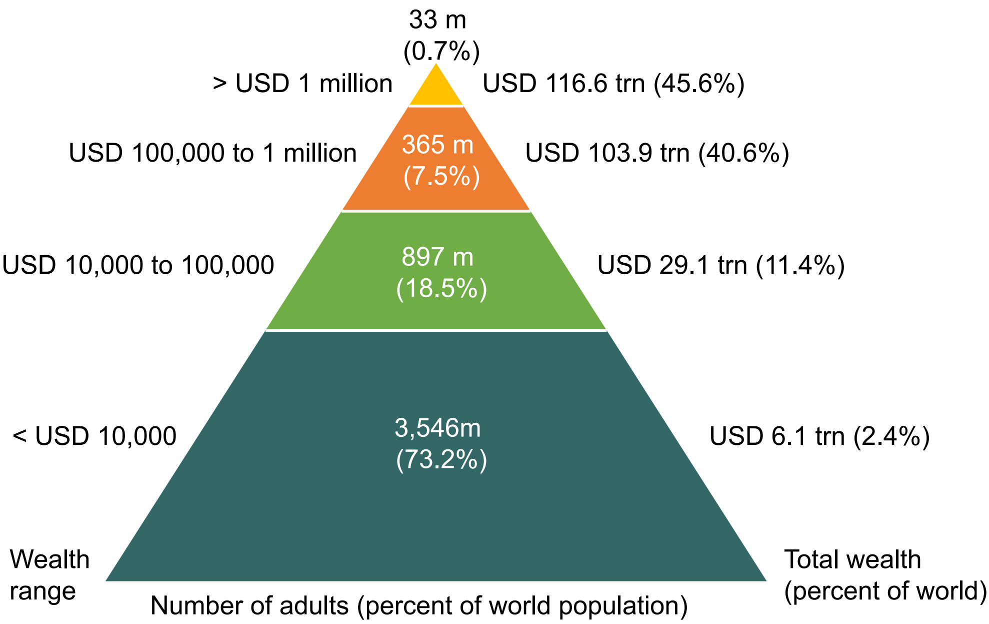
We will use descriptive content analysis to examine the contents of policy documents gathered from the three countries in this study. Tax justice will be the focus of an analysis of the collected policy documents: how such policies benefit the disadvantaged population more significantly (often the majority) than the privileged segments of the population and institutions.

3.1 Data collection

This study makes use of secondary data that has been provided by reliable data providers for the purpose of calculating the annual potential wealth tax (WT) revenue section. The essential data required is an estimate of the estimated number of individual taxpayers and the value of their net worth. We can simulate this data based on the model we build. In connection with the most relevant required data update in 2021, we will process and analyse the data in that period.

The study used two versions of the cut-off for each individual to begin inclusion in the wealth tax-payer category. In the case of Indonesia and Vietnam, we used individuals with a net-worth limit of US$10 million. In the case of the Philippines, we made a minor modification by imposing a net-worth limit of US$6 million. This distinction is due to the initial design of the study (Prakarsa, 2022), which mentions a net worth of US$10 million because they belong to the High Net-Worth Individual (HNWI) category. In general, taxpayers fall into this category and begin to pay wealth tax designs in other countries. In contrast, the Philippines wealth tax has a more progressive regulatory status that has been incorporated in their legislative program and is currently being drafted, despite the fact that it has not yet been officially ratified.

Figure 3.2. Global Wealth Pyramid Illustration



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016

Statista and Credit Suisse are the official secondary data sources (via Forbes). Statista estimated and accumulated the number of millionaires in Indonesia, Vietnam, and the Philippines. At this point, we make use of the pyramid theory where the higher a person's wealth, the fewer people in a particular category. With that, we can assess the number of taxpayers in each bracket within the country.

Fortunately, secondary data that Forbes processed from Credit Suisse has been published on the 100 individuals with the highest net worth in the country. In this case, we would treat 100 individuals with the model we use to estimate the wealth tax exposed to them according to the brackets. Therefore, we will calculate the remaining taxpayer, excluding Credit Suisse data assuming the taxpayer and net worth that we have estimated.

In general, this data collection is a crucial stage in mapping the number of individual taxpayers who are subject to wealth tax. Data collection will be carried out from January

2023. Unfortunately, we are limited to the availability of references and official data that can be processed. As a result, this serves as the study's introduction. In addition, this research is heavyly on the assumption of the number of payers and the amount they have to pay, so each country's nominal wealth tax potential can be overestimated or underestimated.

3.2 Data Processing

At this point, after knowing the potential number of taxpayers in each bracket, we begin to calculate the potential revenue in each frame in each country. This study used 14 brackets for Indonesia and Vietnam. While in the Philippines, there are a total of 16 brackets because they use lower cut-offs. The bracket illustration used is as follows:

Table 3.1. Bracket Simulation

		Tariffs	
Bracket	Net-wealth	Indonesia and Vietnam (IDN & VNM)	The Phillipine (PHL)
1 (PHI)	6 - 8 million USD	-	0.50%
2 (PHI)	8 - 10 million USD	-	0.75%
1 (IDN & VNM); 3 (PHL)	10 - 15 million USD	1.0%	1.00%
2 (IDN & VNM); 4 (PHL)	15 - 20 million USD	1.1%	1.25%
3 (IDN & VNM); 5 (PHL)	20 - 25 million USD	1.2%	1.50%
4 (IDN & VNM); 6 (PHL)	25 - 30 million USD	1.3%	1.75%
5 (IDN & VNM); 7 (PHL)	30 – 50 million USD	1.4%	2.00%
6 (IDN & VNM); 8 (PHL)	50 – 70 million USD	1.5%	2.00%
7 (IDN & VNM); 9 (PHL)	70 – 100 million USD	1.6%	2.00%
8 (IDN & VNM); 10 (PHL)	100 – 130 million USD	1.7%	2.00%
9 (IDN & VNM); 11 (PHL)	130 – 180 million USD	1.8%	2.00%
10 (IDN & VNM); 12 (PHL)	180 – 250 million USD	1.9%	2,00%
11 (IDN & VNM); 13 (PHL)	250 – 440 million USD	2.0%	2.00%
12 (IDN & VNM); 14 (PHL)	440 – 900 million USD	2.0%	2.00%
13 (IDN & VNM); 15 (PHL)	900 – 1,600 million USD	2.0%	2.00%
14 (IDN & VNM); 16 (PHL)	> 1,600 million USD	2.0%	2.00%

Source: Researcher's processed data, 2023

Based on the study (Prakarsa, 2022), the relevant rate used in imposing wealth tax tariffs is 1 – 2 percent, with an increase of 0.1 percent per bracket. Indonesia and Vietnam enacted such tariffs. In the Philippines, they have started charging 0.5 percent in the lowest frame and a 0.25 percent increase in each bracket up to a maximum tariff of 2 percent of individuals net-worth of US$30 billion and above. For the record, the highest rates are divided into different brackets because, in the process of doing the calculations, our study assumes that a number of people in specific brackets are unlikely to be charged the same rate. This is also a limitation because there is no concrete net-worth-related data other than Forbes, so we must adjust some people's assumptions in specific bracket categories.

$$Individual\ WT\ revenue_{n,i,t} = Taxpayer's\ median\ netwealth\ bracket_{i,t}\ \ x\ \ \%tarriff \qquad (1)$$

We will multiply the median bracket value by the corresponding rate in each bracket. For instance, in the first bracket, this median value will be reduced by non-taxable net worth in Indonesia and Vietnam by US$10 million and in the Philippines by US$6 million.

Illustration 1:

Using (1) estimation, suppose an Indonesian has a net worth of US$10 – 15 million (again, since there is no specific amount of net-wealth data here). The median bracket will be US$12.5 million and automatically deducted to US$10 million (non-taxable net worth). In that case, the median taxable value of US$2.5 million will be subject to a wealth tax rate of 1.0%, so that individual's potential wealth tax revenue is US$25,000.

Then, with progressive tariffs, in the bracket category above the first category (US$10-15 million), we will charge additional treatment as calculated generally by the scheme.

$$Individual\ WT\ revenue_{n,i,t} = (\textstyle\sum_n (upper\text{-}lower)\ bracket_{i,t}\ x\ \%tarriff_n) + Taxpayer's\ median\ netwealth\ bracket_{n,i,t}\ \ x\ \ tarriff_n \qquad (2)$$

Furthermore, for every increase in the bracket category, the last class, which includes taxable, will be charged according to their category. In the meantime, the applicable tariff will also be used to determine the net-worth type . This illustration applies to each category increase to wealth above US$1,600 million.

Illustration 2:

Using (2) estimation, suppose a Vietnamese has a net worth of US$15 – 20 million (second bracket). The median bracket will be US$17.5 million. After deducting non-taxable, the taxable net wealth is US$7.5 million. Their wealth of US$5 million will be charged at a 1.0% rate or US$50,000. And US$2.5 million will be charged a 1.1% rate or US$27,500 This individual will pay a wealth tax of US$77,500.

At this stage, we count individually. To accumulate on one bracket, we multiply the WT amount of revenue individually by the estimated number of taxpayers in that class.

$$\sum_n bracket\ WT\ revenue_t = Individual\ WT\ revenue_{n,i,t}\ x\ number\ of\ taxpayers_{n,t} \qquad (3)$$

We can estimate all potential wealth tax revenues in a single year using this formula from the accumulated amount of each bracket.

Illustration 3:

Using illustrations 1 and 2, we can calculate annual wealth tax revenue accumulation in each category or bracket. For example, this section has 100 potential taxpayers in the first and second brackets. Therefore, we will multiply US$25,000 and US$77,500 individual revenues into the number of likely taxpayers. As a result, assuming they are now coming from the same country as Indonesian, we will get US$2,500,000 and US$7,750,000 in these two brackets. Therefore, we would get an annual WT revenue of US$10,250,000.

Here is the summary of what the research did in estimating annual wealth tax revenue:

- Step 1: *Retrieve relevant data about potential taxpayers and their net-worth*
- Step 2: *Scrap data using prepared pertinent assumptions for building the fundamental estimation*
- Step 3: *Break down the number of potential taxpayers into several layers or brackets*
- Step 4: *Calculate individual net worth into applied tariff to get the WT personal revenue*
- Step 5: *Accumulate the WT personal revenue in each bracket*
- Step 6: *Accumulate the whole annual WT revenue*

3.3 Data Analysis

Before analysing the data, the research team will classify the data into several sections based on the characteristics concept of tax justice policy: how close or how far a policy is from being a just tax policy. The relevancy of wealth tax policy could be analysed by identifying the existing tax policies by studying its legal basis, tax subject and object (as well as subject and object exceptions), collection scheme and time of collection, and rates (see Table 1). As a result, a wealth tax could be a policy option and help close the taxation policy gap.

Table 3.2 Taxonomy of taxes for policy check

Areas	Taxes on What You Earn	Taxes on What You Buy	Taxes on What You Own
	Individual income taxes	Value added taxes	Property taxes
	Payroll taxes	Sales taxes	Tangible personal property (TPP) taxes
	Capital gain taxes	Gross receipts taxes	Estate and inheritance taxes
	Corporate income taxes		Wealth taxes

Source: Author's analysis, 2023

Finally, the tax taxonomy above could be used on the macro-scale to assess how wealth tax impacts the design and implementation of existing tax policies. Following the completion of the classification, we will analyse the data using the table to determine the gap between policy and tax justice as the expected policy objective.

The critical step that forms the policy analysis process is the analysis of several alternative policies prior to their implementation. The policies under consideration are examined to determine how each satisfies specific criteria. These standards include: Which option will provide the most significant net benefit for most of the population? Which provides the most significant benefit for the amount invested? Which will incur the least political resistance? Which provides the best technical solution?

Researchers will compare the WT revenue to the country's tax revenue in the same year for the potential calculation. As a result, we are able to estimate where WT stands within the current tax system. We also compare the revenue to the country's GDP to have a bigger picture of the potential WT in the future.

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CHAPTER 4

Tax Asymmetry in Indonesia, The Philippines, And Vietnam

4.1 Indonesia

There is a huge need, especially in Indonesia, to increase state revenues, among other things, to overcome the problem of poverty and increase the budget for health and education. This has become even more important since the COVID-19 pandemic.

One policy option that has been taken to accelerate tax revenue is to increase personal income tax through the Law on Harmonization of Tax Regulations (UU HPP). It is just that the revised rates and income groups in the personal income tax (PIT) tend to target the middle class, where most of their income is collected from compensation for the work and business they own.

On the other hand, there are groups of very wealthy individuals with a net worth of more than US$10 million or around IDR152 billion, whose income does not come from wages or small-medium businesses. Known as HNWI this group can give a small portion of their wealth to the state—without risking their financial future.

Moreover, HNWIs do not become super-rich because of employment like wage earners. Generally, individuals become HNWIs due to inheritance, the increased value of assets (e.g., stocks, precious metals, etc.), and profits from the sale of assets.

Unfortunately, until the asset is sold, growth in the value of assets such as stocks and precious metals is not subject to taxation. Even though the ownership of assets whose value is constantly growing and tax-free can be used to access new sources of wealth by using these assets as collateral for credit for the purchase of new assets, these new assets—if the sale value grows—will add to the owner's wealth value of the asset.

4.1.1 Sources of HNWI's Income

In contrast to the lower middle class, who earn income from production activities (producing goods or services)—which are further categorized as "active income"—whether as wage earners, professionals, or small business owners, HNWI's income mainly comes from their assets. Inheritance, sale of ownership of assets such as land, buildings, and other securities—which are further categorized as "passive income". The problem is that passive income sources' tax rate is lower than active income. Several sources of passive HNWI income include inheritance instruments, dividends, interest on deposits, interest on bonds, interest on state securities (SBN), lottery prizes, sale of shares, sale of property, and land/ or building rent.

