# FAIR TAX MONITOR
# Common Research Framework 2023

# (CRF)

## Introduction to the FTM and CRF

The Fair Tax Monitor (FTM) project was started in December 2014. The tool was developed by Oxfam Novib and Tax Justice Network–Africa in collaboration with partners and Oxfam Country Offices. The Fair Tax Monitor's overall goal is to strengthen the advocacy activities at the local and global levels. It provides an overview of national tax systems and identifies the main challenges they face. The tool provides reliable evidence for the advocacy and lobby work of our partners, which strengthens their position and increases their credibility as well as their influencing power. The project's focus is on tax policies and practices, nevertheless we have deliberately included also a chapter on public expenditure to provide some key insights in the role public spending plays in reducing inequality.

The original Common Research Framework (CRF) was developed during the pilot phase in 2015/2016 and implemented in 4 pilot countries: Bangladesh, Pakistan, Uganda and Senegal. A first update to the CRF was made in 2018, followed by revisions in 2019, which included an improved assessment of gender aspects to fiscal policy. The 2019 version has been used among countries in Asia, Africa and Latin-America. The present Guidance document, alongside the recently updated version of the Common Research Framework (CRF) document, will be utilized starting in 2022/23.

The common research framework can be used to gather qualitative and quantitative information in a standardized manner. The collected data will be categorized and evaluated and entered into the FTM online tool. A research report with more detailed information and analyses will be available for each focus country at www.maketaxfair.net.

The CRF is both to be used as a basis for the Terms of Reference (ToR) of the researcher as well as a guidance to the researcher and all staff & organizations involved in the development of the Fair Tax Monitor. This file will provide essential insight into the successful development of a FTM national project, as well as where to locate information and relevant background knowledge for it. It is essential to read prior to the research, as it provides a clear direction on how to start and organize the research (Part I), and how to assess complex matters such as tax systems and fiscal policies (Part II).

## Part I

## Sequence of the researchers' activities

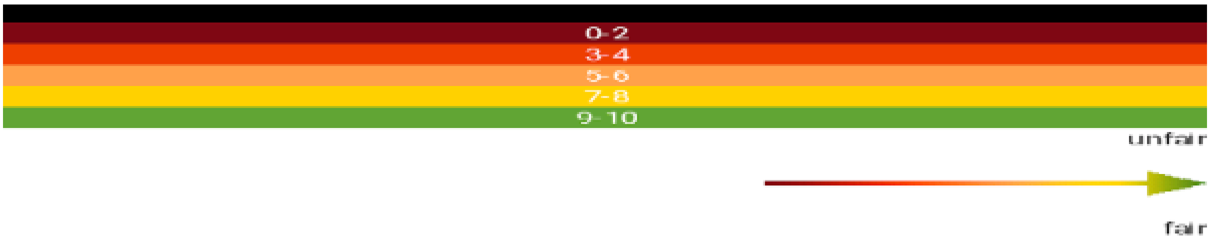
### 1- Read all the information

It is important that all persons involved in the FTM study (project leaders, coordinators, researchers and possible assistants), before anything else, read all the information in this file, as it will provide a general overview of the functions, structure and objectives of the FTM. It is particularly relevant to review the background information listed below, as it will provide contextual knowledge needed for a high quality research document.

### 2- Filling the scoring questions

All FTM research should start with analyzing and filling the Scoring Questions (present in the Excel spreadsheet). The scoring questions will provide an initial perspective of your national tax system. This will provide focus and indicate possible areas/topics that will require further attention and possible recommendations for future advocacy work. The scoring document can be find on the website, under methodology.

It allows for the giving a traffic light indication of the fairness different areas of the tax system.




**3- Discuss with the broader team and priority of the report**

The complete Excel spreadsheet with the scoring questions should be sent to the FTM team. If the researcher has encountered any issues or doubts about a scoring question, this should be communicated to the FTM team at that moment. The FTM team will review and provide feedback on the Excel spreadsheet.  The completed scoring questions will provide input for a prioritisation workshop held with relevant CSO, allies and stakeholders in the FTM-country. The purpose of this workshop is to identify how the FTM report can be used for national advocacy work and thus what key advocacy goals the FTM report need to focus on.

**4- Write the FTM report**

The researcher will then begin to write the country report utilizing the methodology present in the Common Research Framework (CRF) - see below. To ensure the production of a high quality research, it is important that the researcher takes into account the background information and scoring questions previously analyzed. In fact, the relevant information connected to the scoring questions should be displayed throughout the country report (if possible, the researcher should provide a list of references to the page numbers in the country report where the scoring questions information can be found).
It is important to make the report **political, normative and prescriptive –** not only descriptive.  The FTM is an advocacy tool. The factual description of the a country's tax system is only the first step and basis for the important political analysis. In each section and each chapter it needs to be clear:

- What does the current situation/policies mean for poverty, economic inequality, gender inequality and other intersectional and geographical inequalities?
- Why is the situation as it is? What political interests have been influencing and shaping the current policies?
- What would a better situation/policies look like?  What policy changes are needed and recommended?  Where could stakeholders (government) look for inspiration, e.g. other countries?
- How can the above objectives be realised? Who are the political stakeholders opposing, supporting and how to change and win the political decision?

**5- First draft**

A first draft of the country report should be sent to the FTM team. If the researcher has encountered any issues or doubts about any question in the CRF, this should be communicated to the FTM team at that moment. The FTM team will review and provide feedback on the country report, which should be further developed by the researcher until a final version is reached.

**6- Final version and sign-off**

After a final version of both the scoring questions and country report files is reached, the FTM products will undergo a sign-off process from the global Oxfam Tax Justice team. This might result in further work by the researcher until a final version is agreed.

**7- Launch event**

Launch plans for the report should be considered as well as future development of advocacy work based on the FTM findings. The FTM launch guidelines document should be used as a starting point for this planning - Insert link.

# Part II

## Defining a *Fair tax system* as the backbone of the analysis

Oxfam and Tax Justice Network Africa (TJNA), i.e. FTM Working Group, has defined a fair tax system as follows:

i. Progressive and serves as a mechanism to redistribute income in a gender responsive way;
ii. Allows to raise sufficient revenue to perform government functions and provide high-quality essential public services;
iii. Refrains from and eliminates tax exemptions and incentives to the elite (individuals and corporate); and
iv. Tackles causes of illicit capital flight and tax evasion & avoidance by multinational companies and the wealthy.

With this in mind the analysis described below should be undertaken.

## The Common Research Framework (CRF) and the FTM report layout

The Common Research Framework (CRF) defines in detail which information is required to be analysed in the FTM Country Reports. The report should analyse the current tax system following the 6 clusters of topics described below: (i) Distribution of the tax burden and progressivity; (ii) Revenue sufficiency and illicit financial flows; (iii) Tax competition & corporate incentives; (iv) Effectiveness of the tax administration; (v) Government spending; and (vi) Transparency and accountability. These clusters of topics were selected to best capture the complex character of tax systems in order to evaluate fairness of a tax system under review.

In order to make cross-country comparison possible , a similar format for all FTM-reports is used that contains  the six chapters as described before.. The suggested outline for the FTM report is the following:

TABLE OF CONTENT
LIST OF FIGURES AND TABLES
ACRONYMS
GLOSSARY
EXECUTIVE SUMMARY
RECOMMENDATIONS
INTRODUCTION

**1 DISTRIBUTION OF TAX CONTRIBUTION AND PROGRESSIVITY**
**2 SUFFICIENT REVENUES AND ILLICIT FINANCIAL FLOWS (IFFS)**
**3 TAX COMPETITION AND CORPORATE INCENTIVES**
**4 EFFECTIVENESS OF THE TAX ADMINISTRATION**
**5 GOVERNMENT SPENDING**
**6 TRANSPARENCY AND ACCOUNTABILITY**

CONCLUSIONS
BRIEF GENERAL DESCRIPTION OF THE TAX SYSTEM AND RECOMMENDED LITERATURE
ANNEXES
REFERENCES

While a similar pattern is expected based on the CRF, the authors and organizations involved in the development of the FTM Country Report may have specific priorities and chapters/topics which are of more relevance to them based on the national context and advocacy priorities. The ultimate purpose of the FTM is to develop evidence-based research which will be of use in national advocacy, promoting co-ownership of the reports produced between the different actors involved. With that in mind, the FTM encourages flexibility so specific Country Reports may place additional focus on specific areas of interest.

## Executive summary

The executive summary should begin with overall summary findings of the tax system followed by a chapter by chapter summary. For advocacy purposes, readers of the report should be able to get a good sense of the main findings of the report by reading the executive summary.

## Recommendations

The researcher can choose to present the recommendations in a separate chapter or integrate them in the executive summary. Researchers are encouraged to organize the recommendations by chapters.

## Introduction

This chapter gives an overview of the legal, policy and institutional framework that is in place in the country and gives an overview of the major tax reforms and evolution of the tax system in the last ten years.

It is recommended that the introduction is written after finalizing the six thematic chapters and the conclusion. The introduction should be kept short with a maximum of three pages. Having a look at the Uganda FTM report is also recommended.

| Topic | Research Analysis Questions |
|---|---|
| Legal, policy and institutional framework | Describe the overall tax system. Which key law(s) govern(s) the tax system? What types of taxes does the country collect at local and national level?<br><br>Which policy documents describe the plans for revenue mobilization and national development?<br><br>Do the tax policies explicitly consider equity and progressivity?<br><br>What is the tax collection procedure? Who is responsible for collecting taxes at both local and national levels?<br><br>What benefits are covered by the social security system? Are social security contributions collected separately from tax payments? |
| Major reforms in the tax system | Provide a very brief historical evolution of the country's tax system.<br>What important reforms in the tax system and tax policies have been made in the last 10 years? Are there any reforms of the tax system planned for the near future? Focus on the most essential reforms and those that have had (will have) an important impact on the current tax system. |

## Chapter 1 Distribution of the tax contribution and progressivity

In this chapter, the FTM aims to assess the progressivity of selected taxes and to determine what impact they have on income/wealth distribution and inequality. The taxes most closely analyzed include: Personal Income Tax (PIT), Corporate Income Tax (CIT), VAT/Sales Tax and Wealth Taxes. It is assumed that direct taxes are generally more progressive than indirect taxes, however, this section should also analyze whether there are exceptions to this assumption (e.g. luxury consumption taxes or low-thresholds on personal income taxation).