4.1.1.1 Tax on Inheritance

Most HNWI derives the most considerable portion of their wealth from inheritance. Inheritance is the transfer of assets from someone who has died (the owner of the property) to the party intended to receive the property (heir). Inheritance can generally include both movable and immovable property, and this inheritance is said to increase the recipient's wealth. However, the Law of the Republic of Indonesia Number 7 of 2021 Article 4 paragraph (3), states that inheritance is included in tax items exempt from Income Tax, so it can be said that inherited assets are assets not subject to Income Tax.

Although inherited assets are not subject to income tax, inherited assets in the form of *land and buildings may be subject to land and building rights acquisition fees* (BPHTB). So that the heirs also have the responsibility to pay taxes. Previously, the central government collected BPHTB. However, the existence of Law No. 28 of 2009 concerning Regional Taxes and Regional Levies states that the BPHTB is transferred to one of the types of taxes collected by the district/city government.

Each region has a different acquisition value for *non-taxable tax objects* (NPOPTKP) In Article 87 paragraph (4) of Law Number 28 of 2009 concerning Regional Taxes and Levies, it has been stipulated that if the acquisition of these rights originates from inheritance or a will by a person who is still related by blood, the NPOPTKP is set at a minimum of IDR300,000,000 (Three Hundred Million Rupiah).

Every transfer of land or building rights typically triggers BPHTB. However, the imposition of BPHTB can be excluded under several conditions. Moreover, because the Regional

Government manages BPHTB, the BPHTB exclusion criteria depend on the policy of each head of regional government.

BPHTB is a component of heir taxation in inheritance. Because inherited assets are not only in the form of land and buildings, inherited assets should be in the form of financial assets or other forms—which can generate income which is the object of income tax, such as land and buildings—also subject to a tax on obtaining rights to inherited assets such as BPHTB.

To impose a tax on inheritance, the government and the parliament must draft a separate tax law on inherited assets to emphasise that all inherited assets are the object of fees for acquiring rights over inherited assets. The aim is that the inherited assets obtained are subject to tax, as applies to inherited assets in the form of land and buildings through the BPHTB. In connection with this situation, to maintain conducive relations between the central and regional governments and maintain regional fiscal stability, the management of fees for acquiring inheritance rights remains with the Regional Government but with criteria set by the central government so that they apply equally throughout Indonesia.

4.1.1.2 Tax on Dividends

Dividends can be interpreted as a share of the company's profits or income, the amount determined by the directors and approved by the meeting of shareholders, to be distributed to shareholders. According to the tax laws, dividends are subject to income tax and are categorized as tax objects. As a result, all taxpayer who receive dividends in the form of profits from shares, insurance policy profits, or profits from cooperative operations are obligated to pay taxes.

In Article 4, paragraph 2 of Law Number 36 of 2008, dividends earned by individual domestic taxpayers will be subject to a withholding tax of 10 percent of the gross amount, and this income is final. This dividend type includes dividends for policyholders from insurance companies and cooperative members who receive a share of the operating results. If the recipient of dividend income is an individual living abroad, a dividend tax is imposed at 20 percent of the gross amount.

For example, Mr. Deco became one of the directors at PT. ABC and will receive a dividend of IDR50,000,000 in 2021. Furthermore, the dividend is not invested, so the dividend becomes a tax object. Then the calculation of Final Income Tax on the dividend is calculated as follows:

Final income tax on dividends = 10% X 50,000,000 = 5,000,000

However, not all dividends are subject to taxation. This is because some profits or results obtained under certain conditions are not included in the tax object. Dividends not

categorized as tax objects are regulated in the Income Tax Law Article 4 Paragraph 3 letter f. The exception from income tax objects are dividends obtained by taxpayers, namely limited liability companies (PT), cooperatives, state-owned enterprises (BUMN), or regionally owned enterprises (BUMD) whose equity participation is from business entities that are established and domiciled in Indonesia. Then, dividends do not become a tax object if the dividends originate from profit reserves held by the PT, state-owned enterprises (BUMN), or BUMD receiving the dividends; have share participation of at least 25 percent of the total paid-up capital; and dividends which are pension funds are not included as tax objects.

Based on the Job Creation Law, the government provides incentives by exempting dividends earned by domestic taxpayers, individuals, and entities. Based on Minister of Finance Regulation Number 18 of 2021, dividends are not subject to income tax if dividends are invested domestically within three years of receiving the dividends. In addition, dividends obtained from abroad are not subject to income tax if invested with the condition that the investment value is 30 percent of profit after tax. The minimum investment period is three years, carried out at the end of the third month for individuals.

Minister of Finance Regulation Number 18 of 2021 is undoubtedly counterproductive to efforts to increase tax revenue. Instead of providing incentives in the form of exemption from withholding income tax on dividends, the government should maintain the investment climate through other instruments that do not sacrifice potential tax revenues. On the other hand, the exemption from deductions from income tax on dividends reflects tax injustice, where some individuals who earn passive income are exempt from tax. At the same time, many individuals earn active income who are taxed.

4.1.1.3 Income Tax on Interest on Deposits and Savings and Interest on Bank Indonesia Certificates

The imposition of income tax on interest from deposits and savings and interest on Bank Indonesia Certificates is a final tax of 20% (twenty percent) of the gross amount for domestic taxpayers and permanent establishments. It is subject to a final tax of 20% (twenty percent) of the gross amount or at the rate based on the applicable Double Taxation Avoidance Agreement on foreign taxpayers. Withholding tax on income in the form of interest on deposits and savings, as well as interest on Bank Indonesia Certificates, is **not** made on:

1. Interest on deposits and savings and Bank Indonesia Certificate interests if the number of deposits and savings and Bank Indonesia Certificates does not exceed IDR7,500,000.00 (seven million five hundred thousand rupiah) and is not a divided amount;
2. Interest received or accrued by a bank established in Indonesia or a branch of a foreign bank in Indonesia;
3. Interest on deposits and savings, as well as interest on Bank Indonesia certificates, received or obtained by Pension Funds whose establishment has been approved by the Minister of Finance if the funds are obtained from sources of income as referred to in Article 29 Law Number 11 of 1992 concerning Pension Funds;
4. Interest in savings at a government-appointed bank to own tiny housing, plots ready to build for tiny housing, or small flats by applicable regulations for self-occupation.

Interest paid by Indonesian or foreign branches of Indonesian banks should still be deducted from income taxes to ensure tax equity. This is due to the the exemption from income tax on interest and discounts for banks greatly benefits the individuals involved as beneficial owners. The exemption from income tax deductions on interest obtained by banks will not only impact the bank's balance sheet but also have a positive economic impact on the income balance of the bank's shareholders. With the exemption from the income tax deduction, beneficial owners will undoubtedly receive dividends and a significant increase in their shareholding.

4.1.1.4 Income Tax on Bond Interest

Bond Interest is the reward received or earned by bondholders in the form of interest. Income received or earned by taxpayers in the interest is subject to a final income tax deduction. The amount of income tax on income received or earned by taxpayers in the form of interest on bonds is as follows:

- Interest from bonds with a coupon of:
  - 15% (fifteen percent) for domestic taxpayers and permanent establishments; and
  - 20% (twenty percent) or according to the rate based on the double taxation

avoidance agreement for foreign taxpayers other than permanent establishments, of the gross amount of interest according to the period of ownership of the bonds;

- Discounted bonds with a coupon of:
  - » 15% (fifteen percent) for domestic taxpayers and permanent establishments; and
  - » 20% (twenty percent) or according to the rate based on the double tax avoidance agreement for foreign taxpayers other than permanent establishments, from the excess of the selling price or nominal value over the acquisition price of the Bonds, excluding current interest;
- Discounted bonds without interest of:
  - » 15% (fifteen percent) for domestic taxpayers and permanent establishments; and
  - » 20% (twenty percent) or according to the rate based on the double tax avoidance agreement for foreign taxpayers other than permanent establishments, from the excess of the selling price or nominal value over the acquisition price of the Bonds; and
- Interest or discounted bonds received or obtained by mutual fund taxpayers registered with the Financial Services Authority (OJK) in the amount of:
  - » 5% (five percent) for 2014 to 2020; and
  - » 10% (ten percent) for 2021 and beyond.

The provisions above do not apply if the recipient of income in the form of Bond Interest is:

- Pension fund which establishment or formation has been approved by the Minister of Finance and fulfils the requirements as stipulated in Article 4 paragraph (3) letter h of the Income Tax Law; and
- Bank established in Indonesia or branches of foreign banks in Indonesia.

4.1.1.5 Income Tax on State Treasury Bill Discounted

State Treasury Bills, referred to as SPNs, are Government Debt Instruments with a maximum term of 12 (twelve) months with discounted interest payments. The Discounted SPN is the excess difference between:

a. Nominal value at maturity at cost on the Primary or Secondary Market; or

b. Selling price in the Secondary Market with the acquisition price in the Primary or Secondary Market, excluding Income Tax withheld.

The amount of income tax on income in the form of Discounted SPN 20 percent for domestic taxpayers and Permanent Establishments; and 20 percent or the rate following the provisions of the Double Tax Avoidance Agreement (DTAA), which applies to taxpayer's resident/domiciled abroad, from the Discounted SPN. Tax deductions are not made on

Discounted SPN received or obtained by the following taxpayers:

a. Banks established in Indonesia or foreign bank branches in Indonesia;
b. Pension Fund which establishment has been approved by the Minister of Finance;
c. Mutual funds registered with the Capital Market and Financial Institution Supervisory Agency for the first 5 (five) years since the establishment of the company or the granting of business licenses.

Like the exemption from income tax on bond interest, the discounted SPN received by a bank or mutual fund should still be tax deductible to ensure tax fairness. This is due to the fact that the individuals involved as beneficial owners greatly benefit from the tax exemption on discounted SPN for banks and mutual funds. Exemption from tax deductions for discounts obtained by banks or mutual funds will have an impact not only on the balance sheets of banks and mutual funds but also have an impact on the income balance sheets of shareholders in these banks. Beneficiary owners will certainly get dividends and a bigger share increase with the exemption from the tax deduction.

4.1.1.6 Income Tax on Income in the Form of Cooperative Deposit Interest

The amount of Income Tax on Income in the form of deposit interest paid by cooperatives established in Indonesia to individual cooperative members is:

a. 0% (zero percent) for income in the form of deposit interest up to IDR 240,000.00 (two hundred and forty thousand rupiah) per month; or
b. 10% (ten percent) of the gross amount of interest for income in the form of interest on deposits of more than IDR 240,000.00 (two hundred and forty thousand rupiah) per month.

As it is known, most of the economic organization formed by the middle class are cooperatives. Labor groups build labor cooperatives; trader groups build trader cooperatives; fisherman groups establish fisherman cooperatives; farmer groups build farmer cooperatives; it is infrequent for a working-class economic syndicate to take the form of a limited liability company (PT). However, the tax-free threshold for income from collective interest is too low, only IDR240,000.00, the rest is subject to 10 percent tax. Supposedly to stimulate the economy of cooperatives and their members, who are primarily working class, the government raises the threshold for the gross amount of cooperative interest much larger and simultaneously lowers income tax on cooperative interest income.

4.1.1.7 Income Tax on a Lottery Prize

The amount of income tax that must be deducted or collected on income in the form of lottery prizes in any name and form is 25 percent of the gross amount of raffle prizes.

4.1.1.8 Income Tax on the sale of Shares on the Stock Exchange

The income tax on the sale of shares on the stock exchange is 0.1 percent of the gross amount of the sale transaction value. Naturally, the 0.1 percent tax rate is minimal. Investing in the stock market long-term allows investors to earn large amounts of income. This is reflected in the movement of the composite stock price index in five years, for example, there was an increase of 7.85 percent from March 16, 2018, to March 9, 2023. If an investor owns shares worth IDR100 billion, his asset position will be IDR107.85 billion. The shares in five years have increased in value by 7.85 billion. If the shares are sold and subject to 0.1 percent tax, the tax paid is only around IDR107 million is very small from the passive income enjoyed, IDR7.85 billion.

4.1.1.9 Income Tax on Transfer of Land or Building Rights

Income tax imposed on sales, exchanges, agreements for the transfer of rights, relinquishment of rights, transfer of rights, auctions, grants, or other methods agreed with parties other than the government; and selling, exchanging, releasing rights, handing over rights, or other ways agreed with the government for the implementation of development, including development for the public interest which does not require special requirements, is 5% (five percent) of the gross amount of the transfer value of land rights or buildings. The following are exempt from the preceding income tax obligation:

a. Individuals who have income below Non-Taxable Income who transfer rights over land or buildings with a gross transfer amount of less than IDR60,000,000.00 (sixty million rupiah) and not an amount that is divided;
b. Individuals or entities that receive or earn income from the transfer of rights over land or buildings to the Government for the implementation of developments in the public interest that require special requirements;
c. Individuals who transfer land or buildings through grants to blood relatives in one degree of direct lineage, religious bodies, educational bodies, social organizations including foundations, cooperatives or private persons who run micro and small businesses, the provisions of which are further regulated by Regulation of the Minister of Finance, if the grant has no connection with business, occupation, ownership, or control between the parties concerned;
d. Entities that transfer land or buildings through grants to religious bodies, educational bodies, social organizations, including cooperative foundations or individuals who run micro and small businesses, the provisions of which are regulated further in a Regulation of the Minister of Finance, if the grant has nothing to do with business, work, ownership, or control between the parties concerned; or
e. Transfer of rights over land or buildings due to inheritance.

In addition to the question of inheritance, which was alluded to in the previous section, injustice in transferring rights to land or buildings lies in point b above. Supposedly, the transfer of rights over land or buildings to the government must also be taxed. If tax is not imposed, this has the potential to bring up the practice of brokering originating from politically exposed persons (PEPs), including relatives of PEPs. PEPs can find out about the government's development project plans in a location earlier. Before residents know about this, they can buy the land that is the object of the construction site earlier. When the time comes for the project to start, the PEPs release their ownership of the land rights to the government at a higher selling price plus tax-free under the provisions of point b above.

4.1.1.10 Income Tax on Land or Building Rent

Income in the form of rent on land or buildings in the form of land, houses, flats, apartments, condominiums, office buildings, shop buildings, or meeting halls including parts thereof, office houses, shops, shop houses, warehouses, and industrial buildings, is subject to income tax which is final 10% (ten percent) of the gross amount of the rental value of land and or buildings.

4.1.2 Tax Payment Asymmetry

There is an asymmetry in tax payments on income between the working class and the HNWI class. The working class is subject to rates on income taxes ranging from 5 percent to 35 percent. Meanwhile, various passive income sources' final income tax rate ranges from 0 percent (inheritance) to 25 percent (lottery prizes). This means that the range of income tax rates imposed on the working class is higher than the rates on HNWI income taxes.

Table 4.1 Non-taxable income in Indonesia

Single		Man married		Wife & Husband	
No-child	IDR 54 mio	No-child	IDR 58,5 mio	No-child	IDR 112,5 mio
1 child	IDR 58,5 mio	1 child	IDR 63 mio	1 child	IDR 117 mio
2 children	IDR 63 mio	2 children	IDR 67,5 mio	2 children	IDR 121,5 mio
3 children	IDR 67,5 mio	3 children	IDR 72 mio	3 children	IDR 126 mio

Source: Indonesian Law No. 7 of 2021

Indonesia's lowest non-taxable income (PTKP) is IDR 54 million for single individuals. Meanwhile, income above PTKP is categorised as taxable income (PKP) with progressive rates: 5%, 15%, 25%, 30% and 35%.

Table 4.2 Taxable income in Indonesia

Taxable income	Tax rate
IDR 0 – IDR 60 mio	5%
> IDR 60 mio – IDR 250 mio	15%
> IDR 250 mio – IDR 500 mio	25%
> IDR 500 mio – IDR 5 bn	30%
> IDR 5 bn	35%

Source: Indonesian Law No. 7 of 2021

The middle class earns income from work, whether as a wage earner, professional or running a small business, and this income is subject to income tax at a higher rate when compared to the tax rates imposed on passive income.

Table 4.3 Tax types paid by a natural person in Indonesia

Tax types	Objects	Tax rate	Legal basis	Effectivity date
Passive income	Interest on Deposits and Savings; and Interest ("diskonto") on Bank Indonesia Certificates	20%	Law No. 7 of 2021 Chapter 4 Article (2)	October 29, 2021, to present
	Bond interest	• 15% for domestic taxpayers; • 20% for foreign taxpayers		
	Interest in savings in cooperative	• 0%: interest up to IDR 240.000/ month; • 10%: interest exceeds IDR 240.000/ month.		

Tax types	Objects	Tax rate	Legal basis	Effectivity date
	Lottery prize	25% of the gross amount		
	Sale of shares of stock	0,1% of the gross amount of sale		
	Dividend	10% Exception: • If a dividend is invested domestically three years after earned; • If the dividend earned abroad is invested a minimum of 30% after tax. • The minimum period of investment is three years.		
	Transfer of land or building	5% of the gross amount of sales. Exception: • If the income of the transferring party is non-taxable income; • If the transfer is made to the government for development; • If the transfer is made through a grant to the heir or social institutions. • If the transfer is made because the object is an		

Tax types	Objects	Tax rate	Legal basis	Effectivity date
	Rent of land or building	10% of the gross amount of rent value		
	Antam Gold buyback	1,5%: tax identity holder 3%: non-tax identity holder	Ministry of Finance Regulation No. 34 of 2017	2017 to present
	Inheritance	0%	Law No. 7 of 2021 Chapter 4 Article (3)	2021 to present
Active income	Individual income tax: • Worker • Entrepreneur with a single proprietorship • Professional	• IDR 0 – IDR 60 mio: 5% • >IDR 60 mio – IDR 250 mio: 15% • >IDR 250 mio – IDR 500 mio: 25% • >IDR 500 mio – IDR 5 bln: 30% • >IDR 5 bln: 35%	Law No. 7 of 2021 Chapter 4 Article (17)	October 29, 2021, to present
Value-added tax	Exception: • Mining products • Basic needs • Food & beverages in a restaurant • Money, gold, and securities • Export products	11%		March 2022 to present

Source: Various data (Author's analysis, 2023)

Furthermore, there is an asymmetry in effective tax payments between the lower middle class and the rich. For example, the lower middle class pays significantly more VAT on their income than the wealthy for the consumption tax collected through VAT.

The "effective tax rate" for the lower-middle class is higher than for HNWIs. The ratio of taxes paid by the poor relative to their income is greater than those paid to the income of the HNWI class. People who are living in poverty typically earn enough to meet their basic needs. Although it cannot be said one hundred percent, a portion of the expenditure of people with low incomes contributes to VAT, tax on sales, and even corporate income tax. This is because, although there are exceptions for goods and services that are not subject to VAT, the distribution process of goods and components forming services contains VAT, for example, for logistics that require the purchase of transportation fuel. In the economic formula, the final price of a product reflects the calculation of production cost (including distribution cost) plus a margin. This means that the product price charged to consumers, including the poor, already contains all the production cost components, including taxes such as VAT, tax on sales, excise (if the object is excise), and corporate income tax. Meanwhile, HNWIs can consume vast amounts and only require a small portion of their income and wealth to spend on goods and services subject to VAT.

The wealth tax contributes to the creation of a more equitable tax because of the inequality in tax payments currently in place. The wealth tax can increase the effectiveness of tax rates for HNWIs amidst the high effective tax rates imposed by the working class and the poor.

4.2 The Philippines

The wealth and income disparity in the Philippines is appalling, with many Filipinos experiencing food insecurity and lack of access to adequate healthcare – thus often leading to otherwise preventable death. Many families lack the means to sustain their children's education and are simultaneously forced to work to provide for the family's basic needs.

Sadly, the inequality is passed on to the next generations: the children and grandchildren of the rich have access to better education from grade school to high school and can go on to pursue higher education in the best universities in the Philippines and abroad, become bankers, doctors, and lawyers, etc. They have better connections to further their careers and businesses and access adequate health care while having time and resources for culture and the arts.

The rich also have access to political power or solid political connections that would allow them to protect their wealth, businesses, and professional interests. To top it all, they inherit the wealth of their parents. As if these advantages were insufficient, the rich pay little in income, estate, and donor's taxes relative to their net worth. One important reason is that the increase in their assets' fair market value- including stock shares, paintings, jewelry, etc. - is not taxable. Also, the inheritance they receive is only subject to a 6% estate tax, which is much lower than the corresponding amount of income tax if the inheritance were treated as income.

At a time when most of our people are having problems making ends meet, made worse by high inflation, high unemployment and underemployment, job insecurity, and with families supporting extended family members, we cannot impose additional taxes on the marginalized sectors and the middle class. More efficient tax collection by our authorities, while essential and would go a long way, may not be enough for the needs of our people.

Meanwhile, we have billionaires whose wealth would more than suffice to have an extremely comfortable life for seven (7) generations. Moreover, the Corporate Recovery and Tax Incentives for Enterprises Law (CREATE), Republic Act No. 11534, substantially reduces corporate income tax and even provides for tax holidays and other fiscal incentives to corporations – thus benefitting the persons asked to pay the wealth tax.

This group of wealthy individuals, which we currently designate as those with more than US$6 million in net worth, can easily contribute a very small percentage of their wealth to the government – without leaving a dent in their fortunes. Moreover, they likely did not become rich due to employment. It is likely through inheritance, an increase in the value of their property, primarily land and shares of stock, and proceeds and gains from the sale of their property.

There is a dire need, especially in developing countries, to raise revenues to, among others, address extreme poverty and augment the budget for health and education. This has become more urgent due to the pandemic.

While collecting consumption taxes like excise and VAT is efficient, these taxes are regressive as the poor pay a much higher percentage relative to their income and whatever net worth, they may have compared to that paid by the rich relative to their income. At the same time, raising the income tax on natural persons will hit the middle class the most, considering that according to the National Tax Research Center of the Department (Ministry) of Finance, 87% of the personal income taxes collected come from compensation income earners, almost all of whom belong to the lower and middle economic class. They can hardly afford to pay additional income tax.

For these reasons, the State should exact contributions from individuals who could afford to contribute to the welfare of ordinary Filipinos, those with a net worth of more than US$6 million. They and their ascendants have made their fortunes in this country even though the working people subsidize them through low wages and low prices for agricultural produce of farmers and fishers. The State has also been subsidizing the rich by spending considerable resources on healthcare and education for the working people who are eventually employed by the rich. The same is true as regards everyone else who provides goods and services for the rich without receiving compensation that allows a life of dignity.

The revenues from this measure shall be earmarked solely for health care services provided by the State by contributing to the Universal Health Care Act (Republic Act No. 11223) and other government expenditures for health, including the construction of new hospitals and medical facilities and the improvement of current ones.

The marginalized sectors deserve all the healthcare support they need, especially during this pandemic and its aftermath. This will allow them to live a life of dignity, thus placing them in a position to contribute even more to the economic growth and the welfare of the entire country – thus benefitting every Filipino, including those who will be asked to pay the wealth tax.

What kind of wealth tax do we want? As envisioned here, the wealth tax shall be imposed on the net worth (all assets less all liabilities) of an individual (natural person) every year based on a progressive rate. Only natural persons will be taxed – not corporations, cooperatives, or partnerships – except that the partnership shares of individuals will be included in their assets.

It will apply only to those individuals who, at the end of the calendar year, have more than US$6 million. Those who have no more than US$6 million will not be liable. The $6 million is chosen as a threshold because a person with more than that amount has immensely benefitted from the Philippine economy and from an inheritance and can share some of her or his wealth with the less fortunate. Also, leaving her or his US$6M intact and untouched will surely enable the entire family to live in comfort – even as regards the successive generations.

It should be clarified, however, that an individual with more than US$6 million in net worth will not be taxed on the entire amount of her/his net worth but only on that amount exceeding US$6 million. For example, if an individual has a net worth of US$6,100,000, the wealth tax shall be imposed only on US$100,000.

Table 4.4 proposed rates of wealth tax

	Over	But Not Over				Over
1	0	US$ 6,000,000	0	plus	0.00%	N/A
2	6,000,000	8,000,000	0	plus	0.50%	6,000,000
3	8,000,000	10,000,000	10,000	plus	0.75%	8,000,000
4	10,000,000	15,000,000	25,000	plus	1.00%	10,000,000
5	15,000,000	20,000,000	75,000	plus	1.25%	15,000,000
6	20,000,000	25,000,000	137,500	plus	1.50%	20,000,000
7	25,000,000	30,000,000	212,500	plus	1.75%	25,000,000
8	30,000,000		300,000	plus	2.00%	US$ 30,000,000

Source: Republic Act No. 11223

The net worth of a person with more than US$30 million will not be subjected to a flat rate of 2%. Instead, the 2% shall be imposed only on more than US$30 million. The first dollar up to exactly US$30 million will be subjected to the rates provided in columns 1 to 7

4.2.1 Taxes on Sources of HNWI's Income

A quick look at the NIRC Provisions would readily show that the taxes imposed on the rich are generally lower than the rest. In general, the taxes imposed on passive income, which is the domain of the rich, is lower than that of active income, which is the source of income for the lower middle and middle class. While not paying income tax, the poor spend all their earnings on essential goods and services, which are heavily taxed, making their real "effective tax rate" higher than the very rich. Finally, estate and donor's taxes are pegged at only 6%, lower than the taxes typically paid by the poor and the middle class. As mentioned above, the asymmetry in the tax law in the Philippines is readily apparent. Here are the provisions of the NIRC illustrating that point.

4.2.1.1 Inheritance Tax and Donor's Tax

The top tax rate imposed on an estate in the Philippines has decreased from 60% to 35% to 20% through the decades[2]. The estate tax is now only 6%[3] - regardless of the amount of the estate. Most of the very rich get a considerable portion, if not practically all, of their wealth from inheritance from their parents.

Republic Act No. 10963 further amends the National Internal Revenue Code. It simplifies the tax schedule from one which used to have rates that range from **2% to 15%** spread over eight brackets to one that imposes a single rate of **6%[4] on total donations of more than PhP250,000[5].**

4.2.1.2 Capital Gains Tax

Capital gains are taxed depending on the source. Capital gains from the sale of shares of stock not traded in the stock exchange are subject to a final tax rate of 15% (fifteen percent)[6] on the net capital gains realised in a particular taxable year from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation.

For stocks listed and traded through the local stock exchange other than the sale by a dealer in securities, the tax rate imposed is six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares sold, bartered, exchanged or otherwise disposed of. The seller or transferor shall pay the said tax[7].

Gains from the land sale are taxed at 6% (six percent) of the selling price[8]. However, both seller and buyer rarely declare the actual price of land. Instead, what is commonly declared in the deed of sale is a zonal valuation provided by the government, which is only a fraction of the actual price or the fair market value paid by the buyer.