This chapter also looks closely at the structure of the tax system through a gender perspective. Further, fundamental issues related to informal sector taxation, treatment of Small and Medium Enterprises, and public perception are also analyzed. Alongside the information about how much is collected from the different taxes. This section allows researchers to draw conclusions about the fairness of each tax and to provide policy recommendations on overall progressiveness of the domestic tax system.

| Topic | Research Analysis Questions |
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| 1.1<br>Cross cutting progressivity<br><br>Excel question: I.1 | 1.1.1 Provide a trend analysis of the share of direct and indirect taxes in total tax revenue taking into consideration the last year available, 5 years ago and 10 years ago. Has there been an increase in the reliance on indirect taxes over this period?<br><br>1.1.2 What is the ratio of VAT, PIT & CIT as a share of total tax revenue? |
| 1.2<br>Personal Income Tax (PIT) | 1.2.1 Provide a trend analysis (with a table) of the share of PIT and social security contributions (if applicable) in total tax revenue taking into consideration the last year available, 5 years ago and 10 years ago.<br><br>1.2.2 Provide the current rates and tax tables of PIT. Include an overview of how the PIT rates evolve with different income brackets (also for the five income quintiles). Have the tax tables been updated in the last 5 years and are these updates in line with inflation levels? Is the PIT threshold in line with living costs or poverty threshold? Are there sufficient tax brackets with increasing rates to ensure progressive taxation?<br><br>1.2.3 Who does the PIT apply to? What percentage of the total population pays PIT? Do the rates vary for different sectors/activities? What are the exemptions to PIT and who/what kind of income do they apply to? Are there PIT exemptions for vulnerable groups (refugees, disabled, injured veterans)? Which tax revenue authority is responsible for PIT collection (local/national)?<br><br>1.2.4 Are there certain professions/groups that are benefitting from a special tax regime (e.g. recognized professional bodies – lawyers, doctors, small profitable businesses – with reduced effective rates through specific arrangements not available to others)? This might include remuneration through dividends instead of regular salaries and distinct ways of assessment/collection (e.g. withhold taxation at source for salaries and self-assessment for non-salary income). If so, how does this affect inequality?<br><br>1.2.5 Is there any distinction of rates based on gender, marriage status (single/married) or size of family (e.g. number of children)? Are married couples taxed differently? If yes, do couples have the option to file PIT returns as a single unit or are they actually required to do so? What is the impact on women's income?<br><br>1.2.6 Are tax allowances/exemptions equally accessible for men and women? Are women eligible to be recognized as head of household/family and receive the related fiscal incentives for herself and for dependents? |

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| | 1.2.7 In what way do the PIT policies, rates and exemptions address income & gender inequality? Do such policies contribute to a fair tax system? What policies could be designed to increase its fairness? Draw main policy recommendations based on this analysis. |
| 1.3<br>Corporate Income Tax (CIT) | 1.3.1 Provide a trend analysis of the share of CIT in total tax revenue taking into consideration the last year available, 5 years ago and 10 years ago. Please reflect on the overall revenue trend in this period.<br><br>1.3.2 Provide the current rates of CIT and its development over the past 5 years. If CIT rate(s_ changed recently, what was the actual impact on revenues? Do the rates vary for different sectors and activities (e.g. extractive industry or export oriented) or levels of profit? What are the exemptions to CIT and who do they apply to? Are there penalties applied for failure to file returns or pay tax on due date? Which tax revenue authority is responsible for collecting CIT?<br><br>1.3.3 Who is subject to CIT? Are certain entities/bodies exempt from CIT? What income is exempted or excluded from the tax base? Have measures been taken against tax avoidance and evasion?<br><br>1.3.4 Are there different tax rates for Micro, Small and Medium Enterprises (MSMEs)? Is there a simplified general framework for MSMEs? This might include no registration fees, or simplified tax returns, regulations and accounting requirements.<br><br>1.3.5 Are there transfer pricing rules[1] in place? If yes, do these rules follow the OECD arm's length standard or alternative guidelines (e.g. safe harbours)?<br><br>1.3.6 How do the CIT policies affect income & gender inequality? Do the policies contribute to a fair tax system? Draw main policy recommendations based on this analysis.<br><br>1.3.7 Are there any deductibility limitations regarding interests and loans? |

[1] See basic concepts on transfer pricing (the arm's length standard and alternative models) and capital gains taxation. Document: *Transfer Pricing Asia – What is transfer pricing? A clear and simple definition*
https://transferpricingasia.com/what-is-tp/
Transfer pricing methods and alternatives – Safe harbour regimes
https://www.slideshare.net/ICTDTax/transfer-pricing-methods-and-alternatives-safe-harbour-regimes

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| 1.4<br>Wealth taxes | 1.4.1 What taxes on wealth does your country have? (I.e. property tax, land tax, inheritance tax, gift tax, net wealth tax, capital gains tax, (real) estate tax, other taxes on (financial) assets or derived income.)<br><br>1.4.2 Is data on (the different types of) wealth tax published? If yes, provide a trend analysis of their share in total tax revenue taking into consideration the last year available, 5 years ago and 10 years ago.<br><br>1.4.3 Provide the current rates for these taxes and their development over the past 5 years. Which tax revenue authority is responsible for collection of the distinct wealth taxes (local/national)?<br><br>1.4.4 Do wealth taxes vary for different types of assets (i.e. real estate and financial assets) and different levels of wealth? Are there exemptions which are applied to wealth taxes? If yes, do they favor the wealthy or the poorest in society? Do wealth taxes sufficiently take into account the position of poor people? Do minimum threshold levels or brackets apply to exempt the poorest from wealth taxation (e.g. inheritance tax only above a certain level of income, exemption of primary residences & subsistence lands)? Is inheritance taxation systematically avoided by the imposition of intermediary companies?<br><br>1.4.5 Do capital gains taxes apply to all economic sectors, forms of corporations and individuals? Are there specific provisions concerning offshore indirect transfers?<br><br>1.4.6 How do the property and wealth tax policies affect income & gender inequality? Do the policies contribute to a fair tax system? Draw main policy recommendations based on this analysis. |
| 1.5<br>Sales tax/VAT[2] | 1.5.1 Provide a trend analysis of the share of sales tax/VAT in total tax revenue taking into consideration the last year available, 5 years ago and 10 years ago. What are the rates of sales tax/VAT? Do they differ for different goods/services?<br><br>1.5.2 What goods/services are exempted from sales tax/VAT or are zero rated? If an official list of essential and basic goods exists, are these goods taxed at a reduced rate? Are luxury goods taxed at an increased rate? Which tax revenue authority is responsible for sales tax/VAT?<br><br>1.5.3 Is there a lower rate, exemption or zero sale tax/VAT rate for essential products traditionally purchased by women for the household (e.g. female hygiene products, cooking fuel, cleaning material, education material, clothes)? |

[2] To understand better what a Value-Added Tax (VAT) system is and the technical distinction between exemption and zero-rate for VAT. See Tax Policy Center: *What is the difference between zero rating and exempting a good in the VAT?* https://www.taxpolicycenter.org/briefing-book/what-difference-between-zero-rating-and-exempting-good-vat

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| | 1.5.4 How do sales tax/VAT and its specific rates/exemptions affect income & gender inequality? Do they contribute to a fair tax system? Draw main policy recommendations based on this analysis. |
| 1.6<br>Excise taxes<br>(OPTIONAL) | 1.6.1 Are excise taxes levied on socially harmful activities (e.g. tobacco, alcohol or gambling)? If yes, is the revenue collected directed to prevention or relief of negative effects of these activities?<br><br>1.6.2 Are excise taxes levied on luxury goods (e.g. jewelry, perfume or flight tickets)? Is fuel subject to excise tax? What are the most significant & basic goods and services that are subject to excise taxes? How does it affect the poor?<br><br>1.6.3 Are impact assessment studies carried out before the levying of excise taxes, taking into account the impact on women and the poorest in society?<br><br>1.6.4 How do excise tax policies affect income & gender inequality? Do the policies contribute to a fair tax system? Draw main policy recommendations based on this analysis. |
| 1.7<br>Trade taxes<br>(OPTIONAL) | 1.7.1 What was the share of import/export taxes in total tax revenue and GDP in the past year? Has import/export tax revenue been reduced due to recent international trade agreements?<br><br>1.7.2 What are the rates of import/export taxes? Do they differ for different goods or sectors (e.g. for basic/luxurious goods)? Are any goods/sectors exempted from import/export taxes? Which tax revenue authority is responsible for trade tax?<br><br>1.7.3 Are essential goods predominantly consumed by women, the household and vulnerable groups subject to trade taxes? Are sectors that traditionally employ women subject to export taxes?<br><br>1.7.4 How do trade tax policies affect income & gender inequality? Do the policies contribute to a fair tax system? Draw main policy recommendations based on this analysis. |
| 1.8<br>Presumptive/Turnover taxes (Informal economy taxes)[3] | 1.8.1 Is there a presumptive tax system for the informal sector in place? This might include local taxes (e.g. market access taxes). |

[3] The informal economy is broadly defined as any economic activity that is not subject to government regulation of taxation. According to the International Labour Organization, the informal economy comprises more than half of the global labour force and more than 90% of Micro, Small and Medium Enterprises (MSMEs) worldwide. Informality is an important characteristic of labour markets in the world with millions of economic units operating and hundreds of millions of workers pursuing their livelihoods in conditions of informality. The expression "informal economy" encompasses a huge diversity of situations and phenomena,

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| | 1.8.2 Provide a trend analysis of the share of presumptive taxes in total tax revenue taking into consideration the last year available, 5 years ago and 10 years ago.<br><br>1.8.3 Is the presumptive tax system based on a feasibility assessment? Are there clear rules for calculating the tax? Is there a threshold level for low-income informal businesses?<br><br>1.8.4 When individuals or informal businesses receive a tax presumption, is there a legal objection procedure available? Which tax revenue authority is responsible for presumptive tax?<br><br>1.8.5 Are there specific government policies (fiscal and others) designed to attract informal businesses into registration? This might include reduced tax rates for an adaptation period, reduced regulatory burden and others. Are such policies well-received or instead seen as harmful incentives for profitable informal businesses?<br><br>1.8.6 Do presumptive tax rates differ by economic sectors in an unfavorable way for women and other vulnerable groups?<br><br>1.8.7 How do these tax policies affect income & gender inequality? Do they contribute towards a fair tax system? Draw main policy recommendations based on this analysis. |
| 1.9<br>Gender analysis | 1.9.1 Are the sectors that traditionally employ women taxed distinctly?<br><br>1.9.2 Is there any government policy (fiscal and others) focused on unpaid care work? This might include tax allowances, free childcare, elderly facilities and others.<br><br>1.9.3 Are there specific aspects of the tax system (rates, policies or laws) which have a discriminatory effect towards women? How about gender-responsive policies?<br><br>1.9.4 Having in mind that gender discrimination is often implicit, draw main policy recommendations based on this analysis. |
| 1.10<br>Public perception of the tax system | 1.10.1 Search for the following information in existing national surveys: What is the public perception of fairness and transparency of the tax system? How about the public perception of revenue authorities? |

manifesting itself in a variety of forms across and within economies. Formalization process and measures aiming to facilitate transitions to formality need to be tailored to specific circumstances that different countries and categories of economic units or workers face.
See more in: ILO stats on women and men in the informal economy
https://www.ilo.org/global/publications/books/WCMS_626831/lang--en/index.htm

# Chapter 2 Sufficient revenues and Illicit Financial Flows (IFFs)

The objective of this section is to determine the total tax (and non-tax) revenue and to identify where most tax revenues get lost through Illicit Financial Flows (IFFs). Through such analysis, we seek to provide policy recommendations to increase revenues fairly and sustainably, whilst preventing tax leakages through IFFs - including tax evasion and avoidance. Increased revenues should be spent on inequality-reducing public services, particularly those that also address gender inequality, so that the most marginalised can be supported.[4]

Background information:

(i) Illicit Financial Flows (IFF). We build on the OECD Working Papers on Fiscal Federalism[5] and the UN's conceptual framework[6] on IFFs specifices that not all IFFs are illegal: *"Not all IFFs stem from illegal activity. For example, the indicator includes aggressive tax avoidance as an illicit financial flow, as it can be considered detrimental to sustainable development in many countries, even though such activities are generally not illegal."*

In FTM we define IFFs as

*" Money that is generally illegally earned, transferred or utilized. These funds originate from three sources: commercial tax evasion, trade mis-invoicing and abusive transfer pricing; criminal activities including the drug trade, human trafficking, illegal arms dealing, smuggling contraband; bribery and theft by corrupt government officials. While most illicit financial flows stem from illegal activities, aggressive tax avoidance is also considered part of the concept even though it is not illegal in all instances."*

(iii) Further on how to measure IFFs - see footnote/reference[7]

(ii) Regarding tax/GDP ratio trends development over the last years. African countries are constrained in their efforts to effectively raise the needed tax revenue to finance their development. OECD[8] (2019) shows that tax to GDP in Africa is17.2% whilst the OECD member states average 34.2%. The report further indicates that 53.7% of these tax revenues in Africa were from indirect sources (taxes on goods and services).