[2] Effective January 1, 1998 up to December 31, 2017 (RA No. 8424).
[3] Effective January 1, 2018 to present (RA No. 10963).
[4] National Internal Revenue Code, Section 84.
[5] Around USD 4,600.
[6] *NIRC, Section 24 (C) Capital Gains from Sale of Shares of Stock not Traded in the Stock Exchange.*
[7] NIRC, SEC. 127. Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded through the Local Stock Exchange or through Initial Public Offering.
[8] NIRC, Section 24 - (D) *Capital Gains from Sale of Real Property.*

4.2.1.3 Rate of Tax on certain passive incomes

Interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and trust funds and similar arrangements, royalties, prizes and other winnings derived from Philippine sources are imposed at a 20% tax rate except for exceptional cases[9]:

- Royalties on books and other literary works and musical compositions are imposed with a tax of 10% (ten percent).
- Prizes amounting to Ten thousand pesos (PhP10,000) or less, which shall be subject to tax under Subsection (A) of Section 24 of the National Internal Revenue Code (more on this later);
- Winnings amounting to Ten thousand pesos (PhP10,000) or less from Philippine Charity Sweepstakes and Lotto shall be tax-exempt.
- Interest income received by an individual taxpayer (except a non-resident individual) from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of fifteen percent (15%) of such interest income
- Interest income from long-term deposits or investments in the form of savings, joint or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax under certain conditions.
- If the certificate holder pre-terminates the deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire income. It shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:
  - » Four (4) years to less than five (5) years: 5%
  - » Three (3) years to less than (4) years: 12%
  - » Less than three (3) years: 20%.

Dividends paid by one Philippine domestic corporation to another are exempt from tax[10]. Meanwhile, dividends paid by a Philippine corporation to a resident individual are subject to a 10% withholding tax[11].

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[9] Section 24. *Income Tax Rates.* – (B) *Rate of Tax on Certain Passive Income.* – (1) *Interests, Royalties, Prizes, and Other Winnings.*
[10] Section 27. *Rates of Income Tax on Domestic Corporations.*9_ _– (D) Rates of Tax on Certain Passive Incomes - (4) *Intercorporate Dividends.* – Dividends received by a domestic corporation from another domestic corporation shall not be subject to tax.
[11] Section 24. Income Tax Rates. – (B) *Rate of Tax on Certain Passive Income.* (2) *Cash and/or Property Dividends.*

4.2.2 Tax Payment Asymmetry

Section 24 (A) of the National Internal Revenue Code provides the general tax rates for individual incomes. The taxes are computed based on the following schedule, effective January 1, 2023:

Table 4.5 Taxable income in the Phillipines

Range of income		Tax	Additional tax	
Over	Not over		Plus	Over
0	250,000	0	0%	
250,000.00	400,000.00	0	15%	250,000.00
400,000.00	800,000.00	22,500	20%	400,000.00
800,000.00	2,000,000.00	102,500	25%	800,000.00
2,000,000.00	8,000,000.00	402,500	30%	2,000,000.00
8,000,000.00		2,202,500	35%	8,000,000.00

Source: Section 24 (A) of the National Internal Revenue Code

Asymmetry in the tax legal framework would justify the imposition of wealth tax. Non-taxable events: The increase in the value of the land and that of the shares of stock of the rich are non-taxable events. Hence, while the owner can parlay such increases to get access to credit and a cheaper one, such an increase in value has no tax consequence. In stark contrast, the poor hardly have assets to speak of. The middle class may have some, but not to the extent of the rich. Thus, non-taxable wealth accretion is all but non-existent except for the wealthy.

The income of the rich comes primarily in the form of passive income generated from their assets or the sale thereof: gains from the sale of land and shares of stock in corporations and interest income from savings accounts, government bonds, treasury bills, etc. On top of that, the wealth accretion of the very rich typically comes from inheritance and donations from their parents.

The income of the working people (middle class and the economically marginalized) comes almost exclusively from active income: from employment and profession, whether formal or informal and from micro-enterprises in the form of single proprietorships.

The asymmetry in the taxing system is quite apparent: the active income of the poor and the middle class is taxed at rates higher than the tax rates imposed on the passive income of the rich.

More importantly, and even more unjust, is the fact that the rates of the estate tax and donor's tax pegged at 6% on property received through inheritance and donation, are lower than the rates imposed on the active income of the lower-middle and middle class.

Tragically, corruption is also a massive source of obscene amounts of wealth. Many with more than US$6 million in net worth had acquired their assets from corruption. Income from corruption escapes taxation, even as the law provides that all income, whether legal or otherwise, is subject to tax.

The poor may not be liable for income tax but pay a lot for consumption taxes such as VAT and excise taxes. The value-added tax on goods and services[12], including electricity[13], is 12%. All the money the poor earn is spent on basic needs – none is saved. A considerable portion of those expenses end up with the government in terms of taxes: VAT, excise tax, tax on compensation income of employees of corporations which produce goods and render services bought by the poor, and corporate income tax on the same. Corporate income tax and other taxes end: the poor will ultimately shoulder the corporate income tax on the goods and services they purchase, as these are passed on to them.

Thus, the "effective tax rate" of the rich is much less than that of the poor! The poor pay a higher percentage of their income in taxes, albeit not income tax, compared to the percentage of taxes of the rich relative to their gains from the sale of property, inheritance, and income – even as their wealth is rarely sourced from income from employment.

As regards the middle classes, while the first PHP250.000 of an individual is exempt from income tax, any amount more than that base is subject to a progressive rate as follows: 15%, 20%, 25%, 30%, 35% - which are way higher than those imposed on the passive income of the rich[14].

Finally, relative to their income and net worth, the consumption taxes paid by the wealthy relative to their income and net worth are way too low compared to that of the poor. The rich can only consume so much and will only need a fraction of their income and wealth to spend on goods and services subject to VAT and other indirect taxes. Meanwhile, the poor spend ALL their income on basic needs, almost all of which are subjected to VAT and other indirect taxes, even as all the taxes paid by those who contributed to the production, provision, and delivery of the end products and services are ultimately borne by the consumers – including the middle class and lower-class consumers. Thus, the percentage of the total taxes paid by the poor relative to their income and assets is much higher than the very rich. The effective tax rate of the poor is higher than that of the rich!

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[12] NIRC, Section 106. *Value-Added Tax on Sale of Goods or Properties.*
[13] NIRC, Section 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* – (A) *Rate and Base of Tax.*
[14] NIRC, Section 24. *Income Tax Rates.* – (A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines.* – (2) *Rates of Tax on Taxable Income of Individuals.* (a) Tax Schedule Effective January 1, 2023 and onwards

4.3 Vietnam

The definition of HNWIs in Vietnam can vary depending on the source and criteria used to measure it. However, in general, HNWIs are individuals with high wealth and assets exceeding a certain threshold.

There is no official definition of HNWIs in Vietnam, but some financial institutions and research firms use different criteria to identify them. For example, according to a report by the consultancy firm Capgemini, HNWIs in Vietnam are individuals with investable assets of at least US$1 million, excluding primary residence, collectables, consumables, and consumer durables, as of the end of 2020.

4.3.1 Taxes on Sources of HNWI's Income

While the primary sources of income for middle-class taxpayers in Vietnam are typically salaries and wages, which are active income earned from working in various industries, including manufacturing, retail, finance, and technology, the income sources of HNWIs in Vietnam are diverse. They can vary depending on their circumstances and investment strategies. Typically, HNWIs in Vietnam earn their income from passive and active income. The passive income includes business ownership, investments in various financial instruments, and real estate properties. Inheritance or gifts from relatives and intellectual property rights can also be considered "passive income". In contrast, "active income" are salaries from executive positions in companies they own or manage.

In Vietnam, the tax system differentiates between passive and active income, with different tax rates. The tax rate on active income, which includes income earned from employment or business, is generally higher than the tax rate on passive income ranging from 5% to 35%, depending on the income level. Passive income sources, such as investments in stocks, bonds, and real estate, are subject to a lower tax rate as an incentive to encourage investment and stimulate economic growth, which only ranges from only 0,1 to 20%. However, this disparity in tax rates between passive and active income sources can pose challenges for the taxation of HNWIs who have significant wealth and investable assets. The lower tax rate on passive income sources may allow HNWIs to minimize their tax liability and reduce their overall tax burden, which can create equity concerns and revenue losses for the government.

4.3.1.1 Tax on Capital Investment

Capital investment refers to capital investment into a business or other venture to generate a return on that investment. Capital investment can take many forms, including stocks, bonds, real estate, and other assets. In Vietnam, taxes on capital investment are imposed on several types of income, including interest, dividends, and income from other forms of capital investment.

- Interest: This refers to the interest rate calculated on the amount of capital the borrower must pay along with the loan principal. Essentially, it is the loan price expressed as a percentage of the loan amount over a specified period. In Vietnam, the interest rate must not exceed 20 percent per year, as stipulated in Article 468 of the Civil Code 2015, unless other relevant laws allow for a higher rate. If the interest rate charged by the lender exceeds the legal limit, the excess interest rate will be deemed invalid and not enforceable.
- Dividends: Dividends are the net profit a company pays its shareholders, usually in cash or other assets of equal value. In Vietnam, only the income paid in cash is subject to taxation.
- Income from capital investment in other forms, except income from government bond interest.

All three types of income are considered capital investment income and are subject to taxation at a flat rate of 5 percent on the total return on capital investment per return. It is crucial to remember that this tax is distinct from personal income tax, which is imposed on the earnings people receive from their jobs or company ventures.

4.3.1.2 Tax on Capital Transfer

The tax system in Vietnam covers a variety of income streams related to the transfer of capital. This includes the transfer of capital holdings in economic organizations such as limited liability companies, partnerships, business cooperation contracts, cooperatives, etc. Additionally, it covers incomes generated from the transfer of securities, such as shares, bonds, bills, fund certificates, and other types of securities as prescribed by law. Finally, the tax on capital investment also applies to incomes generated from the transfer of capital in other forms.

The taxable income and tax rates vary for each type of income under the tax on capital investment. In the case of transferring capital holdings in financial companies, the taxable income is calculated as the selling price minus the buying price and reasonable expenses related to the generation of income from the capital transfer. The tax rate for this type of transaction is 20 percent per transaction.

On the other hand, when it comes to the transfer of securities, the taxable income is equal to the total sale or transfer of share stocks per transaction, with a tax rate of 0.1 percent. It is worth noting that this tax rate is relatively low compared to the rates applied in some other countries, making Vietnam an attractive location for investment in securities.

4.3.1.3 Tax on Incomes from Real Estate Transfer

Real estate transfer includes several types of income sources. The first type of income from real estate transfer is the transfer of rights to use land and assets attached to the land. The second type of income is from transferring the right to own or use residential houses, while the third type is earned from transferring the right to lease land or water surface. Other income earned from the real estate transfer also falls under this category.

Under the provisions of Law No. 71/2014/QH13, the income subject to taxation from the transfer of real estate is determined based on the transfer price at the time of the transfer. The transfer price refers to the agreed-upon price between the parties involved. The applicable tax rate for this income is 2 percent of the total sale amount per transaction. This tax is imposed on all types of real estate transfer, such as residential, commercial, industrial, and agricultural properties.

4.3.1.4 Tax on Copyright, Commercial Franchising

According to the Law on Intellectual Property, copyright refers to the legal right of authors, artists, and other creators to control the use of their original literary, artistic, musical, and other creative works. Meanwhile, commercial franchising refers to the right granted by a franchisor to a franchisee to use the franchisor's intellectual property, such as trademarks, patents, and business models, for a fee.

The tax on copyright and commercial franchising applies to Vietnamese residents and non-residents who generate income from these sources in Vietnam. This type of income is taxed at a flat rate of 5 percent. However, there are noteworthy that there are some exceptions to this tax rate. For instance, in cases where the copyright and commercial franchising income is generated by individuals who are not residents of Vietnam, and there is a double taxation agreement between Vietnam and the individual's home country, the tax rate may be different. Additionally, certain types of copyright and commercial franchising income may be exempt from taxation under certain circumstances, such as income generated from literary or artistic works deemed to be of cultural or historical significance.

In the case of the HNWIs, they may have more complex sources of income related to copyright and franchising, making it challenging to calculate and report their tax liability accurately. For instance, HNWIs may have multiple copyrights or franchises that generate income from different sources or countries, creating complexities around transfer pricing and taxation in multiple jurisdictions. Moreover, as HNWIs may have more sophisticated financial planning and investment strategies, they may also have more opportunities to use tax planning techniques to minimise their tax liability on copyright and franchising income. This can include transferring ownership of copyrights or franchises to entities that offer more favourable tax treatment or utilising tax incentives for specific industries or activities.

Overall, the taxation of copyright and commercial franchising income in Vietnam is an essential aspect of the country's tax system, as these sources of income are becoming increasingly important in the digital age. By imposing a flat tax rate of 5 percent on these income sources, the Vietnamese government seeks to encourage creativity and innovation while generating revenue for the state.

4.3.1.5 Tax on Prizes

Income tax on prizes regulated by the Law on Personal Income Tax includes the following: lottery prizes; sales promotion winnings; betting or casino winnings; winnings in prized games and contests, and other forms of winning. The flat tax rate for this kind of income is 10 percent of the total amount of the prize in winning that excess of VND 10 million upon each time of winning.

4.3.1.6 Tax on Inheritance and Gift

The income from inheritance and gifts is defined as follows:

- Inheritances include securities, contributions to companies or economic organizations, real estate, and other assets requiring ownership or usage rights registration.
- Gifts include securities, contributions to companies or economic organizations, real estate, and other assets requiring ownership or usage rights registration.

A flat tax rate of 10% applies to inherited assets or gifts valued at least VND10 million. However, there are exemptions for some instances. Immovable assets such as real estate inherited or gifted between family members (parents and children, grandparents and children) are not subject to tax. For other relationships, the heir must pay a tax of 10% of the value of the immovable asset. Additionally, heirs must pay agricultural land use and non-agricultural land use taxes, even if they are exempt from inheritance tax.

4.3.2 Tax Payment Asymmetry

There is an asymmetry in tax payments on income between the working class and the HNWI class. The working class is subject to rates on income taxes ranging from 5 percent to 35 percent. Meanwhile, the final income tax rate for various passive income sources ranges from 0,1 percent (incomes from business activities) to 20 percent (capital transfer). This means that the range of income tax rates imposed on the working class is higher than the rates on HNWI income taxes.

Table 4.6 Non-taxable income in Vietnam

Personal allowance		VND 11 million/month
Dependent allowance	1 dependent	VND 15,4 million/month
	2 dependents	VND 19,8 million/month
	3 dependents	VND 24,2 million/month
	4 dependents	VND 11 + (4,4 x n) million/ month

Source: Resolution No. 954/2020/UBTVQH14

The taxable income is calculated by a reduction in the personal income of taxpayers which is regulated by Resolution No. 954/2020/UBTVQH14 on adjusting the personal income tax subject to the following allowances:

- Personal allowance: A maximum of VND11 million per month (VND132 million per month). This means paying tax is not required for individuals whose monthly income is under VND11 million.
- Dependent allowance: For each person qualified as "dependent", a reduction in taxable income is also applied at VND4.4 million per month. The qualified dependents are children aged below 18, children aged above 18 but are disabled and incapable of working, and the spouses or the parents of the taxpayers who are unable to work or have low income not exceeding VND1 million.

The formula for taxable income is then:

Taxable income = [Total income – Personal allowance – (Dependent allowance x Number of dependents)] x Tax rate.

For example, if a family in Vietnam consists of 3 people with two dependents and one taxpayer, the non-taxable income is VND 11million + VND4.4 million x 2 = VND19,8 million.

Table 4.7 Taxable active income in Vietnam

Tax level	Taxable income/annually (Million VND)	Taxable income/monthly (Million VND)	Tax rate
1	0 – 60	0 – 5	5%
2	> 60 – 120	> 5 – 10	10%
3	> 120 – 216	> 10 – 18	15%
4	> 216 – 384	> 18 – 32	20%
5	> 384 – 624	> 32 – 52	25%
6	> 624 – 960	> 52 – 80	30%
7	> 960	> 80	35%

Source: Resolution No. 954/2020/UBTVQH14

Taxable active income refers to wages earned through work or participation in business activities subject to taxation. In Vietnam, active taxable income is subject to Personal Income Tax (PIT), which is assessed on the gross income of individuals from jobs, businesses, and other sources of income.

Table 4.8 Tax types paid by a natural person in Vietnam

Tax types	Objects	Tax rate	Legal basis	Effectivity date
Passive income	Capital investment: • Interest • Dividend • Other forms of income from capital investment, government bonds not included.	5%	Law on Personal Income Tax No. 04/2007/QH12 (amended in 2012 through Law 26/2012/QH13 and 71/2014/QH13)	January 1, 2009, to present
	Incomes from the capital transfer, excluding incomes from securities transfer: • Transfer of capital holdings in economic companies	20%		

Tax types	Objects	Tax rate	Legal basis	Effectivity date
	• Incomes from transfer of capital in other forms			
	Incomes from securities transfer	0,1% of the gross amount of sale		
	Prize	10%, taxable if the amount is over VND 10 million		
	Incomes from real estate transfer	2%		
	Incomes from copyright, commercial licensing	5%		
	Inheritance and Gift	10%, taxable if the amount is over VND 10 million		
Active income	Individual income tax: • Incomes tax from business activities • Incomes tax from salaries and wages	• VND 0 – VND 60 mil: 5% • >VND 60 mil – VND 120 mil: 10% • > VND 120 – VND 216 mil: 15% • > VND 216 – VND 384 mil: 20% • > VND 384 – VND 624 mil: 25% • > VND 624 – VND 960 mil: 30% • > VND 960 mil: 35%		

Tax types	Objects	Tax rate	Legal basis	Effectivity date
Value-added tax	Exception: • Unprocessed agricultural products • Water for agricultural production • Salt • Education • Medical examination and treatment • Land use rights transfer • Financial services, aid or humanitarian goods, specialised goods and services for the disabled or critically ill. • Business individuals' goods and services with a turnover of less than VND 100 million/year	10%	Law on Value Added Tax No.13/2008/QH12 (amended in 2013 and 2016 through Laws 31/2013/QH13, 71/2014/QH13, and 106/2016/QH13)	January 1, 2009, to present
Excise tax	Ten groups of goods and six groups of services: • Ten groups of goods: cigarettes and cigars, alcohol, beer and cars of less than 24 seats, large displacement motorbikes (cylinder capacity over 125cm3), aircraft and yachts, assorted gasoline, air-conditioning (with a capacity of 90000 BTU or less), post leaf, votive and votive.		Law on Special Consumption Tax No. 27/2008/QH12 (amended in 2014 and 2016 through Laws 70/2014/QH13 and 106/2016/QH13)	April 1, 2009, to present

Tax types	Objects	Tax rate	Legal basis	Effectivity date
	• Six groups of services: discotheques, massages and karaoke, prize-winning games and casinos, stakes, golf, and lottery.			

Source: Various data (Author's analysis, 2023)

Tax paid by a natural person in Vietnam includes Personal Income Tax (PIT), Value Added Tax (VAT), and Excise Tax. PIT is a direct tax targeted at an individual's income, including salaries, wages, bonuses, and other sources of income. The tax rate for PIT ranges from 5% to 35%, depending on the income level. VAT is an indirect tax imposed on goods and services, with a standard rate of 10%. Excise Tax is another indirect tax, mainly imposed on luxury goods such as cars, alcohol, and tobacco.

There is an asymmetry in effective tax payments between different income groups, with the middle class paying relatively more VAT on their income than the wealthy. Specifically, the middle class pays more of their income in VAT than the wealthy. This is likely since VAT is a consumption tax, which means that the more an individual spends on goods and services, the more VAT they will pay. Consequently, since the middle class typically spends a larger proportion of their income on consumption than the wealthy, they end up paying a higher effective tax rate in terms of VAT.

The asymmetry in passive income tax in Vietnam is also an issue. The current tax system in Vietnam has a narrower range for passive income tax, ranging from 01 to 20 percent, compared to active income tax, ranging from 5 to 35 percent. As a result, the tax burden of HNWIs, who earn primarily from passive income sources, is lower than that of middle-class people who earn mostly from wages or salaries. Moreover, most of the passive income tax in Vietnam is flat tax rate types. This means that the wealthier need only to pay a small proportion compared to their passive income. Thus, it is more beneficial for those with high levels of passive income, as they are taxed at the same rate as those with lower levels of passive income. Consequently, the absence of a progressive tax system for passive income aggravates the inequality in tax payments between various income groups.

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Tax asymmetry between the working class and high-net-worth individuals is complex and contentious. Although the tax systems and rates differ across the three countries, they are generally designed to be progressive for active income sources, meaning that working people with higher-income earners pay a higher percentage of their income in taxes. However, HNWIs enjoy low tax rates on their various passive incomes. Also, HNWIs benefit from tax exemptions, reducing their effective tax rates.

One of the primary contributors to tax asymmetry is the unequal distribution of income. HNWIs typically derive a significant portion of their income from capital gains, investments, rents, and business profits, which may be subject to lower tax rates than wages or compensations earned by the working class (labor and professional). This disparity can result in a higher tax burden for the working class relative to their income.

HNWIs often accumulate wealth over time through investments, inheritance, and other means. This wealth, subject to different tax treatment than income, can lead to a widening wealth gap between the working class and the affluent. Wealthier individuals may have access to more resources and opportunities to minimize their tax liabilities through legal means, exacerbating tax inequality.

Some HNWIs may engage in tax evasion or aggressive tax avoidance strategies, exploiting loopholes or utilizing offshore accounts to reduce their tax obligations. These practices can further exacerbate tax inequality by allowing the wealthy to avoid paying their fair share of taxes, shifting the burden onto the working class.

Tax asymmetry can have significant socioeconomic implications. When the working class shoulders a disproportionate tax burden, it can limit their ability to accumulate wealth, invest in education, and improve their living standards. Additionally, tax revenue is essential for funding public services, infrastructure, and social welfare programs that benefit society. Asymmetrical taxation can hinder the government's ability to address societal needs effectively.

Addressing tax asymmetry between the working class and HNWIs requires a comprehensive approach that combines fair tax policies, closing loopholes, combating tax evasion, and promoting wealth tax. It is essential to balance incentivizing entrepreneurship and wealth creation and maintaining a progressive tax system that promotes fairness and reduces disparities.

CHAPTER 5

Wealth Tax Revenue Estimation in Indonesia, The Philippines, and Vietnam

In this chapter, the study aims to estimate the potential revenue from implementing wealth tax in 3-selected ASEAN Countries: Indonesia, the Philippines, and Vietnam. The wealth tax scheme will be conducted annually and imposed on individuals with a net worth above US$10 million The net worth of taxpayers is calculated based on the accumulated wealth of those from whom the total debt has been deducted. The tariff will follow a progressive scheme with a 1–2 percent rate.

5.1 Indonesia

5.1.1 Potential Revenue of Wealth Tax

Indonesia has around 173,7 thousand individual billionaires who recorded a total wealth of over one million US$ in 2021 (Credit Suisse Research Institute, 2022b). Using the assumption of an inverted pyramid, we estimate that around 38,2 thousand people are people with a total wealth above US$10 million or classified as High Net Worth Individuals (HNWI). These HNWIs are potential taxpayers of wealth tax instruments with the following potential state revenues.

Tabel 5.1 Wealth tax potential revenue in Indonesia, 2021

Net-wealth	Number of taxpayers	Tariffs	Tax revenue (million USD)
> 10 million USD	*38,221*		
10 – 15 million USD	15,970	1.0%	$ 399.3
15 – 20 million USD	10,424	1.1%	$ 807.8
20 – 25 million USD	6,949	1.2%	$ 938.1
25 – 30 million USD	3,475	1.3%	$ 686.2
30 – 50 million USD	610	1.4%	$ 225.7
50 – 70 million USD	300	1.5%	$ 198.0
70 – 100 million USD	150	1.6%	$ 157.5
100 – 130 million USD	100	1.7%	$ 154.5
130 – 180 million USD	70	1.8%	$ 157.5
180 – 250 million USD	50	1.9%	$ 168.3
250 – 440 million USD	25	2.0%	$ 151.7
440 – 900 million USD	49	2.0%	$ 591.1
900 – 1,600 million USD	23	2.0%	$ 511.8
> 1,600 million USD	26	2.0%	$ 3,030.4
Total tax revenue			$ 8,177.9

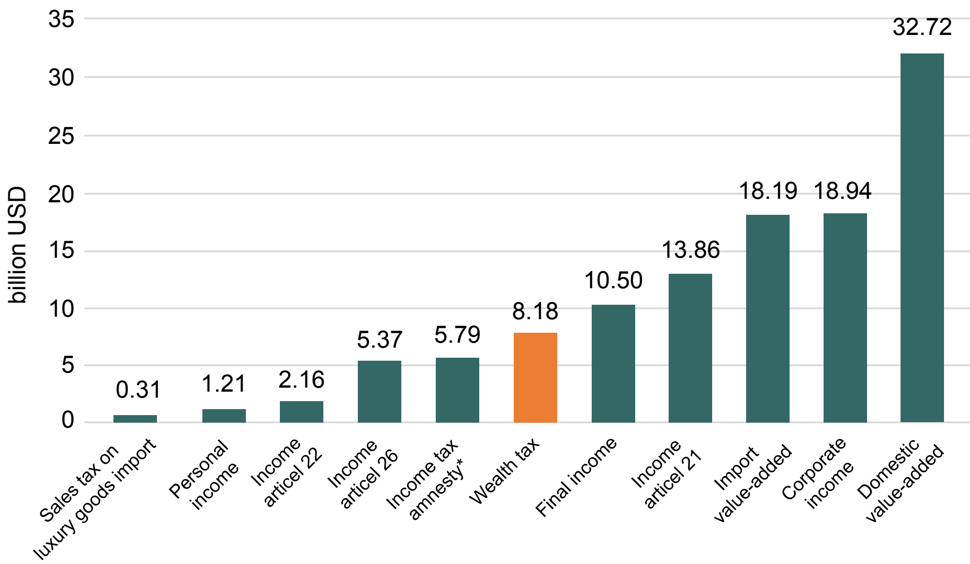
Source: Author's calculation, 2023

Based on the assumption of the number of taxpayers in each net-wealth category, Indonesia's potential wealth tax revenue in 2021 is almost US$8.2 billion More than half of the potential revenue is contributed by the taxpayer category above US$250 million, subject to a two percent tax rate. Meanwhile, 26 people with wealth above US$1.6 billion accounted for 37 percent of the total potential receipts with a revenue value of US$3.03 billion.

5.1.2 Comparison between Potential Revenue of Wealth Tax and Revenue of Several Tax Types

Based on the total potential wealth tax revenue of US$8.2 billion, this is a relatively one-eighth of the realization of income tax revenue. In that year, Indonesia's income tax could generate US$65.2 billion.

Figure 5.1 Indonesian tax realisation (billion USD), 2021



Source: MoF Indonesia, 2022

According to the above estimation, most of the tax revenue in Indonesia comes from value-added tax (VAT) and income tax. In 2021, VAT generated US$32.72 billion, while corporate income tax yielded US$18.94 billion. Other tax types, such as income from twice-tax amnesties, foreign income tax-payer (income tax article 26), and export-import income tax (income tax article 22), combined, resulted in around US$18 billion.

As a new tax nomenclature, calculating potential wealth tax with a progressive rate of 0.5 – 2 percent is reasonable and can be pitted against realizing other existing taxes. This moderate value can complement new types of taxes expected not to disincentive other taxes. This is very potential considering that the subject of taxpayers' wealth tax is mostly entrepreneurs whose businesses and personalities have been exposed to several types of current taxes.