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4 Enotes – What is the difference between unitary and federal systems? https://www.enotes.com/homework-help/wat-iz-differnce-between-unitary-federal-systems-294718
OECD Working Papers on Fiscal Federalism
https://www.oecd-ilibrary.org/taxation/oecd-working-papers-on-fiscal-federalism_22265848

5 United Nations Development Programme – Sustainable Development Goals
https://www.undp.org/content/undp/en/home/sustainable-development-goals.html

6 https://www.unodc.org/documents/data-and-analysis/statistics/IFF/IFF_Conceptual_Framework_for_publication_FINAL_16Oct_print.pdf

7 For a good overview of Illicit Financial Flows, see: https://www.taxjustice.net/2015/02/02/mbeki-panel-illicit-financial-flows-africa-leads-way/ .
Further discussion of the definition of IFFs can be found here: https://www.unodc.org/documents/data-and-analysis/statistics/IFF/Background_paper_B_Measurement_of_Illicit_Financial_Flows_UNCTAD_web.pdf

8 OECD (2019) Revenue statistics in Africa 2019. Accessed on 20/09/2022 from: https://www.oecd.org/tax/tax-policy/brochure-revenue-statistics-africa.pdf

(iii) More on financing gap on gender equality and women's rights commitments.[9]

(i) Basic knowledge on differences between centralized and decentralized models of State (Unitary and Federalist models).[10]

| **Topic** | **Research Analysis Questions** |
|---|---|
| 2.1 Sufficiency | 2.1.1 Analyse national development plans and/or budgets to provide an overview of (1) tax and non-tax revenue targets (2) whether these targets have been met, and (3) compare these to what revenue CSOs like your own organisation believe would be needed to provide quality public service like education and health for everyone in the country.<br><br>2.1.2 Provide a trend analysis (with a graph) of the total tax revenue to GDP ratio 5 to 10 years.<br><br>2.1.3 Is an increasing proportion of revenue coming from tax?<br><br>2.1.4 What additional revenue would be required for expenditure to achieve spending targets on healthcare, education & agriculture? How about to alleviate poverty or similar measures? How do these gaps compare with neighbouring countries?<br><br>2.1.5 Are there public policies designed to address gender inequality (also in public services where gender equality is not the primary objective)? Do these policies have adequate resources allocated within the budget?<br><br>2.1.6 Does the government track and report on resource allocation for gender equality? What has been the trend related to total budget expenditure?<br><br>2.1.7 Does the government have benchmarks for financing gender equality? Is there a financing gap on gender equality public commitments? What additional revenue would be required to achieve targets?<br><br>2.1.8 If the revenue is not sufficient, how is the fiscal debt gap met (debt, aid, private sector)? Does the country face chronically high levels of debt? Has the country undertaken a UN Development Finance Assessment?<br><br>2.1.9 Have austerity measures been taken/planned, and did/would these include cutbacks on spending on pro poor and gender-responsive public services, infrastructure or social protection? What was/is the timeframe for these? Has the impact of these on gender equality been assessed? |

[9] Addis Ababa Action Agenda of the 3rd International Conference on Financing for Development https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf
And United Nations – Commission on the Status of Women, 63rd Session Agreed Conclusions https://undocs.org/en/E/CN.6/2019/L.3

[10] Further initial information: GADN briefing https://static1.squarespace.com/static/536c4ee8e4b0b60bc6ca7c74/t/5c34c34cb8a04568549dc77d/1546961742579/How+social+protection%2C+public+services%2C+infrastructure+impact+women%27s+rights.pdf
ActionAid https://www.ms.dk/organisationsdokumenter
PSI CSW statement https://world-psi.org/uncsw/wordpress/wp-content/uploads/2019/03/FactSheetCSW63_Privatisation.pdf

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| 2.2 Illicit Financial Flows (IFFs) | 2.2.1 What are the main causes of Illicit Financial Flows (IFFs)[11] - including tax evasion and avoidance - in the country? What steps has the government taken to combat IFFs? Do the tax authorities have the authority and means to investigate possible cases of tax evasion and avoidance?<br><br>2.2.2 Are there IFF data estimates[12]? Do they include tax avoidance and evasion?<br><br>2.2.3 Does your country have ring-fencing rules to prevent transfer of assets from your country to an offshore jurisdiction to reduce taxation or avoid regulations? |
| 2.3 Tax revenues[13] | 2.3.1 How does the tax/GDP ratio compare to neighbouring countries and countries of the same income level?<br><br>2.3.2 Are there government objectives to reach targets? Does the government set a long-term goal for the tax/GDP ratio? What is it? Are they on track?<br><br>2.3.3 Is tax revenue collection also carried out at sub-national level? If yes, is it a relevant share of total tax revenue collection? |
| 2.4 Non-tax revenues | 2.4.1 What is included under non-tax revenues in the country?<br><br>2.4.2 Provide a trend analysis of the share of non-tax revenues to GDP taking into consideration the last year available, 5 years ago and 10 years ago.<br><br>2.4.3 Provide a pie-chart of the share of non-tax revenues (extractive royalties, profits from public enterprises, sales of government's assets) in the total non-tax revenues for the latest available year. How is the non-tax revenue utilized? Is it included in the budget or is it managed separately?<br><br>2.4.4 How are public-based royalties calculated (e.g. profit, volume or other)?<br><br>2.4.5 Are there windfall taxes, variable royalty rates or variable profit taxes for extractive industries? How about ring fencing rules?<br><br>2.4.6 Is non-tax revenue collection also carried out at sub-national level? If yes, is it a relevant share of total non-tax revenue collection? Are there links between regional integration and national tax policies? |
| 2.5 Taxpayers | 2.5.1 What is the ratio of PIT taxpayers to the economically active population and to the total population? Provide an overview taking into consideration the last year available, 5 years ago and 10 years ago. If possible, provide disaggregation by gender, age, income and other relevant groups. |

[11] IFF concept in Guidance document

[12] A 2022-study from argentina shows that the rich holds assets hidden equal to 21% of GDP,https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2022-103-revealing-21-per-cent-GDP-hidden-assets.pdf

[13] For an external authoritative source on GDP for the country, the IMF's database can be used.
For an external authoritative source on Tax Revenue to GDP, the Heritage Foundation's database can be used (column called *"Tax Burden % GDP"*).

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| | 2.5.2 Is there a tax registration system for individuals? What is the proportion of PIT taxpayers in each income bracket? What is this breakdown by gender and income quintiles?<br><br>2.5.3 Is there a corporate tax registration system (Tax Identification Numbers)? How many entities have been registered? And how many businesses have been registered for VAT? Provide an overview over the past 5 years.<br><br>2.5.4 How does the trend in company and individual taxpayers compare to the PIT and CIT collected revenue? Is there data on the amount of profit and revenue generated by registered businesses? Is there the same data for informal businesses? Is there an estimation of the number of formal and informal businesses in the country?<br><br>2.5.5 Are there any reports (e.g. in media) of significant pending taxes owed from large corporations? Are there well-known litigation cases involving large corporations with large amounts of taxes owed?<br><br>2.5.6 Provide a trend analysis of the ratio of tax revenues from public and private sectors taking into consideration the last year available, 5 years ago and 10 years ago. |

# Chapter 3 Tax competition and corporate incentives

This chapter looks closer into tax competition between the analyzed country and its neighbours or countries in similar socio-economic scenarios. Countries often provide tax incentives to corporations, which can have a negative overall impact on the overall progressiveness of the tax system if not properly designed, implemented and supervised. Furthermore, research has shown[14] that tax rates and tax incentives most often of neglitable importance when investors chooses the location for investments. Also the OECD states that *"…taxation is only one of many factors that affect taxpayers' location decisions and there is only limited evidence of tax-induced migration"*[15]

Further analysis on the interaction of the country with international competitors will allow the researcher to evaluate if the government is safeguarding the progressiveness of the domestic tax system or making costly concessions to attract foreign direct investment.

| **Topic** | **Research Analysis Questions** |
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[14] Find reference studies

[15] OECD (2016) Tax design for Inclusive Growth https://www.oecd-ilibrary.org/taxation/tax-design-for-inclusive-economic-growth_5jlv74ggk0g7-en

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| 3.1 Governance | 3.1.1 How high is the statutory CIT rate compared to neighbouring countries?<br><br>3.1.2 Are there indications of the average effective tax rates for companies? If possible, analyze the data for both domestic and foreign companies.<br><br>3.1.3 Does your country have any corporate tax incentives? [16] Are these incentives enshrined in legislation? If yes, are the incentives enshrined in a single legislation or in several different laws? Is there a requirement for companies to have a minimum level of investment, employment, core activities or assets in the country to have access to incentives?<br><br>3.1.4 If special zones have been created with corporate incentives (free trade zones, special economic zones, export processing zones, development zones), has there been any impact on labour conditions, labour rights and labour unions? Any specific impact on women or marginalized groups?<br><br>3.1.5 Are there corporate incentive tax policies supported by the IMF or World Bank (e.g. World Bank consultation, Art IV)?<br><br>3.1.6 Is your country a member of a community or union of countries? Are there any rules within this community or union on tax incentives (e.g. code of conduct on harmful tax competition)? If yes, is there a screening by this community or region of tax incentives in its member countries?<br><br>3.1.7 Are there tax reductions provided at the discretion of tax officials or government ministries? If yes, how does this happen (e.g. is there a clear procedure, who is responsible, is there parliamentary oversight)?<br><br>3.1.8 Are there withholding taxes applicable to companies on specific payments (e.g. royalties, interest, dividends, management fees)? If yes, what are the rates? |

[16] List of possible corporate tax incentives:

- tax holidays,
- super deductions for investments,
- corporate tax credits on investments,
- large tax exemptions for domestic or foreign companies,
- rules that exempt profits from exports or transactions with non-residents (e.g. free trade zones, special economic zones or export processing zones),
- incentives for the shipping industry,
- development zones (if so, are these zones really located in disadvantaged areas?),
- incentives for financial industry (e.g. offshore banking, corporate treasury centers,
- lower rates for insurance activities,
- lower rates for investment funds or trusts,
- mobile banking incentives),
- incentives for multinational headquarters,
- incentives for international companies (e.g. International Business Company licences) and other similar policies.