5.2 The Philippines

5.2.1 Potential Revenue of Wealth Tax

The Philippines has around 19 thousand individual billionaires who recorded a total wealth of over US$1 million in 2021 (Credit Suisse Research Institute, 2022b). Using the assumption of an inverted pyramid, we estimate that half of them are people with a total wealth above US$6 million and are almost classified as HNWI. These individuals are potential taxpayers of wealth tax instruments with the following potential state revenues.

Tabel 5.2 Wealth tax potential revenue in the Philippines, 2021

Net-wealth	Number of taxpayers	Tariffs	Tax revenue (million USD)
> 6 million USD	*9,500*		
6 - 8 million USD	2,850	0.50%	$ 14.25
8 - 10 million USD	2,470	0.75%	$ 43.23
10 - 15 million USD	1,587	1.00%	$ 79.35
15 - 20 million USD	1,140	1.25%	$ 121.13
20 - 25 million USD	760	1.50%	$ 133.00
25 - 30 million USD	380	1.75%	$ 97.38
30 – 50 million USD	118	2.00%	$ 59.00
50 – 70 million USD	50	2.00%	$ 45.00
70 – 100 million USD	40	2.00%	$ 56.00
100 – 130 million USD	30	2.00%	$ 60.00
130 – 180 million USD	20	2.00%	$ 56.00
180 – 250 million USD	12	2.00%	$ 45.85
250 – 440 million USD	13	2.00%	$ 88.90
440 – 900 million USD	8	2.00%	$ 177.70
900 – 1,600 million USD	8	2.00%	$ 164.30
> 1,600 million USD	14	2.00%	$ 1,035.8
Total tax revenue			**$ 2,276.88**

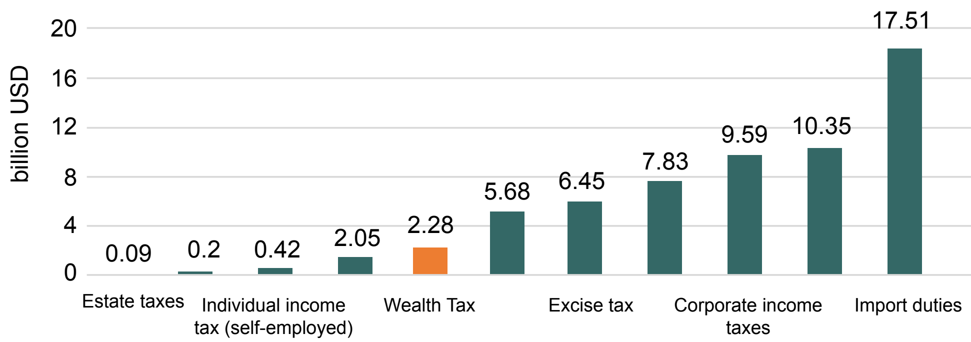
Source: Author's calculation, 2023

In the Philippine calculation, we used a slightly different tariff and bracket since the country has already designed and rolled out a wealth tax implementation plan into a tax bill, which is more progressive than other countries. Tax applied to an individual with more than US$6 million net worth, with a 0.5 to 2 percent variation. Based on the assumption of the number of taxpayers in each net-wealth category, the potential wealth tax revenue of the Philippines in 2021 is around US$2.28 billion. The taxpayer category contributed 45 percent of the total potential receipts above US$1600 million, reaching only 14 people. With a two percent tariff imposition, this highest category accounts for US$1.03 billion of potential wealth tax implementation.

5.2.2 Comparison between Potential Revenue of Wealth Tax and Revenue of Several Tax Types

The estimated proceeds from wealth tax, which amounts to US$2.28 billion, constitute only about 3.6 percent of taxes collected in 2021. During this year, the government collected US$55.7 billion in taxes.

Figure 5.2 Philippine tax realisation (billion USD), 2021



Source: Department of Finance, Bureau of Internal Revenue, and Bangko Sentral ng Pilipinas

Wealth tax can generate modest revenue for the government and, at the same time, correct inequality in society. Wealth tax can supplement proceeds from property and estate taxes, among the types of taxes that generate the lowest proceeds. At the same time, wealth taxes can offset the regressive nature of consumption taxes as it shifts the burden to the wealthy.

5.3 Vietnam

5.3.1 Potential revenue of wealth tax

Vietnam has around 72.1 thousand individual billionaires who recorded a total wealth of over US$1 million in 2021 (Credit Suisse Research Institute, 2022b). Using the assumption of an inverted pyramid, we estimate that almost 15.9 thousand people are people with a total wealth above US$10 million or classified as HNWI. These HNWIs are potential taxpayers of wealth tax instruments with the following potential state revenues.

Tabel 5.3 Wealth tax potential revenue in Vietnam, 2021

Net-wealth	Number of taxpayers	Tariffs	Tax revenue (million USD)
> 10 million USD	*15,857*		
10 – 15 million USD	5,976	1.0%	$ 149.4
15 – 20 million USD	4,326	1.1%	$ 335.3
20 – 25 million USD	2,884	1.2%	$ 389.3
25 – 30 million USD	1,442	1.3%	$ 284.8
30 – 50 million USD	509	1.4%	$ 188.3
50 – 70 million USD	300	1.5%	$ 198.0
70 – 100 million USD	150	1.6%	$ 157.5
100 – 130 million USD	100	1.7%	$ 154.5
130 – 180 million USD	70	1.8%	$ 157.5
180 – 250 million USD	50	1.9%	$ 168.3
250 – 440 million USD	25	2.0%	$ 148.3
440 – 900 million USD	15	2.0%	$ 186.5
900 – 1,600 million USD	10	2.0%	$ 247.3
> 1,600 million USD	5	2.0%	$ 331.2
Total tax revenue			$ 3,096.0

Source: Author's calculation, 2023

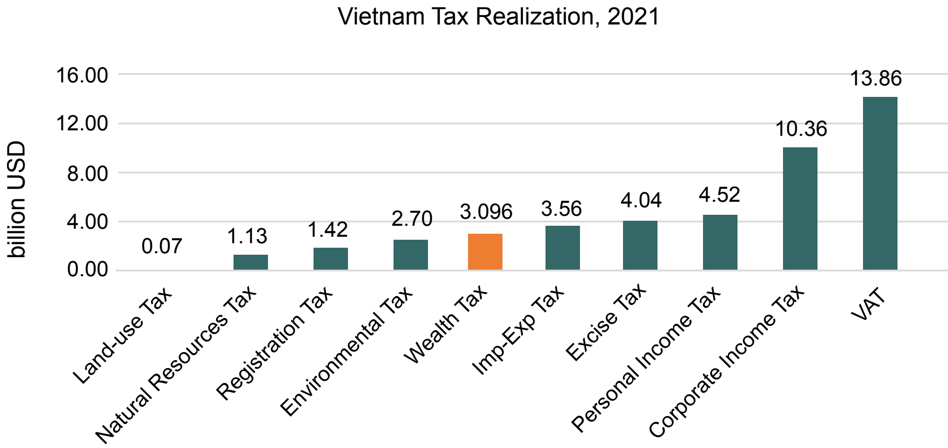
Based on the assumption of the number of taxpayers in each net-wealth category, Vietnam's potential wealth tax revenue in 2021 is almost US$3.1 billion. Compared to Indonesia and the Philippines, the distribution of potential revenue in each bracket looks more evenly distributed. Taxpayers with wealth above US$250 million, estimated at 55 people, account for US$913 million or equivalent to almost 30 percent of the total potential receipts.

5.3.2 Comparison between Potential Revenue of Wealth Tax and Revenue of Several Tax Types

Based on the total potential wealth tax revenue of US$3.096 billion, this is two-thirds of personal income tax revenue and one-third of the realization of corporate income tax. In that year, Vietnam's personal income tax could generate US$4.52 billion, while corporate income tax could generate US$10.36 billion.

The natural resources tax in Vietnam can be understood as an indirect tax that individuals and organisations must pay to the state when exploiting natural resources such as metallic/non-metallic minerals, crude oil, etc. On the other hand, Vietnam's environmental tax is considered an indirect tax, collected on products and goods that, when used, have adverse effects on the environment, such as petrol and diesel oil. Both taxes resulted in respectively US$1.13 billion and US$2.70 billion.

Figure 5.3 Vietnam tax realization (billion USD), 2021



Source: MoF Vietnam, 2022

Wealth tax could generate a moderate amount of revenue in Vietnam compared to personal income tax and several other tax types. As a result, introducing a wealth tax in Vietnam could significantly result in several benefits, such as correcting societal inequality by shifting the burden to the wealthy and offsetting the regressive nature of consumption taxes.

5.4 Asymmetrical Tax Burden and Gender

An asymmetrical tax burden between the working class and HNWIs can disadvantage female workers in several forms. First is income disparity; HNWIs often have substantial income and wealth, allowing them to benefit from various tax deductions, exemptions, and loopholes. This can result in a lower effective tax rate for them compared to the working class. Since women, as discussed below, on average, tend to earn less than men due to the gender pay gap, they may be disproportionately affected by this disparity. The burden of funding public services and social programs through taxes falls more heavily on the working class, including many female workers, who may already face financial challenges.

Second, widening wealth and income inequality. HNWIs benefit from preferential tax treatment on income and have more opportunities to accumulate and grow their wealth through investments, capital gains, and inheritance. However, the working class, including many female workers, often struggle to get significant wealth due to lower incomes, limited access to financial resources, and systemic barriers. As a result, they are disproportionately affected by a tax system that places a heavier burden on income taxes rather than wealth or capital gains taxes.

Third, weakening social support. High-net-worth individuals often have access to various resources and financial tools to mitigate their tax liabilities, such as tax planning services and offshore accounts. On the other hand, the working class, including female workers, have limited access to such support systems. They rely more on public services and social programs, such as affordable healthcare, funded by tax revenue. The tax burden, which falls disproportionately on the working class, hinders these services' availability and quality, negatively impacting female workers who rely on them.

5.4.1 Tax and Gender

Tax is a crucial tool that government must address inequality. However, wealth is very lightly taxed in most countries in the world. This exacerbates inequality, with harms women. Women's Budget Group has argued that tax is a gendered issue for three main reasons: 1) different forms of tax have different distributional and behavioural effects; 2) tax policy influences the economy in a way that can affect gender equality; 3) tax provides revenue to support public services and social security, which women rely on more than men (Palmer, 2020).

Based on Tax Justice UK report (2020), on average, women own less wealth than men in the UK, owning approximately 40% of the country's total personal wealth. There is still inter-household gender inequality in home ownership. For example, certain types of households which are overwhelmingly likely to be made up of women, such as lone parents, have much lower levels of homeownership than the average. In the future, with declining property ownership rates, and people having to wait later to buy, we may see an uptick in gender inequality in home ownership. If people wait till their 30s to buy, the widening gender pay gap that comes with age will likely impact the ability to purchase the property. More broadly, the housing crisis disproportionately affects women, with women finding it harder to afford to rent or buy than men. Given that wealth, and income from wealth, is so lightly taxed, the status quo exacerbates the current inequality in wealth ownership and pay between men and women (Palmer, 2020).

The Gender-Based Taxation Initiative or Gender-Based Taxation (GBT) is a tax priority issue pushed through the G20 Indonesia presidency based on the OECD's call to establish gender-based (gender-wise) tax regulations. This gender-related taxation will provide more privileges to women entering the world of work. Presented what was discussed in gender-based, namely that it would provide benefits for women who would enter the labour market, which in general provided affirmative policies on gender, and the technical details would be detailed, for example, in terms of maternity leave (maternity leave). (Setyawan, 2022).

Regarding the balance between direct and indirect taxes, there is some concern about the role of indirect taxation. VAT can lead to gender bias because of the different consumption patterns of women. Women in developing countries tend to buy more goods and services that promote health, education and nutrition than men. This creates the potential for women to bear a more significant VAT burden if the VAT system does not provide exemptions, reduced rates or zero ratings. The same goes for ensuring a sufficiently high tax-free allowance for small entrepreneurs. Generally, because of women's lower incomes, tax policies that focus solely on increasing indirect taxes such as VAT rather than also increasing direct taxes (income tax) have the potential to be more burdensome for women. This seems simple, but it can significantly impact society and become a form of inclusive economic policy. Even though it is still a discourse, Indonesia needs to continue to study the results of the OECD study regarding gender-based taxes to become a consideration in making domestic policies. In February 2022, the OECD will submit its initial review and, in June 2022, will develop an inclusive economic framework, including Gender Based Taxation (Setyawan, 2022).

5.4.2 The Discourse of Gender Wage Disparity in Indonesia's Labor Market

Women earn less than men in the workplace. According to UN Women Indonesia (2020), women make 23 per cent less than men on average, amounting to IDR2,454,023 and IDR3,184,084, respectively. This gender wage disparity discourse also aligns with the Research finding by collecting data from 1,404 white-collar workers in Indonesia about their salary, age, and work experience, and discovers that women are receiving less than their male counterparts across all working ages (Karnadi, 2019a, 2019b). The inequality is even higher for women under 30, reaching up to 27.60 per cent (Karnadi, 2019a). The gender wage gap is not only in rural and urban areas. In this regard, the gender wage inequality in urban areas illustrates that the average income of female workers is around IDR 2.7 million compared to the middlemen's revenue, amounting to IDR 3.5 million (Bintari, 2022). Although education can help close the gender wage gap, this gap remains persistent in Indonesia. Based on data from Statistics Indonesia (BPS), in 2020, female workers earned substantially less than their male counterparts in each degree of education attainment (UN Women Indonesia, 2020).

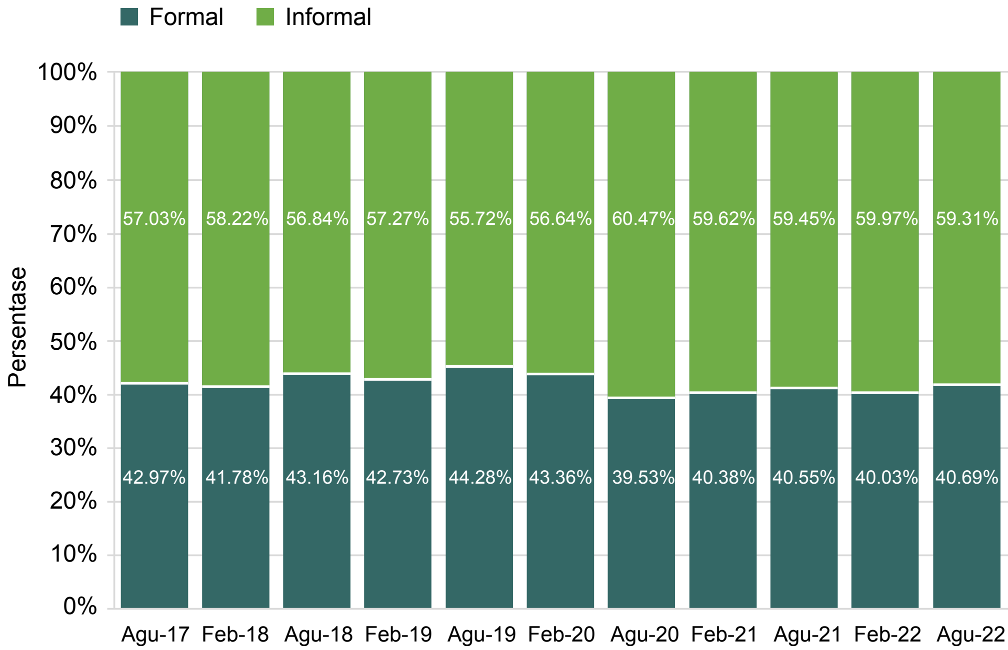
Table 5.4 Net monthly wage/salary of an employee by educational attainment (IDR)

	Men	Women
Primary school	2,117,361	1,280,826
Junior high school	2,357,497	1,658,672
General high school	3,099,936	2,115,726
Vocational high school	3,059,119	2,288,670
College (D1-D3)	4,414,594	2,930,465
University	5,436,083	3,701,652

Source: "Infographic: Gender Pay Gaps in Indonesia" by UN Women Indonesia, 2020.

The earning gap between men and women can be triggered by several reasons, such as occupational segregation or the gender-based division of labour, inherent gender role stereotyping, and the hidden cost of motherhood penalty and fatherhood premium that are still rooted in the case of Indonesia. Regarding occupational segregation, overall, Indonesia is still dominated by the informal sector until August 2022. Based on data from Statistics Indonesia or *Badan Pusat Statistik* (BPS), 80.24 million people work in the informal sector. This number is equivalent to 59.31 per cent of the total working population in the country, which is 135.3 million people. Meanwhile, 55.06 million people or 40.69 per cent, work in the formal sector. Accordingly, women choose domestic or female-dominated and informal jobs that offer flexible working hours, typically below-average wages (Jain-Chandra, 2015). In this regard, high-paying jobs are still dominated by men, which amounts to 1,549,467 male workers with IDR 7,232,138 average salary per month, compared to 507,722 female workers with only IDR 5,907,336 average income per month (UN Women Indonesia, 2020). In 2021, the number of female informal workers was higher than their male counterparts, accounting for 63.8 per cent of female workers and 56.61 per cent of male workers (Rahman, 2022). The bar and pie charts below illustrate the number of males and females in informal and formal sectors between August 2017 to August 2022. Despite the less domination of female workers in informal sectors, the number of women labour force participation in Indonesia is still lower compared to men, accounting for 39.98 per cent (BPS, 2022).

Figure 5.4 Percentage of formal and informal workers in Indonesia from August 2017 – August 2022



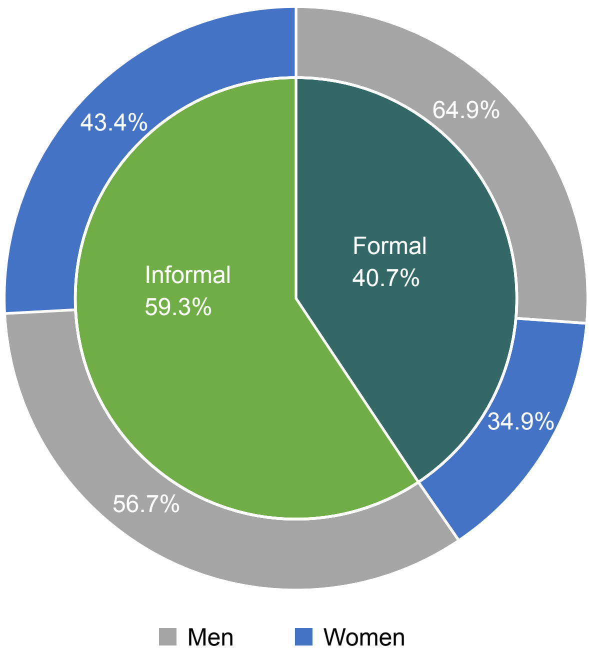
Source: Statistics Indonesia, 2023

Table 5.5 Percentage of formal and informal workers in Indonesia from August 2017 – August 2022

Labour	Formal	Informal	Total
Men	35,705,876 (26.39%)	45,499,209 (33.63%)	81,205,085 (60.02%)
Women	19,240,391 (14.22%)	34,851,234 (25.76%)	54,091,625 (39.98%)
Total	55,052,231 (40.69%)	80,244,479 (59.31%)	135,296,710 (100%)

Source: Statistics Indonesia, 2022

Figure 5.5 Percentage of formal and informal workers in Indonesia



Source: Statistics Indonesia, 2022

Gender stereotyping, according to the UN on Human Rights, refers to generalized perception towards attributes or characteristics and roles that ought to be performed by women and men. In highly patriarchal societies, the role of men and women tend to be segregated into domestic and non-domestic work. In this regard, men tend to be associated as breadwinners, while women are prone to be burdened by domestic work, such as caregiving, cooking, and cleaning. Following household specialization, women are inclined to get the stereotype of duty bearers of the "5Cs", cleaning, catering, clerical, cashiering, and childcare, associated with low-paid, low-skilled, and undervalued (Mingean & Seulki, 2019). Gender stereotyping is detrimental when it hinders both genders from developing personal capabilities, professional careers, or life choices (United Nations on Human Rights, 2020).

Motherhood penalties and fatherhood premiums tend to happen in a gender-insensitive environment. In this regard, the parenthood penalty and compensation are also triggered by household specialization, which often associates men as breadwinners and women as wives devoted to household chores and childcare (Mingean & Seulki, 2019). The motherhood penalty results from a career break by women after childbearing. Budig and England (2001), cited from Mingean and Seulki (2019), highlighted four determinant factors that may lead to the motherhood penalty, such as loss of job experience, the degradation of productivity at work, trading off higher wages for mother-friendly jobs, and discriminatory practices in the workforce. In the labour market, mothers are treated as low-skilled and less-dedicated workers than their counterparts (Mingean & Seulki, 2019).

In contrast, fatherhood is associated with a 3 to 10 per cent pay premium, meaning that men benefit from having a child through the pay hike (Mingean & Seulki, 2019; Yu & Hara, 2021). By seeing the systemic gender discrimination that inherently affects gender wage disparity, it has been proven that the discourse of the gender pay gap is a never-ending saga. Hence, a commitment and active collaboration between the state as policymakers, private sectors, CSOs, labours, and other related stakeholders are mandatory in creating a gender-sensitive environment, particularly in the workforce.

5.4.3 Gender Analysis on Taxation of Labor Income and Capital Income

Labour income refers to the earnings individuals receive for their work or employment. It represents the money people make through labour and is distinct from capital income, which is the income generated from owning assets such as land, buildings, or patents. Labour income is individuals' compensation for their time, skills, and effort in the workforce. Capital income, on the other hand, is derived from the ownership of productive resources or investments (Gomis, 2019). Taxation of labour income holds significant importance from a gender perspective as it is closely connected to family and labour choices, ultimately affecting the income and financial stability of women (Coelho, 2022).

Based on the gender issues discussed, Indonesia is experiencing a condition where women have lower income levels. In progressive tax systems, individuals are taxed differently based on income levels. These systems have increased average tax rates as income rises. The advanced tax system can address general inequality and narrow gender gaps in net revenues. With a more progressive approach, poorer individuals, the majority of which are women, face lower marginal tax rates and, hence, have more substantial incentives to work more. Therefore, even without gender-specific income taxes, it is necessary to maintain a progressive tax system to help reduce the gender gap (Coelho, 2022).

Another issue is related to the Unit of Taxation. Taxes can apply at the individual or household level or Mixed systems (Coelho 2022). Indonesia's tax system is based on household income taxation, treating the family as a taxation unit with the husband as the default head. Nasrudin (2022) explains that this system exhibits explicit gender bias by treating men and women differently and imposing higher tax burdens on secondary earners, primarily wives. When a working woman marries, she faces the choice of filing taxes separately or jointly with her husband, with drawbacks associated with both options. Joint filing requires working women to use their husband's Tax Identification Numbers, while individual filing results in a higher tax burden for a woman married to one employer. This is because she lost eligibility for non-taxable income, which was applicable before marriage.

In contrast, working men benefit from higher non-taxable income because their wife is considered dependent. The system can disincentivize working married women from continuing their employment, creating complications in cases of marital status changes. Furthermore, combined earnings may push spouses into higher tax brackets, resulting in higher tax rates. The policy should consider moving from household to individual taxation to avoid high marginal tax rates on secondary earners discouraged from employment. This will help balance the gender disparity in labour market participation. Implementing well-designed earned income tax credits is an example of a more comprehensive reform aimed at addressing specific challenges within marginal tax rate schedules. These reforms not only help overcome hurdles but also benefit other disadvantaged groups. (Coelho 2022).

Lower capital income tax rates can have a gender dimension that is often overlooked. These lower rates not only result in less redistribution across different income groups but also disproportionately benefit men due to the existing gender inequality in capital and labour income (Hillesland, 2018). In Indonesia, this situation is particularly relevant when considering gender wealth inequality. Wealth accumulation through capital ownership, such as property, investments, or businesses, often contributes significantly to wealth disparities. However, gender disparities in access to and ownership of capital assets are prevalent, with men generally having greater control and ownership over productive assets. When capital income tax rates are lower, it can perpetuate existing gender wealth inequalities (Stiglitz, 1978). Men, who already have greater access to capital assets, tend to benefit more from the tax advantage associated with capital income. This further widens the wealth gap between men and women, exacerbating gender inequality (Coelho, 2022).

5.4.4 Gender-based Price Discrimination Exacerbates the Inequalities

Even though the problem of gender discrimination in employment issues which results in a lower wage gap for women, has not finished yet, women also must accept other gender discrimination, one of which is price discrimination for the imposition of higher prices for some products that are like men, known as the "pink tax". Products such as skin care, hair products and health products specifically for women are considered more challenging to produce.

The gender-based price discrepancy may be in consumer goods and services. For instance, according to the price of a particular e-commerce, a deodorant product for women in Indonesia is priced at IDR 29,760 without a discount and IDR 22,000 after a discount. Meanwhile, the same product and brand for men are only priced at IDR 24,240 without a discount and IDR 15,200 after a discount. Hence, this case is still in line with a 2011 study by the University of Central Florida, which found that women pay more per ounce for personal care products, including deodorant (Joint Economic Committee, 2016). Moreover, women often pay more for services, such as haircuts. In 2011, a study found that based on the 100 hair salons observed, the average price paid by women reached up to 54 per cent higher than the average price paid by men (Joint Economic Committee, 2016).

The significant differences in the price of goods or services, specifically for women and others, have been discussed since 1990. And the UN (2017) has called for member countries to end the practice of gender-based price differences (pink tax). The pink tax method can impact women's ability to buy certain products. If the price difference is too significant, women may be forced to choose a cheaper product or not buy the product at all. This can affect women's health and welfare in the long run. Even though the pink tax does not mean a tax directly, it can be a double burden on women because, at the same time, they must bear VAT on these products. Women in Indonesia, especially female heads of households or single parents, must also buy products to meet their educational, health and nutritional needs.

In addition, women also require unique products such as pads. This creates the potential for women to bear a more significant burden of VAT due to the VAT system, which does not provide for exemptions, reduced rates or a zero rating for women.

Differences in the consumption patterns of women and men are closely related to feminine hygiene products. This condition raises concerns regarding the potential for gender inequality, especially if these products are subject to Value Added Tax. There is a strong assumption that women buy feminine hygiene products while men don't. The expenditure on women imposed by VAT will be more significant. However, if the aim is to improve access to feminine hygiene goods, there are more effective ways than VAT rate cuts favouring the wealthy. Generally, provide poor women free or highly subsidized access to such goods. Most advanced economies tax goods below the introductory rate, but exceptions remain. Emerging markets are more likely to tax at the standard rate (Coelho, 2022). Addressing these disparities is crucial for promoting gender equality and ensuring equitable access to feminine hygiene goods (Cotropia and Rozema, 2018).

In addition, Indonesia is still very dependent on VAT income, which is likely to be regressive in incidence because income levels do not graduate VAT rates. VAT rates are the same for rich and poor alike. Thus, the VAT takes larger income shares from those with low incomes than those with higher incomes. Since women earn less than men, they cannot pay for their basic consumption needs. Indonesia should prioritize reforming consumption tax policies to ensure fairness and address gender inequality. By considering women's specific needs and challenges, the country can design consumption tax measures that provide favourable outcomes for women and promote gender equality.