EXAMPLE: Ghana's tax exemption, for example, grew from approximately $85m1 equaling 0.6% of GDP to $1.1bn equalling 1.6% of GDP in an eight-year period, between 2010 to 2018. Source: Citi Business News (CBN), (2020). Remove unwarranted tax exemptions to meet revenue target – Analysts urge gov't. Online. Accessed on 19/04/2020 from: https://bit.ly/3bp6oKS

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| | 3.1.9 Does your country have specific anti-abuse rules (e.g. interest limitation or thin capitalisation rules, minimum tax rate, exit taxes, general anti-tax abuse rules)?<br><br>3.1.10 Are there permanent establishment rules in your country? Are they based on UN or OECD standards?<br><br>3.1.11 Are there Double Tax Treaties in place? If yes, with which countries? Are the treaties based on the UN or OECD model? Are there LOB (limitation of benefits) or PPT (principal purpose test) rules or similar measures to prevent treaty abuse[17] ?<br><br>3.1.12 What is the country's general policy on attracting investment? In what way and to what extent does the tax system facilitate the attraction of investment (e.g. through lower taxes)?<br><br>3.1.13 Is your country competing with neighbouring countries to attract investments with tax incentives or tax deals for specific companies? Have there been media stories on this? How does your country promote itself: through its ministries and public administration entities or through chambers of commerce? Is there any specific tax language in such promotion?<br><br>3.1.14 How do taxpayers perceive the tax system, e.g. in national surveys. |
| 3.2 Transparency | 3.2.1 Are corporate incentives and their impact monitored on a yearly basis by the government? Is the total revenue foregone published?<br><br>3.2.2 Does the government publish on a yearly basis the disaggregated tax expenditures data linked to each specific tax or individual tax incentive? Are companies that benefit from tax incentives disclosed?<br><br>3.2.3 Are cost-benefit analyses[18] (or other similar economic studies around tax incentives) made publicly available? |

[17] For basic explanation of the difference between double tax treaties based on the OECD model and the United Nations model see Leiden Law Blog – Source state taxation in model tax treaties https://leidenlawblog.nl/articles/source-state-taxation-in-model-tax-treaties; Brian J. Arnold - An Introduction to tax treaties https://www.un.org/esa/ffd/wp-content/uploads/2015/10/TT_Introduction_Eng.pdf

[18] A 2020 meta-analysis of the effects of international investment agreements for the protection of foreign investors on foreign direct investment using 2107 estimates drawn from 74 studies finds robust evidence that effect of international investment agreements is so small as to be considered zero.
Source: Josef C. Brada,Zdenek Drabek,Ichiro Iwasaki, 2020, *DOES INVESTOR PROTECTION INCREASE FOREIGN DIRECT INVESTMENT? A META-ANALYSIS.* https://onlinelibrary.wiley.com/doi/10.1111/joes.12392

## Chapter 4 Effectiveness of the tax administration

This section aims to assess the capacity of the tax administration, particularly its capacity to effectively implement progressive tax policies – and to help determine whether the revenue shortfalls are related to weak tax administration or poorly designed tax policies. It provides information on the capacity of tax administration in terms of human and financial resources and reviews the structure and governance of tax administration, including a gender perspective, e.g. analysing the diversity and (gender) inclusion on the tax administration staff[19]

| Topic | Research Analysis Questions |
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| 4.1<br><br>Organization | 4.1.1 Is there a centralized revenue authority? Is it responsible for all revenues, or is there a separate customs administration or extractive industry agency?<br><br>4.1.2 Are local governments empowered to collect their own revenues? Are regions rich in natural resources authorized to collect related revenues?<br><br>4.1.3 Does the centralized revenue authority work with local governments in revenue collection? Is part of the centrally collected revenue transferred to the local level authorities?<br><br>4.1.4 What is the level of autonomy of the tax administration? Are senior staff members of the tax administration independent from political interference or strongly reliant on the current political administration? Are there reports of abuse by the tax administration against politicians or media?<br><br>4.1.5 What is the gender composition of tax administration staff? What is the percentage of women in senior positions?<br><br>4.1.6 Is there a unit dedicated to Large Corporate Taxpayers?<br><br>4.1.7 Is there an international tax unit? Is there a specific transfer pricing unit established? If not, what is the transfer pricing expertise level in the tax authority?<br><br>4.1.8 Is there an issue with staff retention (specifically for highly qualified)?<br><br>4.1.9 Is there a unit dedicated to High Net-Worth Individuals (HNWI)? Is there a specific strategy for monitoring and assessing HNWI[20]? |

[19] ICTD – Why African tax authorities should employ more women: evidence from Uganda https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/14288/ICTD_RiB_30_Online.pdf
OECD – Diversity and inclusion http://gender-financing.unwomen.org/en/resources/h/a/n/handbook-on-costing-gender-equality ICTD – Tax and gender in developing countries: what are the issues? https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/13066/ICTD_SumBrief%236_OnlineNew2.pdf?sequence=1&isAllowed=y

[20] Case study from Uganda (autumn 2022) with analysis of Uganda's experience with a HNWI unit at the Uganda Revenue Authorities (URA).

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| | 4.1.10 Does the revenue authority have a taxpayer education/civic engagement unit or strategy? How accessible is taxpayer education for low income earners, individuals operating in the informal economy for subsistence and illiterate/low literacy populations? |
| 4.2<br>Resources for the tax administration | 4.2.1 Provide a trend analysis of funding provided to tax authorities to GDP, taking into consideration the last year available, 5 years ago and 10 years ago. Is most of the allocated funding used for running costs or are there also capital investments in capacity development, IT and other technologies?<br><br>4.2.2 Provide a trend analysis of the number of tax officers compared to registered taxpayers/total population taking into consideration the last year available, 5 years ago and 10 years ago. Are there any reports (e.g. in media) on serious understaffing?<br><br>4.2.3 Is any part of the tax administration funding based on taxes collected or results achieved (e.g. increased funding dependent on reaching a minimum collection amount)? Has any department or function of the tax administration been privatized? This might include tax collection.<br><br>4.2.4 Are the local and national authorities well equipped (financial resources, human resources and expertise) to effectively collect taxes? This should include financial resources, human resources and expertise. If available, provide an analysis of the availability and quality of training programs for tax officials.<br><br>4.2.5 Provide a description of how the tax administration has been modernizing tax collection. Is the tax administration digitized and automatically processed or have there been any steps taken in recent years to do so? Are Tax Identification Numbers in place and is it required for certification or licenses for businesses?<br><br>4.2.6 Is it possible to file tax returns online? If yes, are taxpayers still able to file returns through analogue ways or are they exclusively required to utilize digital platforms? Provide an analysis of possible negative impacts on illiterate people and digital exclusion based in the national context. |
| 4.3<br>Revenue shortfall | 4.3.1 Provide a trend analysis of revenue shortfall taking into consideration the last year available, 5 years ago and 10 years ago (amount of actual tax collected compared to official forecasts). How is the revenue forecast calculated?<br><br>4.3.2 What is the tax effort or productivity (actually taxes collected compared to potential taxes, based on the tax base)? If the tax effort is low, why is collection underperforming? What could explain the revenue gap/shortfall? Does this gap appear to be related to weakness in tax administration or overall tax policy?<br><br>4.3.3 Has the tax administration undertaken and published a TADAT assessment (Tax Administration Diagnostic Assessment Tool)[21]? If yes, what are the weakest Performance Outcome Areas? |

[21] http://www.tadat.org/

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| 4.4<br>Effective Capacity | 4.4.1 Provide an assessment of tax administration effectiveness for each tax policy area (PIT, CIT, Wealth Taxes, VAT/Sales Tax, Presumptive Tax) by looking at tax effort/productivity, cost of collection and staff expertise.<br><br>4.4.2 Are administrative reforms currently under consideration? Please describe those and provide a progressiveness/effectiveness assessment.<br><br>4.4.3 Are international (aid) donors providing any external support to the tax administration? If so, is it through funding or knowledge/experience sharing? What are the main priorities of donors? |
| 4.5<br>Conventions | 4.5.1 Is the country signatory to the OECD Convention on Mutual Administrative Assistance in Tax Matters? How about specific bilateral conventions for administrative assistance (or other similar alternatives)? Is the country actively involved in Automatic Exchange of Information?<br><br>4.5.2 If the international conventions are often utilized, does the tax administration receive/share information with similar authorities from other countries? Has this information helped improve tax collection?<br><br>4.5.3 If the international conventions are not often utilized, why is the tax administration not exchanging information? Has the government actively pursued information? Is there an issue complying with the Common Reporting Standard (CRS)? Is this information available to civil society organizations?<br><br>4.5.4 Is the country part of the IF (Inclusive Framework) & MLI (Multilateral Convention to implement tax treaty related measures to prevent BEPS)?<br><br>4.5.5 Is the country signatory to regional or international conventions related to gender fiscal policies (e.g. CEDAW)? Have there been any changes on how the government sets criteria for gender equality in fiscal policy and practice due to being part of such conventions? |
| 4.6<br>Oversight | 4.6.1 Provide an analysis of oversight mechanisms for the revenue authorities. Is there a code of conduct (including sexual misconduct) and is it effectively enforced? Is there protection for whistleblowers?<br><br>4.6.2 What is the policy and practice regarding complaints about tax officers? Is there a grievance mechanism and does it work in practice?<br><br>4.6.3 Is the government willing to effectively investigate tax evasion?<br><br>4.6.4 Is there capacity/political will to effectively go to court (criminal or administrative) to try individuals/corporations utilizing offshore tax structures?<br><br>4.6.5 How much was spent on taxpayer audits last year? What percentage was spent on multinational companies, HNWI, MSMEs and regular taxpayers? |
| 4.7<br>Gender | 4.7.1 Does the tax administration allocate resources to collect and update sex-disaggregated data? |

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| | 4.7.2 Do tax officials receive training on gender equality & inclusion? Do tax collectors receive training on engaging with marginalized groups? |

Background information to be included in the chapter if relevant:

i. Have there been notorious cases of criminal offences related to tax evasion? Any high profile scandals involving large corporations or politically exposed individuals?
ii. What is the overall tax morale in the country? Are there any studies analyzing the perception of the tax system between individual citizens and corporations?

# Chapter 5 Government spending

The objective of this part is to review how the government spends the revenues collected and whether the effects of fair tax collection are enhanced or diminished by the government spending. Education, healthcare, agriculture and social protection are the main topics under review as they represent basic public services. Pro-poor and gender analyses of these topics are provided to determine whether the spending is targeted to reduce poverty and decrease economic and gender inequality. Specific attention is given to government efforts with regard to gender responsive budgeting and actual expenditure.

Useful concepts and report and international commitments on spending targets that your government maybe have committed to:

(i) Sources on the concept of gender-responsive budgeting & gender-responsive spending - see footnote[22]
(ii) Sources with information on government expenditure on care-related services, unpaid care work - see footnote[23]
(v) Reference to the Incheon Declaration to ensure inclusive and equitable quality education. [24]

[22] IMF Working Paper – Gender budgeting: fiscal context and current outcome https://www.imf.org/external/pubs/ft/wp/2016/wp16149.pdf; Oxfam – A guide to gender-responsive budgetin https://policy-practice.oxfam.org.uk/publications/a-guide-to-gender-responsive-budgeting-620429
Oxfam – A short guide to taxing for gender equality https://policy-practice.oxfam.org.uk/publications/a-short-guide-to-taxing-for-gender-equality-620629; Gender Development Network: How social protection, public services and infrastructure impact women's rights https://static1.squarespace.com/static/536c4ee8e4b0b60bc6ca7c74/t/5c34c34cb8a04568549dc77d/1546961742579/How+social+protection%2C+public+services%2C+infrastructure+impact+women%27s+rights.pdf; Action Aid – Gender-responsive public services https://actionaid.org/publications/2018/framework-2018-gender-responsive-public-services

[23] [1] International Labour Organization – Care work and care jobs for the future of decent work https://www.ilo.org/global/publications/books/WCMS_633135/lang--en/index.htm; Oxfam – A caring economy: what role for government? https://oxfamblogs.org/fp2p/a-caring-economy-what-role-for-government/;
UN Gender Statistics – Allocation of time and time-use https://unstats.un.org/unsd/gender/timeuse/

[24] The Incheon Declaration was adopted at the World Education Forum held in Incheon, South Korea, in May 2015. It is a global commitment to ensuring inclusive and equitable quality education and lifelong learning opportunities for all. The declaration outlines ten key education goals, including the provision of early childhood care and education, the elimination of gender

(vi) Despite the **Abuja Declaration** being adopted more than two decades ago, many African countries still fall short of the 15% target on health. According to the World Health Organization (WHO), as of 2021, only six African countries (Liberia, Malawi, Rwanda, Swaziland, Zambia, and Zimbabwe) had reached or exceeded the 15% target[25]

(vii) **Maputo Declaration** sets explicit spending targets for governments spending on agriculture and food security. It was adopted in 2003 by the African Union Heads of State and Government and calls on African Union member states to allocate at least 10% of their national budgets to address the underinvestment in agriculture and rural development, which was identified as a major barrier to achieving food security and reducing poverty on the continent[26]

| **Topic** | **Research Analysis Questions** |
|---|---|
| 5.1<br>General | 5.1.1 Is there data collection on poverty-reducing spending? Is such data disaggregated by gender & age? Are there specific pro-poor policies? |
| 5.2<br>Overview | 5.2.1 What is the proportion of development & investment spending compared to recurrent expenditure for public spending?<br><br>5.2.2 Provide a trend analysis of debt/GDP ratio compared taking into consideration the last year available, 5 years ago and 10 years ago. How is debt affecting the fiscal space and investments in social sectors? What is the budget share spent on debt payment?<br><br>5.2.3 What are the sources of finance? Does the country rely heavily on aid for development & investment expenditure?<br><br>5.2.4 What is the rural/urban/regional distribution of the budget?<br><br>5.2.5 How does the country compare on public expenditure to neighbouring countries and development recommendations from international organizations and commitments? |
| 5.3<br>Education[27] | 5.3.1 Provide a trend analysis of education[28] expenditure to GDP ratio taking into consideration the last year available, 5 years ago and 10 years ago. Has the government expenditure reached 4% of GDP or 15% of total public expenditure on education in the last year? |

disparities in education, and the promotion of education for sustainable development. UNESCO – Education 2030: Incheon declaration and framework for action https://unesdoc.unesco.org/ark:/48223/pf0000245656

[25] World Health Organization – The Abuja declaration 10 years on https://www.who.int/healthsystems/publications/abuja_declaration/en/

[26] New Partnership for Africa Development – AU 2003 Maputo Declaration on agriculture and food security https://www.nepad.org/caadp/publication/au-2003-maputo-declaration-agriculture-and-food-security

[27] For an external authoritative source on public expenditure on education (% of GDP), the WorldBank database can be used, https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS

[28] Education expenditure questions in the CRF & scoring questions only make reference to primary and secondary education (not universities).

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| | 5.3.2 Does the government promote and practice the principles of universal free access to quality education? This might be evidenced in national development plans, policies, strategies and budgets.<br><br>5.3.3 Is government expenditure on education gender responsive? Does it promote gender parity in school enrolment/graduation? What are the enrolment and graduation statistics of girls in primary, secondary and higher education[29]?<br><br>5.3.4 Does the government undertake measures to prevent absences of both students and teachers? Is primary and secondary education free and accessible?<br><br>5.3.5 Has there been any recent movement from the government towards the privatization of public education (including Public Private Partnerships)?<br><br>5.3.6 Does the education department promote and practice gender responsive budgeting? This might be evidenced in sectoral development plans, policies, strategies and budgets.<br><br>5.3.7 Does the government expenditure on education take into account the needs of vulnerable groups of society? Does the government provide schooling for those with special needs and disabilities? |
| 5.4 Healthcare[30] | 5.4.1 Provide a trend analysis of healthcare expenditure to GDP ratio taking into consideration the last year available, 5 years ago and 10 years ago. Has the government health expenditure reached 15% of total public expenditures in the last year?<br><br>5.4.2 Does the government promote and practice the principles of universal free access to quality health care? This might be evidenced in national development plans, policies, strategies and budgets.<br><br>5.4.3 Is government expenditure on health gender responsive? Does it provide SGBV (Sexual and Gender Based Violence) and SRHR (Sexual and Reproductive Health and Rights) programmes? Does it make provisions for same-sex physicians? Does it make provisions to promote primary care?<br><br>5.4.4 Does the health department promote and practice gender responsive budgeting? This might be evidenced in sectoral development plans, policies, strategies and budgets.<br><br>5.4.5 Does the government expenditure on health take into account the needs of vulnerable groups? Does it make provisions for people who are not able to afford transportation and/or are not mobile (mobile clinics, transport |

[29] Gender Development Network – How social protection, public services and infrastructure impact women's rights https://static1.squarespace.com/static/536c4ee8e4b0b60bc6ca7c74/t/5c34c34cb8a04568549dc77d/1546961742579/How+social+protection%2C+public+services%2C+infrastructure+impact+women%27s+rights.pdf

[30] For an external authoritative source on total expenditure on health (% of GDP), the WorldBank database can be used, https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS

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| | reimbursement, delivery of medicine, home visits)? Does it provide free or subsidized drugs, medical equipment and services? |
| 5.5<br>Agriculture | 5.5.1 Provide a trend analysis of agriculture expenditure to GDP ratio taking into consideration the last year available, 5 years ago and 10 years ago. Has the government agriculture expenditure reached 10% of its total expenditure of the previous year? Does agriculture spending cover access to water, land, credit and technologies? Does spending on agriculture address the needs of smallholder farmers?<br><br>5.5.2 Overall, is government expenditure on agriculture gender responsive? Does the government collect gender disaggregated data on agriculture? Does it secure women's rights over resources, such as land and water? Does it create and ensure entitlements over agricultural services (credit, insurance, technologies) on par with male farmers? Does it provide social protection cover in the form of better working conditions, equal wages, pensions, child care support or maternity entitlements? Does it guarantee equal space for women farmers in all decision-making bodies related to agriculture? Does the government expenditure on agriculture take into account the needs of vulnerable groups?<br><br>5.5.3 Does the agriculture department promote and practice gender responsive budgeting? This might be evidenced in sectoral development plans, policies, strategies and budgets. |
| 5.6<br>Social Protection | 5.6.1 Does the government have a social protection policy aimed at reducing risk exposure and enhancing public capacity to manage economic and social risks (unemployment, exclusion, sickness, disability and old age)? Does the government provide cash or in-kind transfers?<br><br>5.6.2 Does the government promote and practice the principles of universal free access to social protection? This might be evidenced in national development plans, policies, strategies and budgets.<br><br>5.6.3 Does the government provide food transfers? How about measures to address food insecurity? Does it provide school feeding?<br><br>5.6.4 Does it provide contributory pension schemes? How about insurance schemes for informal sector workers?<br><br>5.6.5 Does the department responsible for social protection promote and practice gender responsive budgeting? This might be evidenced in sectoral development plans, policies, strategies and budgets.<br><br>5.6.6 Is there legislation to improve labour regulations and minimum standards focused on improving earnings opportunities, promoting workers' rights and safety, and protecting against discrimination? |
| 5.7<br>Unpaid Care Work | 5.7.1 Are tax revenues invested in public services to reduce unpaid care work, increasing available time for education and employment? This may include public spending, tax breaks or subsidies for child/elderly care. |

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| | 5.7.2 Does the government recognize unpaid care and domestic work through the provision of public services, infrastructure and social protection policies? Within the national context, does the government promote shared responsibility within the household and the family?<br><br>5.7.3 Does the government support or provide childcare services? Does the government support or provide services for the care of elderly or disabled dependents? Are these of good quality and universally accessible? |
| 5.8<br>Water and Sanitation (OPTIONAL) | 5.8.1 Does the government have a water and sanitation policy? Does the government have effective and adequate institutional frameworks for pro-poor water and sanitation, leading to equitable resource allocation?<br><br>5.8.2 Does the water & sanitation department promote and practice gender responsive budgeting? This might be evidenced in sectoral development plans, policies, strategies and budgets.<br><br>5.8.3 Overall, is government expenditure on water and sanitation gender responsive? Does it take into account the specific needs and priorities of women in accessing water and sanitation? This might include distance to water source and safe access to water & sanitation.<br><br>5.8.4 Does the government provide adequate financing mechanisms to enhance sustainability and affordability? Does the government provide monitoring tools to track progress towards development targets including efficient information on service coverage (especially intra-urban differentials)? |

## Chapter 6 Transparency and accountability

The main goal of this part is to assess the availability and accessibility of information about the country's tax system. As one of the main goals of the FTM is to ensure accountable tax systems, it is crucial to review whether the government provides access to the information about them. Another aspect of accountability that is examined through this chapter is the production of impact assessment studies of fiscal policies, which demonstrate a strategic planning by public officials around taxation and public expenditure. Finally, engagement by citizens and broader civil society organizations in decision-making procedures around fiscal policies reflects a transparent and inclusive approach to government and public funds.

| **Topic** | **Research Analysis Questions** |
|---|---|
| 6.1. Information availability | 6.1.1 Is there legislation regulating access to information/data of public interest? Is it effective in practice or does the government place barriers to avoid sharing information/data?<br><br>6.1.2 What is the policy regarding publishing information & informing the public on the tax system (rates, revenue and overall collection system)?<br><br>6.1.3 What is the policy regarding the management of non-tax revenues? Are all revenues managed as part of the budget?<br><br>6.1.4 Are companies' financial statements available at national business registries or other publicly accessible places?<br><br>6.1.5 Is the information about companies' (direct and indirect) shareholders and ultimate beneficial owners public (i.e. UBO-register)? Is this information effectively publicly accessible or are there obstacles for access? |
| 6.2 Audit | 6.2.1 How often do tax authorities undergo audits? Who is responsible for it? Are the results debated in parliament within a reasonable period of time? Are the audit results publicly available?<br><br>6.2.2. Are there clear audit objectives and criteria to use? Is it clear which revenues and which controls to audit? |
| 6.3 OBI questions (Open Budget Index) | 6.3.1 Do budget proposals (or any supporting budget documentation):<br>● Identify the different sources of tax revenue (such as income tax or VAT) for the budget year?<br>● Identify the different sources of non-tax revenue (such as grants, property income, extractive royalties, and sales of government-produced goods and services) for the budget year?<br>● Present information on extra-budgetary funds for the budget year?<br>● Present information on tax expenditures for the budget year? |
| 6.4 Impact assessment | 6.4.1 Does the government conduct impact assessments by gender, income and other groups, to identify the direct and indirect effects of taxes/budget choices, paying particular attention to the impacts of both taxes and public |

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| | spending on the poor, women and vulnerable groups? How extensive is this impact assessment? How is the assessment process?<br><br>6.4.2 Does the government make a prominent effort to promote and implement Gender Responsive Budgeting (GRB)? |
| 6.5<br>Citizens' engagement | 6.5.1 Has the government established processes to facilitate civil society participation in shaping fiscal/budget policies at the national and local levels? What is the practice? Is civil society given the opportunity to participate? How does participation work at the national and local levels?<br><br>6.5.2 Is there any policy/practice that is promoting or supporting the participation of women and women's organizations in the development of revenue policies in particular?<br><br>6.5.3 Has there been a policy change in response to a campaign/movement on tax or budget priorities? |
| 6.6<br>Corruption (OPTIONAL) | 6.6.1 Provide an analysis of corruption practices in the tax administration or the collection of illegitimate taxes based on independent/external information, if available.<br><br>6.6.2 Are there studies that demonstrate the impact of corruption on tax morale and general voluntary compliance? |

Background information that can be included in the chapter if relevant:

(i) How accessible are relevant information on transparency and accountability of the tax system? Is there a specific legislation enacted in the country that grants public access to data/information considered to be of *public interest*? If *access to data* legislation is in place, is it effectively accessible or does the public administration places hurdles and impediments to it?