Gender-equitable tax policy practices in several countries

Gender equality is a fundamental human right and a foundation needed to make the world peaceful, prosperous and sustainable (United Nations, 2020). Gender equality is also essential in the country's economic and social development. In this case, applying gender equality in the taxation system is critical in supporting individuals and MSMEs in Indonesia and can increase tax revenues. However, when viewed from the previous discussion above, taxes are one of the contributing factors to gender inequality or discrimination in Indonesia.

The gender perspective in taxation has not been the focus of the Indonesian government at this time, according to Widodo Research et al. (2020), showing that there is no special (tax) relaxation given to working women with family responsibilities in Indonesia. Kronfol et.al. (2019) writes that the forms of gender equality policies for women workers include: (1) a reduction of gross income as a basis for imposing taxes (Tax Deduction), (2) a Delay in paying taxes within a certain period (Tax Deferrals), and (3) Tax deduction on the total tax paid (Tax Credit).

Several countries are known to have already policies that support gender equality. The following are forms of gender-equitable policies in several countries:

Table 5.5 Tax policies earned women in some countries

Country	Incentives types	Incentive Amount/Year	Tax Policy
UK	A. Working Tax Credit: • Single Parrent • Work at least 30 hours/week • Approved Childcare B. Tax-Free Childcare	• £2,045 • £825 • Up to £210 /week • £500/ 3 months or up to £2,000/ year	Tax Deduction; This relief can only be claimed for one partner based on mutual agreement
Canada	Child care Expense (Line 21400) • Age 6 or less • Ages 7 to 16	• USD 8,000 • USD 5,000 • USD 11,000	Women can also claim tax deductions and incentives aimed at childcare costs.
Norway	A. Single Provider Special Allowance B. Childcare deduction: First Child, 2nd Child, and Beyond	• NOK 51,804/year • NOK 25,000 and NOK 15,000	Tax Allowance is given to single parents who raise their children. Meanwhile, Tax Deduction is intended for

Country	Incentives types	Incentive Amount/Year	Tax Policy
Malaysia	Individual Tax Relief • Purchase of breastfeeding e quipment for own use for a child aged two years and below • Childcare fees for a child aged six years and below • Disabled Child Basic supporting equipment for disabled self, spouse, child or parent	• 1,000 RM • 1,000 RM • 8,000 RM • 6,000 RM	A tax deduction, this incentive is aimed at childcare expenses, which can also be fully claimed by working women in Malaysia. In 2018, the Malaysian government also offered a career comeback tax exemption policy, namely individual income tax exemption for up to 12 months for women who return to work (Tax Deferrals).
Singapore	Working Mother Child Relief (WMCR) • 1st Child • 2nd Child • 3rd and beyond	• 15% of the mother's income • 20% of the mother's income • 25% of the mother's income	Tax Deduction, This incentive is aimed explicitly at working mothers. And can achieve a 100% reduction in earnings.

Source: Widodo, et.al. (2020)

The journal written by Widodo (2020) also shows that gender-equitable tax policies can help increase the development of women's income contribution in building the economy in Indonesia, raise tax awareness for MSME actors, especially women, and are primarily expected to create a principle of justice (equality). Gender justice policies can provide stimulus, namely Tax Deduction or Tax Reduction, to women who work and have dependent children.

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CHAPTER 6

Conclusion and Recommendation

6.1 Conclusion

Asymmetrical tax payment refers to the unequal distribution of tax burdens among different economic groups. The working class, especially those in the formal sector, are subject to high income tax rates, while the HNWIs' passive income sources are subject to low tax rates. Addressing this issue will require significant reforms to tax laws, and wealth taxation is one prominent mechanism to ensure a more equitable tax system for all.

The asymmetrical tax burden is happening in Indonesia, The Philippines, and Vietnam. In Indonesia, the working class is subject to high tax rates, 0 to 35 percent, while the HNWIs' passive income sources are subject to low tax rates, 0 to 25 percent. In the Philippines, the working class is subject to rates on income taxes ranging from 0 percent to 35 percent, while the income tax rate for various sources of passive income ranges from 0 percent to 15 percent. Meanwhile, in Vietnam, the tax rate for active income is 0 percent to 35 percent, while passive income sources are subject to a lower tax rate of 0 to 20 percent.

If a wealth tax were implemented in those three countries, it would likely generate additional revenue for the government. However, it is unlikely to surpass the revenue generated by VAT and income tax. In Indonesia, with an estimated US$ 18.1 billion potential revenue from around 38.221 HNWIs, a wealth tax could still be an important source of revenue for the Indonesian government, primarily if it is implemented alongside reforms to increase compliance and efficiency in the tax system.

In the Philippines, based on the estimation that there are 9.500 HNWI in the Philippines who have total net-worth exceeding US$6 million, the potential wealth tax income is expected to be close to US$2.8 billion. Overall, enacting a progressive wealth tax in the Philippines would be an excellent way to boost the nation's tax take.

The potential revenue of wealth tax in Vietnam based on the assumption of 15.9 thousand high net-worth individuals with a total wealth above US$10 million is estimated to be almost US$3.1 billion. This revenue could supplement the existing tax types without causing disincentives, especially since most potential wealth taxpayers are entrepreneurs already subject to other types of taxes. The potential revenue from wealth tax represents almost one-third of personal income tax and one-seventh of corporate income tax realizations in 2021. Implementing a progressive wealth tax in Vietnam could be a viable option to increase the country's tax revenue.

In conclusion, implementing a wealth tax in Indonesia, The Philippines, and Vietnam can help address income inequality and supplement existing tax types, particularly for HNWIs who may have significant passive income sources. Doing so can help ensure a more progressive tax system and generate additional revenue for the government while promoting a more equitable distribution of wealth in society.

In Indonesia, a wealth tax is not yet planned to be a policy by parliament or government. Civil society organizations in the country have been advocating the wealth tax through policy dialogue with relevant governmental and parliament actors. The Vice Chairman of Commission XI of the House of Representatives once commits to advance the wealth tax proposal to be discussed in the commission. The Directorate General of Taxation claims their institution can implement wealth tax if legalized. The Indonesian CSOs still require high energy in advocating wealth tax to become a new type of tax in the Indonesian tax system.

The Philippine civil society organisations drafted in April 2021 a complete and comprehensive proposed bill on wealth tax that is ready to be filed by members of the House of Representatives or senators. This was also discussed with CSOs in Indonesia. This was presented almost immediately to a very progressive senator who is invariably reliable in fighting for social justice. As of the moment, she is still hesitant to sponsor it, even as the lines of communication remain open. It was also presented to a member of the HOR in 2022, who believes that being in the minority, it is practically impossible for him to see it through the legislative process. Finally, last March 2023, another senator agreed to sponsor the bill, and his lawyers are studying it in June 2023 (while Congress is in recess). However, while convinced of the need for a wealth tax, he wants only a one-off version that is effective only for one year, if only for now, arguing that such one-off version has a much higher possibility of being passed into law. Incidentally, this idea is copied from Argentina, where the revenue authorities were able to collect more than they expected. He explained that it would be easier for legislators to accept this, even though he is still open to filing a perpetual version after that. As a side note, the one-off version of the proposed bill has been severely criticised by several individuals within the same group of CSOs that drafted the bill, arguing that one year is insufficient to raise sufficient tax revenues.

In Vietnam, a wealth tax has been established for a long time which is a part of the Property Tax Law that consists of several popular taxes such as agricultural land use tax and non-agricultural land use tax. Usually, when it comes to property tax, most experts and the public in Vietnam understand that it is equivalent to an immovable property tax which excludes several other tax types on both passive income and recurrent net wealth of the HNWIs in Vietnam, such as recurrent taxes on net wealth, inheritance, inheritance and gift taxes, taxes on financial and capital transactions, other non-recurrent taxes on property and other current taxes on the property. The last time the Property Tax Law was widely discussed was when the Ministry of Finance announced the draft Law on Property Tax in 2018, along with other tax laws, in that Vietnam's budget situation has a long-standing imbalance of revenue and expenditure, and the possibility of improvement is low. On June 16, 2022, the Party's Central Committee issued Resolution 18/NQ-TW, requiring higher tax rates for users of many land areas and houses, land speculation, slow land use, and abandoned land. However, this Resolution mainly focuses on immovable assets and excludes other sources of adequate revenue from the HNWIs for the government.

An asymmetrical tax burden between the working class and HNWIs can disadvantage female workers in several forms. Tax is a crucial tool that government must address inequality. However, wealth is very lightly taxed in most countries in the world. This exacerbates inequality, with harms women. Women earn less than men in the workplace. According to UN Women Indonesia (2020), women make 23 per cent less than men on average. There is inequality for women, inequality of opportunities for women at the same time women are also burdened with products that are higher than men. At this moment, In Indonesia there is no tax that supports gender justice.

6.2 Recommendation

1. **The Government and Parliament of the Republic of Indonesia** must draft a policy on wealth tax. The proposed wealth tax format is a one to two percent progressive wealth tax rate with a net worth-imposed threshold of greater than US$10 million of the net worth combining total assets, including bank savings, deposits, shares, warrants, state securities, sukuk, precious metals, donations, inheritance, cryptocurrencies, and grants. The wealth tax is imposed yearly on the tax-payer representing the family.

2. **The Congress of the Republic of Philippines** must pass a law imposing a wealth tax albeit only on that amount of an individual's (natural persons only, not corporations or other juridical persons) net worth that exceeds US$6M. This could either be imposed on a yearly basis or simply as a one-off. However, even if a one-off is legislated, it is also recommended that thereafter, Congress must evaluate the possibility of legislating another one that will be perpetual.
3. **The Government and Parliament of the Socialist Republic of Vietnam** must draft a policy on wealth tax. The proposed wealth tax format is a one to two percent progressive wealth tax rate with a net worth-imposed threshold of greater than US$10 million of the net worth combining total assets, which are sources of HNWI's income.
4. **The Governments and the Parliaments of the Republic of Indonesia, the Republic of the Philippines, and the Socialist Republic of Vietnam** must increase the tax rate on passive income sources as well as impose a tax on untaxable sources of income such as inheritance with a value above US$1 million in Indonesia and Vietnam. This would mean that HNWIs' passive income sources would be subject to higher tax rates.
5. **The Governments and the Parliaments of the Republic of Indonesia, the Republic of the Philippines, and the Socialist Republic of Vietnam** must regulate Trust to register and report their ultimate beneficial owner(s). Trust must make this beneficial ownership registration and report compulsory to enhance transparency, combat financial crimes, and prevent money laundering and illicit activities.
6. **The Government of the Republic of Indonesia, the Republic of the Philippines, and the Socialist Republic of Vietnam** shall accelerate multilateral cooperation on automatic information exchange systems in international fora for international taxation purposes. Through multilateral forums, the state or government leaders shall propose a global approach to implementing a global wealth tax by preparing an initiative on global wealth tax standards.
7. **The Governments of the Republic of Indonesia, the Republic of the Philippines, and the Socialist Republic of Vietnam, altogether with other ASEAN Leaders,** must propose a comprehensive global asset register in the international fora to register all wealth and assets in order give policymakers and the public the data needed to tackle global tax abuse and redress inequality.
8. **The Governments of the Republic of Indonesia, the Republic of the Philippines, and the Socialist Republic of Vietnam, altogether with other ASEAN Leaders,** must promote a wealth tax by implementing it domestically to create a more equitable distribution of wealth and to raise state revenue for public services and infrastructure, which are critical for social and economic development.
9. **The Governments of the Republic of Indonesia, the Republic of the Philippines,**

and the Socialist Republic of Vietnam, altogether with other ASEAN Leaders, must increase oversight of taxpayer compliance through regulations regarding the obligation to register and report ultimate beneficial owners by Trusts, as well as formulating a regulatory framework for Beneficial Owners and Trusts for tax purposes in regulations at the level of Tax Law.

10. **A global asset register** is a proposal to create a comprehensive international registry of all wealth and assets to give policymakers and the public the data needed to tackle global tax abuse and redress inequality.
11. **The Government and Parliament of the Republic of Indonesia** must draft a policy regarding gender based taxation, which can provide stimulus for Tax Deduction or Tax Reduction to women who work and have dependent children.

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Annex 1.

The CSOs who drafted the bill met last May 31, 2023 with a member of the House of Representatives, who expressed his willingness to file the bill. However, the senator wants the CSOs to help him prepare for possible objections from other legislators, who would likely oppose on the ground that, among others, a wealth taw amounts to prohibited class legislation. Fortunately, Philippine case law recognises the fundamental principle that the legislature can pass a law that treats one class of people differently from that of another so long as the classification is based on valid grounds and the classification is germane to the purpose of the law. In the case of the proposed wealth tax, which is intended to raise revenues to benefit poor, the very rich shall be treated differently in the sense that they will be liable to pay the wealth tax precisely because they are the ones who have the ability to do so. In the case of TIU, et. al. v.. COURT OF APPEALS and HON. TEOFISTO T. GUINGONA JR [G.R. No. 127410. January 20, 1999] the Supreme Court of the Philippines ruled that:

"The fundamental right of equal protection of the laws is not absolute, but is subject to reasonable classification. If the groupings are characterized by substantial distinctions that make real differences, one class may be treated and regulated differently from another. The classification must also be germane to the purpose of the law and must apply to all those belonging to the same class. Explaining the nature of the equal protection guarantee, the Court in Ichong v. Hernandez said:

"The equal protection of the law clause is against undue favor and individual or class privilege, as well as hostile discrimination or the oppression of inequality. It is not intended to prohibit legislation which is limited either [by] the object to which it is directed or by [the] territory within which it is to operate. It does not demand absolute equality among residents; it merely requires that all persons shall be treated alike, under like circumstances and conditions both as to privileges conferred and liabilities enforced. The equal protection clause is not infringed by legislation which applies only to those persons falling within a specified class, if it applies alike to all persons within such class, and reasonable grounds exist for making a distinction between those who fall within such class and those who do not."

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