(ii) Basic knowledge on participatory budget mechanisms.[31]

(iv) Is the country known for corruption scandals involving public funds? Which impact does it have on tax morale, voluntary tax compliance and overall perception by the taxpayers of public financing through taxation?

[31] Citizen lab – 8 steps to effective participatory budget: https://www.citizenlab.co/blog/civic-engagement/steps-to-effective-participatory-budgeting/;

# Chapter 7 Extractive industry (thematic)

Seventy percent of the world's poorest people live in countries rich in oil, natural gas or minerals. Nevertheless, the extractive sector has not yielded meaningful transformational economic and social outcomes for the people, communities and countries involved. Foreign Multinational Corporations (MNCs) benefit more from this sector than the host country governments do because of unfair international trade and investment rules and agreements, which disadvantage host countries. Compounding this is the weak governance systems, arising from inadequate policies, laws, and institutions required to regulate and govern the sector. Poorly negotiated terms of EI contracts have worsened the unfavorable terms with multinational corporations. The lack of transparency and accountability has enabled these corporations to engage in aggressive tax planning to avoid and evade taxes. For example, the extractives sector accounts for around 65% of all African illicit financial flows (IFFs).

The lack of economic diversification, value addition and broad-based community involvement continues to reinforce the resource curse. Efforts have been made to improve the governance of the sector through frameworks like Africa Mining Vision (AMV) and the Extractive Industries Transparency Initiative (EITI). However, effective domestication and implementation of these instruments are still a challenge. As the resources are finite, it is important that extraction of the resources provides sufficient benefits in terms of revenues, employment and balance of payment to counterweight the negative effects. Experience has shown that natural resource extraction comes with many misfortunate implications and cost to human rights, labour rights, health of workers and surrounding communities, risk of conflicts and undemocratic rule/governance, harm to biological diversity, the environment and the climate. Therefore, a country should only start and/or continue to EI activities, if the economic, social and environmental benefits (employment, taxes, balance of payments) outweigh such costs and risks.

Generally, TJNA and Oxfam recommend strong local participation, parliamentary oversight, more state-ownership, less reliance on income-based taxation and more reliance on production-based revenue raising such as royalties, production-sharing, state-ownership and export tariffs.To analyze above issues this chapter will focus on six areas of extractive industries: mapping the industry, governance, transparency, institutional and administrative capacity, progressivity and securing resources and natural resource sharing mechanisms.

**Definitions**

**Royalty**

In the extractive industries, the term 'royalty' refers to the obligatory payment made by the operator of the extraction project to the state as compensation for the extraction rights. Royalties are generally calculated with reference to the type, quantity, quality and/or value of the extracted mineral resource as a percentage of the gross volume or value of the production (i.e., costs generally do not reduce the base), and are due once production commences. The term 'royalties' also refers to the payment for the right to use property (as defined under article 12 of the UN Model).[32]

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| **Topic** | **Research Analysis Questions** |
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| 7.1 Mapping the EI sector[33] | 7.1.1 What EI activities does your country have?<br><br>7.1.2 What are the mechanisms through which the state secures revenues from the EI activities in the country:<br>● Corporate Income Tax (CIT)<br>● Royalties,<br>● Export tariffs,<br>● Capital Gains Tax (CGT),<br>● Production sharing,<br>● ownership of projects<br>● Others<br><br>7.1.3 Are there IFF estimates for the EI in your country? If yes, do these include tax avoidance and evasion? |

[32] *https://www.un.org/esa/ffd/wp-content/uploads/2016/10/12STM_CRP3_AttachmentE_FiscalTake.pdf ]*

[33] Generally speaking, gas and oil are taxed differently from hard minerals extracted through mining due to differences in their geological nature as well as the cost structure of extraction projects. Where mining operations are usually taxed through a production-based royalty (a fixed or variable percentage of production paid in tax) and corporate income taxes, oil and gas operations can also be subject to production entitlements (also known as production sharing), as well as incidental signing and production bonuses. Read more at http://openoil.net/wp/wp-content/uploads/2016/12/oil-contracts-v1.2-dec-13.pdf

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| 7.2 Governance | 7.2.1 Does the government have an official EI policy, mission statement or similar document declaring the values, intentions and goals of the country's EI activities? If yes, what is the declared purpose(s) and what are the policy and legal frameworks for the management of EI?<br><br>7.2.2 Is there a sovereign wealth fund? If yes, where do the fund's resources come from? Does it include revenues from the EI? Does the country have different types of sovereign wealth funds? What are the investment objectives? How is the fund(s) structured and governed (e.g. is there parliamentary oversight?)? Are there provisions for public participation, e.g. does it have a consultative council with the participation of the communities affected and civil society etc.?<br><br>7.2.3 How does the country determine the payments into the sovereign wealth fund and how does it decide on the withdrawals?<br><br>7.2.4 Are there any economic analyses, including a cost-benefit analysis (social, economic, environmental etc.) of the decision of having EI activities? If yes, how frequent are these analyses made and are these analyses publicly available?<br><br>7.2.5 Which institutions (parliament, ministries etc.) approve the granting of EI concessions, extraction contracts, investments agreements etc, and what are the reporting mechanisms?<br><br>7.2.6 Is the application of tax incentives in the EI in line with current recommendations from civil society, academia, OECD and the IMF concluding: Tax incentives (e.g. stabilization clauses) are ineffective policy tools to attract FDI and should be limited[34]. |

[34] Read more in Publish What You Pay, 2017, *Many Ways to Lose a Billion* https://www.pwyp.org/wp-content/uploads/2017/07/PWYP-Report-ManyWaysToLoseABillion-EN-INTERACTIVE.pdf
This paper provides an extensive overview of the risks to extractives tax collection for states' tax authorities. As such, it provides valuable insights for how to judge whether tax legislation and regulation have managed to counter these pitfalls. Tax revenue risks from extractive industries are categorized into four groups:
1. Tax breaks
2. Treaty shopping
3. Under-reported project revenues
4. Over-reported project costs

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| 7.3 Transparency | 7.3.1 Do EI companies register their beneficial owners? If so, where? Is this information publicly available?<br><br>7.3.2 Are production-sharing agreements and investment agreements between the government and extractive companies published?<br><br>7.3.3 What are the legal requirements and practices for publishing payments by EI companies? What are the legal requirements and practices regarding the transparency around the government publishing payments received by the EI ?<br><br>7.3.4 Is the information on mineral revenue and the spending thereof publicly accessible? If yes, how is this information made available?<br><br>7.3.5 Are there expenditure-reporting guidelines and transparency around cost-auditing, in general and in particular for natural resources revenue?<br><br>7.3.6 Has the country signed the EITI? |
| 7.4 Institutional capacity and administrative effectiveness | 7.4.1 Who is responsible for collecting taxes (local and national levels, specific office/department/unit/team) from the EI? Is there dedicated capacity to adequately tax and monitor EI companies? Does the tax administration's capacity allow thorough assessments of companies' structures, challenge of transfer pricing and profit-shifting?<br><br>7.4.2 Are there reports, assessments, media articles, complaints or similar discussing capacity constraints or shortcomings of the (national or local) administration of the EI?<br><br>7.4.3 Is there an auditor general? Do the auditor general audit revenues from the EI (how often)? Are these audit reports publicly available?<br><br>7.4.4[35] Have the government legally secured its right to audit costs? And does the revenue authorities have the capacity to effectively do cost auditing of extractive companies? |

[35] Governments' essential tool to combat petroleum cost overstatement is the right to audit costs, but there is limited data on whether governments use this right effectively. Cost auditing practices in Ghana, Kenya, and Peru suggest that governments face significant challenges. Oxfam proposes recommendations to address these challenges and ensure that governments collect the taxes owed for the exploitation of their finite, non-renewable petroleum resources. - see more in Oxfam, 2018, "*Examining the crude details*", https://www.oxfam.org/en/research/examining-crude-details

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| 7.5 Progressivity and securing revenue[36] | 7.5.1 To what extent is the system of taxation of extractives able to generate revenue for the government? In what way is revenue secured in situations where there is no profit.<br><br>7.5.2 To what extent has the government's share of revenues increased during extractive commodity booms? Does the country have excess profit taxes<br><br>7.5.3 Is there a windfall tax in your country (targeting excess and unexpected profits)? If so, does this apply to the EI? And/or does your country have well-designed sliding royalty rates (a proxy for flexibility and progressivity as envisaged in the AMV[37]).<br><br>7.5.4 How are royalties defined and calculated in your country (on value or volume or right to use property)? What royalties are levied on EI production? And are these flat or dynamically linked to commodity prices and/or other external factors?<br><br>7.5.5 In relation to EI, how is the balance between production-based revenue-raising mechanisms (e.g. royalties, production entitlements[38], ownership in EI project) and profit-based taxes? |

[36] TJNA and Oxfam shares the concern described by ICTD, 2016: *Improving the Performance of Natural Resource Taxation in Developing Countries*
https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/12797/ICTD_WP60.pdf
Income-based taxation of the extractive industry (EI) cannot stand alone as it does not guarantee that the country and communities benefit from EI, and it implies too high risk of profit-shifting and IFFs. Revenues from EI need to be guaranteed even when/if companies turn out to be not-profitable. Therefore, EI taxation needs to balance both production-based taxes (e.g. royalties, shared ownership, export tariffs) and income-based taxes.

[37] Tax Justice Network Africa (TJNA), 2023, "*FISCAL POLICY NOTES ON MINING An Africa Mining Vision Minerals (AMV) Governance Framework Assessment January 2023 IN LIBERIA, GHANA, UGANDA AND ZAMBIA"*
https://taxjusticeafrica.net/sites/default/files/publications/Fiscal%20Policy%20Notes%20on%20Mining%20Paper%20AMI%202023%20.pdf

[38] Production entitlement levies are often a percentage of the revenue generated by a gas or oil project, minus the costs incurred by the company. To determine production entitlements, companies identify the amount of oil or gas they need to sell to cover their costs, which is known as "cost oil" or "cost gas". The amount that remains when the "cost oil/gas" is subtracted from total production is known as the project's "profit oil/gas". The government then takes a percentage of this profit oil or gas as its profit share (or production entitlement). Although this type of taxation only regards the oil and gas sector, it is important to note, because production entitlements can make up a large percentage of taxes paid by oil and gas companies.

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| 7.6 Natural Resource Revenue Sharing Mechanism | 7.6.1 Are there laws and mechanisms for sharing EI revenue with affected communities? Are there challenges with implementing EI revenue-sharing?<br><br>7.6.2 Is the EI revenue-sharing formula publicly available? Is there public participation of the affected communities in the decision-making process?<br><br>7.6.3 Are there regular public disclosures of distributed EI revenue to the recipients (e.g. host communities and local and regional governments)?<br><br>7.6.4 What are the accountability mechanisms that apply to the mineral revenue-sharing system? |

## Chapter 8 Taxing the Rich (thematic chapter)

### TJNA and Oxfam's vision for "*taxing the rich"*

In recent years, discussions on income inequality and the concentration of wealth in the hands of the few have become increasingly common. Governments around the world are grappling with ways to tackle inequality. In this context Oxfam and TJNA recommend increasing taxes on the richest individuals - it is time to break the cycle of never-ending wealth accumulation by the top1%.

In the current "polycrisis," with simultaneous crises in many areas such as economics, health, and climate change, governments around the world are cutting spending, while the rich continue to amass fortunes. Extreme concentrations of wealth can undermine economic growth, corrode democracy, and contribute to climate breakdown. Oppositely, taxing the rich can help to not only reduce economic inequality but also reduce racial, gender, and colonial inequalities.

Oxfam's 2023 *Survivel of the Richest report* points out that over the past two years, the richest 1% of the global population has captured almost two-thirds of all new wealth, leaving the remaining 99% to divide the remaining one-third. Billionaire fortunes are growing by $2.7 billion per day, while at least 1.7 billion workers are struggling to keep up with inflation. Food and energy companies are doubling their profits, yet over 800 million people go to bed hungry every night.

Oxfam[39] estimated in 2019 that about $2.3 trillion of individual wealth is held on the African continent, of which $920bn – or roughly 40% – is held by high net worth individuals (HNWIs) i.e. those who own $1m or more in net assets. In 2017, there were 148,000 HNWIs living in Africa, of whom 7,100 were multi-millionaires and 24 billionaires.

In order to increase the taxes on the richest 1% and higher rates for the extremely rich multi-millionaires and billionaires, Oxfam and TJNA **recommends a number of tax policies** including introducing and/or increase inheritance taxes, land taxes and property taxes, and increasing taxation of dividend payouts, stock buy-back and capital gains.

### "The Rich" and political capture

To make these solutions feasible, we need to empower the civil society and tax administrations to track the wealth of the top1% richest people, and convince governments and international institutions to work together to build a more equal world. Reducing economic (wealth and income) inequality will in many cases also reduce political inequalities, as concentration of wealth at the top of society leads to political capture which further fuels inequality[40]. In many cases the rich are rich

[39] Oxfam, 2019, The West Africa Inequality Crisis, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620837/bp-west-africa-inequality-crisis-090719-en.pdf

[40] Oxfam (2014) Working for the Few: Political Capture and Economic Inequality https://www.oxfam.org/sites/www.oxfam.org/files/bp-working-for-few-political-capture-economic-inequality-200114-en.pdf

because they are powerful and they are powerful because they are rich. For instance, we see political capture by the rich in the concentration of media ownership. This gives them the power to influence the terms of the political debate, pose a significant challenge to progressive reforms. For example, the **French** economist Julia Cagé recently documented how media outlets owned by French billionaire and pundit Vincent Bolloré have given increased airtime to guests who defend right-wing policies, including tax policies, championed by Bolloré himself. In **Mexico,** a sizeable share of media is owned by the country's richest man, Carlos Slim[41]. In **Kenya**, the former president Daniel Arap Moi, considered one of the richest men in the country, owned several newspapers with large reach, including the Standard, before he passed away in 2022 [42]. And in **India**, one billionaire, Mukesh Ambani, own 72 TV channels reaching over 800 million people[43].

**Who are we talking about when we talk about "the rich" - when are you rich/wealthy and super rich?**

This is an essential question that can and should only be answered in each national context. This means it is up to the country context and national colleagues to decide whether it is best to talk about "rich", "wealthy", "millionaires", "billionaires" etc.

Oxfam has a generalised calculation of what the US dollar $5m and $50m wealth-group thresholds would become if adjusted for each country's wealth distribution and median income with the USA as the benchmark. See link for full country list: https://docs.google.com/spreadsheets/d/1K6g2bz3fFDsh-BMVpoHMyVH3JjVGXaxQ/edit?usp=sharing&ouid=110390690416280557145&rtpof=true&sd=true

For Kenya the US dollar $5m and $50m threshold would translate into

| | Wealth-adjusted | | Income-adjusted | |
|---|---|---|---|---|
| USA benchmark | $5m | $50m | $5m | $50m |
| Kenya | $0.16m | $1.37m | $0.21m | $2.11m |

41 See - https://mexico.mom-gmr.org/en/owner/individual-owners/detail/owner/owner/show/carlos-slim-helu-1/
42 See https://www.businessdailyafrica.com/bd/corporate/companies/moi-family-shifts-sh520-million-stanchart-ownership-3926682
and
https://internews.org/wp-content/uploads/legacy/2021-03/KMAReport_Final_20210325.pdf
43 See https://www.exchange4media.com/media-others-news/72-tv-channels-owned-by-ril-have-a-reach-of-800mn-indians-98774.html

**Advice on narrative - talking about *“the rich”!!!***

What to say and not say following the narrative of Oxfam and TJNA??? Here a some advises from TJNA and Oxfam:

*Rich people are NOT evil.* Our aim and narrative is not to penalize rich individuals because they are rich. Our goal is to bring more equality and justice to our societies by making all people pay a fair share.

*Equality is good economics.* Taxing wealth is likely to stimulate economic activity by incentivising individuals to use assets productively. For example, if land ownership is taxed, landowners are more likely to make use of the land or sell it to someone who will, potentially creating employment and streams of tax revenue in the process.

*Wealth inequality is gender inequality.* On the whole, men are more likely than women to be wealthy. Therefore, taxing the rich can help to reduce economic gender inequality. If the revenues raised by taxing the rich are used to fund public services that disproportionately benefit women, it can have a double effect.

Be aware of a proactively counter myths and arguments like the following:

- *“ trickle-down economics… job creation, ressouces are more productively used in private hands than by the public…”* . Wrong, we have seen four decades trickle-down policies failing to deliver.
- *“Rich people are self-made…. Taxing them is unfair”.* Wrong: Rich people are rich thanks to the society they live in. Excessive wealth is never the result of only hard work, most often not at all. 1/3 of the world’s billionaire wealth is inherited and 71% of extreme wealth in developing countries is derived from either state-dependent industries or inheritance[44].
- “*Taxing the rich is impossible ….their wealth is held in intanglible/illiquid asset (in property, stocks etc.) and easily be moved to tax havens and cannot easily be taxed”.* Wrong, as there are ways to tax their wealth while at the same time preventing the rich from simply moving it to another jurisdiction.

[44] Oxfam (2017), An Economy for the 99%, www.oxfam.org/files/file_attachments/bpeconomy-for-99-percent-160117-en.pdf

| Topic | Research Analysis Questions |
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| 8.1<br><br>Transparency and data availability regarding *"The Rich"*.<br><br>Wealth and income distribution[45]<br><br>See country examples[46]<br><br>Many of the questions here are already fully or partly raised in chapter 6 | 8.1.1 Is there data on income distribution of the country? If yes, present the decintiles of the income distribution and the gini-coefficient. What is the percentage of total income obtained by the top 1% income earners.<br><br>8.1.2 Is there data on wealth distribution of the country? If yes, present the decintiles of the wealth distribution and the gini-coefficient. What is the percentage of total wealth owned by the top 1% richest people?<br><br>8.1.3 Is data published and publicly available on the amount of revenue raised from different income groups, decentiles, percentiles? Likewise for wealth: Is data published and publicly available on the amount of revenue raised from different wealth groups, decentiles, percentiles?<br><br>8.1.4 Are there studies and/or statistics showing how the tax rate paid by the rich people compare to that paid by e.g. wage-earners and small business owners?<br><br>8.1.5 Does your country have a nationally accepted (domestic) definition of taxing net wealth, transfer of wealth taxes and taxes on increases in value of wealth?<br><br>8.1.6 Is data published and publicly available on the amount of revenue raised by, and the proportion of revenue coming from, different types of wealth taxes like property tax, inheritance tax, land tax, capital gains tax (CGT) and net wealth tax (NWT)? What about the tax rates for these taxes - what are they and how do these rates compare to those in neighboring/comparable countries?<br><br>8.1.7 Have any studies been conducted in your country analysing the medium-term revenue potential for taxing the rich, e.g. taxes on |

[45] Oxfam has repeatedly shown across the world that wealth inequality is far greater, and growing far more rapidly, than income inequality. See e.g. Oxfam (2018) *Reward Work not wealth*: https://policy-practice.oxfam.org.uk/publications/reward-work-not-wealth-to-end-the-inequality-crisis-we-must-build-an-economy-fo-620396

[46] The **Argentine** revenue authority has been at the forefront of using automatic exchange of information and making the information public. In 2020, it exchanged information with 90 countries and received data on around half a million bank accounts. See Administracion Federal De Ingresos Publicos (AFIP). (Data retrieved November 2022). Estadísticas del intercambio al 31/12/2021 [Spanish]. Government of Argentina. https://www.afip.gob.ar/fiscalidad-internacional/intercambio-de-informacion/con-otras-jurisdicciones/documentos/Estadisticas-intercambio-automatico-crs.pdf

Also, the government of **Argentina** in 2022 estimated that a temporary contribution of 20% on the value of all undeclared offshore assets, covering bank accounts, property, financial assets and cryptocurrency, could generate up to $20bn.
Source: Pagina12. (2022, March 29). Fondo de evasores para pagar la deuda: el proyecto del Frente de Todos, punto por punto [Spanish]. www.pagina12.com.ar/411464-fondo-de-evasores-para-pagar-la-deuda-el-proyecto-del-frente

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| | millionaires, billionaires, minimum income taxes for rich (whatever threshold), net wealth tax, transfer of wealth taxes, and taxes on increases in value of wealth?<br><br>8.1.8 What types of asset registration (if any) does your country have? (much already asked in chapter 6)<br>● Is there a centralised, public register(s) of beneficial ownership of (key) assets?<br>● If so, does it get updated regularly and is it publicly available, free of charge, and verified?<br>● Does it keep e.g. property registered in a central or local database, digital or analogue?<br>● Is there a central registry for persons' ownership of financial assets?<br><br>8.1.9 Does your country have a global asset register[47]?<br>● If so, does your government work with other governments to advocate for a global asset register?<br>● If not, is it something that's being considered or on the political agenda?<br><br>8.1.10 How is transparency of the treatment of assets held in trusts, foundations and other vehicles (often used by the wealthy to hide their true ownership of assets) ensured?<br><br>8.1.11 What steps or measures (if any) have been taken to reduce the ability of wealthy individuals to hide their assets, including implementing public and centralised registers of beneficial ownership for companies, trusts, foundations and other financial assets.<br><br>8.1.12 Does your country obligate persons to meet mandatory declarations of assets (estate, property, financial assets, cash etc.) and liabilities including assets that residents hold in other jurisdictions?<br><br>8.1.13 Are there regulations for individuals and corporations on reporting their country-specific and global assets and wealth to the tax authorities in their country of residence[48]?<br><br>8.1.14 Does your country utilise the Common Reporting Standard (CRS) and promote automatic exchange of information between revenue authorities? |

[47] The solution is to create a comprehensive global asset register of all traditional types of wealth (including physical and financial assets) to connect and centralize asset identification. See ICRICT. (2018). A Roadmap for a Global Asset Registry. https://static1.squarespace.com/static/5a0c602bf43b5594845abb81/t/5c988368eef1a1538c2ae7eb/1553498989927/GAR.pdf

[48] Depending on the type of asset, the relevant tax and any applicable tax treaties, taxes are usually applied by the taxpayer's country of tax residence, except for immobile assets which tend to be taxed in the jurisdiction of that asset.

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| 8.2<br><br>Taxes on holding of wealth<br><br>See country examples[49] | **Net wealth tax (NWT)[50]**<br><br>8.2.1 Does your country have a NWT? If yes:<br>● Does it have progressive rates with sufficiently high thresholds ensuring that NWT does not need to be paid by ordinary middle-class person, only the wealthy are required to pay the tax?<br>● What NWT exemptions (if any) are offered? How much do these exemptions reduce the NWT tax base, and for what type or taxpayers?<br>● Are anti-avoidance measures in place to guarantee effective enforcement of the tax and reduce opportunities for the wealthy to avoid taxes by transferring their wealth to exempt assets[51]? |

[49] Oxfam's Survivel of the Richest report https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf shows that

- Taxing 5% on the net wealth of just one man, Carlos Slim in **Mexico**, could raise $4.1bn – enough to employ a quarter of a million Mexican teachers.
- As a percentage of total tax revenue, some **lower middle-income countries** could raise more revenue from a net wealth tax than rich countries because of high wealth inequality and low total tax revenues.
- The revenue-raising potential of a wealth tax in **India** and **Nigeria** is twice that in the US and France as a proportion of their tax revenues. A wealth tax of 2% on fortunes above $5m and 5% on fortunes above $1bn could increase tax revenues by 7% in the **USA** and 3% in **France**, compared with 14% in **India** and 7% in **Nigeria**. Moreover, in **Nigeria** and **India**, this revenue could boost health expenditure by 14% and 33%, respectively.

**Wealth tax in India** introduced an annual wealth tax in 1957 with the twin objectives of reducing inequality and promoting compliance by cross-checking the information declared for income tax purposes. The tax was levied at a rate of 1% on wealth above a threshold of 3 million rupees (roughly £36,000)#, until it was discontinued in 2016 and replaced with a surcharge on high-income earning taxpayers. The Explanatory Statement to the Finance Bill 2015 indicated that the main reasons for discontinuing the wealth tax were the low tax revenue and high compliance costs. This can be significantly attributed to the wide range of exemptions provided, which reduced the tax base, and made it difficult to administer. In 2015 the finance minister of India, reported that repealing its wealth tax resulted in a revenue loss of some 10 billion rupees (the rough equivalent of US$150 million) #.

**Wealth tax in Columbia** introduced a net wealth tax in 2002. The effect of Panama Papers and the voluntary disclosure program have helped double wealth taxes collected. After the Panama Papers, Colombian taxpayers disclosed 15 times more assets held abroad than had been previously reported. Colombia Revenue Authority (DIAN) also began in 2015 a voluntary disclosure program to encourage taxpayers to report hidden assets. The result is an 830 percent spike in what taxpayers disclosed to the DIAN.

[50] Net wealth tax is a tax levied on total wealth accumulated by an individual (above a certain threshold) based on the net value of all assets (minus debts), within the country or offshore: housing, bank deposits, corporate stocks, financial assets or tangible assets (e.g. jewellery, paintings, yachts).

The IMF has underlined the important role that wealth taxes can play in reducing inequality. It recently estimated that across 21 rich countries and three 'emerging' economies, an annual net wealth tax of just 1% could reduce the wealth share of the richest 1% by between one and 2.5 percentage points over a 20-year period, and that this could reduce the wealth concentrated in their hands by more than 10%. See - IMF. (2021). Fiscal Monitor: A Fair Shot. Online Annex 2.1: Inequality, Social Mobility, and Educational Outcomes. https://www.imf.org/-/media/Files/Publications/fiscal-monitor/2021/April/English/onlineannex21.ashx

[51] One area of tax avoidance is for instance *debt deductibility* where taxpayers borrow money and deduct interest payments. Those borrowed funds can then be used for another avoidance strategy like *investing in exempt assets*. If debt is only deductible when invested in taxable assets, taxpayers

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| | ● Are equivalent NWT rates for corporations ensured so that, i.e. are not lower than those applied to individuals, to minimise opportunities for avoidance?<br><br>**Property tax**[52]<br>8.2.2 Does your country tax ownership of property?<br><br>8.2.3 What value assessment method is your country using for assessing values of properties? [53]<br><br>8.2.4 At what administrative level is property tax administered, collected and spent (local, subnational, national level...)?<br><br>8.2.5 Is the competent authority equipped to assess property values?[54]<br>● Do tax collectors have authority to collect fines for fraud or failure to pay applicable property tax?<br>● Are there other enforcement measures?<br>● Does your country have regularly updated property registers and do property valuations?<br>● How often does property get valued?<br><br>8.2.6 Is there a special tax on empty homes?<br><br>8.2.7 Are there annual taxes on the combined value of property and land?<br><br>8.2.8 Is there a progressive rate schedule applied (to the owner not the property)?<br>● Are very low value properties removed from the liability of property tax where they are the main family residence? |

can invest their savings in tax-exempt assets and finance their investments in taxable assets through debt - OECD (2018). The Role and Design of Net Wealth Taxes in the OECD , page*87.*
https://www.oecd.org/tax/the-role-and-design-of-net-wealth-taxes-in-the-oecd-9789264290303-en.htm

[52] In low-income African countries, property taxes are often below 0.1% of GDP and 1% of tax revenue - see CMI (2017) Property Taxation in Developing Countries https://www.cmi.no/publications/file/6167-property-taxation-in-developing-countries.pdf

[53] African countries depend mostly on the regressive but easier to administer area-based assessment for property taxation. Fewer countries have adopted the more accurate, progressive but more expensive and time-consuming value-based method of valuation. Great inspiration about simplifying property tax valuation and lessons to be learned from a pilot project in Freetown, Sierra Leone https://www.ictd.ac/blog/can-property-tax-valuation-africa-simplified-lessons-pilot-project-freetown-sierra-leone/

[54]ICTD plan to produce a paper property taxation mid-2023. Till then implicit reference to approaches that focus on registering property, even in the absence of ownership information can be found here:

(1) https://www.tandfonline.com/doi/full/10.1080/00220388.2016.1153073
(2)https://www.ictd.ac/publication/practical-guidance-note-training-manual-for-implementing-property-tax-reform-with-a-points-based-valuation/
(3)https://www.ictd.ac/blog/can-property-tax-valuation-africa-simplified-lessons-pilot-project-freetown-sierra-leone/
(4) https://www.ictd.ac/fr/blog/impot-foncier-faut-il-taxer-le-proprietaire-ou-loccupant/

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| | ● Does the system ensure that property taxes don't force vulnerable landowners such as the poor or older people to sell their property or land?<br><br>8.2.9 Does property rights and land ownership for women get promoted and encouraged through the property tax system?<br><br>8.2.10 Are commercial properties taxed at the same, higher or lower rates than residential properties?<br><br>8.2.11 What measures are taken to ensure that the real owner of property is known, regardless of whether it is held privately or in a trust, foundation or other secrecy vehicle?<br><br>8.2.12 What mechanisms (if any) are in place to secure property value assessment, taxation and auditing is independent and safeguarded against pressure of individual politicians/stakeholders, corruption and bribery.<br><br><br>**PENSIONS**[55]<br>8.2.12 How is the tax regime around pensions and pension contributions?<br>● Can you pay part (how much) of your income in a pension scheme tax free - does the tax rate depend on the size of payments?<br>● Are pension payouts taxed at a different rate than income?<br><br>8.2.13 What is the impact from pensions payouts and pension contributions on inequality?<br><br>**Wealth tax on corporations**<br>8.2.14 Does your country have a wealth tax on corporations' stock, equity or assets[56]?<br><br>8.2.15 If not, has such taxes been discussed?<br><br>**Generally**<br>8.2.16 Are there possibilities of taxes on holding of wealth that can be paid in installments or other measures to help with liquidity issues?[57] |

[55] The expectation is that in developing countries is it only upper middle class and rich people who make us of legal/official pension systems. I.e. tax benefits from such schemes would disproportionally go to The Rich.

[56] Emmanuel Saez and Gabriel Zucman, 2022, propose to institute a new tax on corporations' stock shares for all publicly listed companies and large private companies. Each of these companies would have to pay 0.2% of the value of its stock in taxes each year. Because stock ownership is highly concentrated among the rich, this tax would be progressive. The tax could be paid in kind by corporations (by issuing new stock) so that the tax does not raise liquidity issue nor affect business operations. See, https://gabriel-zucman.eu/files/SaezZucman2022EP.pdf

[57] A often used counter-agument on wealth taxes including property taxes regards liquidity. In specific cases where individuals hold substantive wealth but have income liquidity issues, tax systems should develop a deferral

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| 8.3<br><br>Taxes on transfer of wealth | **Inheritance and gift taxes**[58]<br>8.3.1 Is there a tax on inheritance and/or gift tax? If yes:<br>● Is it progressive?<br>● What are the rates and thresholds?<br>● Who is subject to such taxes?<br>● What are the exemptions?<br>● Does the tax authority keep track of each taxpayer's lifetime accumulated gifts?<br>● Does the rate increase to target those receiving significant gifts or inheritance?<br><br>8.3.2 What measures are taken to minimize opportunities for avoidance of inheritance/gift taxes? |

system. In such cases, the net wealth taxes would be deferred until the sale of asset, or until the death of taxpayer, when such assets would be realized or sold, providing liquidity for the payment of taxes.
Different thresholds or rates could apply to the main family home. However, in order to prevent manoeuvres by wealthy individuals to avoid or evade the deferred net wealth taxes, proportionate anti-avoidance measures should be implemented to guarantee effective enforcement of the tax.
If a tax payment can be done in installments spread out over 5 years, then even if the top-up tax burden is high for an individual in one year, they will have ample time to liquidate the necessary assets (or will not need to liquidate much, because everyone has some liquidity). In a stylized example: If an ultra-rich person has no cash savings, no (realized) income and only owns stock, and that stock doubles in value in one year, they will owe 20% of that gain in top-up tax – so 10% of their fortune. Spread out over 5 years, that's 2% of their fortune each year – which is not hard to liquidate and will likely not affect (e.g.) stock prices at all. Even if such stock holdings quadruple in value in one year, the top-up tax owed will only be 15% of the total fortune, so can be spread out to be 3% per year over 5 years – still not resulting in a market-distorting liquidation.

[58] Inheritance tax, also known as estate tax, is a tax levied on the net value of all possessions (property, financial assets, bank accounts, tangible assets, e.g. yachts) transferred to someone else upon an individual's death. It is paid by those who inherit the wealth. Seen from the beneficiary's perspective, inheritance is perhaps the clearest example of unearned income received purely thanks to the lottery of birth. From the perspective of the person leaving an inheritance, a tax on inheritance is a tax on their wealth. The current injustice, and future potential, of inheritance taxes is genuinely vast.

Many countries which have a cultural tradition of financially protecting the upcoming generations. While this cultural trend must be respected and taken into account, a static distrust in the progress of government through progressive policies (including taxation of wealth) is based on the position that it is impossible or undesirable to improve the social contract. On the other hand, progressive tax systems which redistribute wealth as well as strengthen the links between citizens and the state actually increase the legitimacy of government revenue collection and the need to hold the government to account. (Oxfam 2019, Wealth tax compendium)

The potential for genuinely curbing wealth inequality through inheritance taxes is considerable. For instance, one-third of today's billionaires acquired their wealth from inheritance. See - Oxfam 2017 "*An Economy for the 99%: It's time to build a human economy that benefits everyone, not just the privileged few"* https://policy-practice.oxfam.org/resources/an-economy-for-the-99-its-time-to-build-a-human-economy-that-benefits-everyone-620170/

Oxfam's Survivel of the Richest report
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf
shows that

- Half of the world's billionaires (46%) are from countries with no inheritance tax on wealth and assets passed to direct descendants. This means that these super-wealthy individuals (1,232 people) will be able to pass on a combined fortune of $5 trillion completely tax-free to the next generation, keeping the concentration of wealth in the hands of the same families, and perpetuating inequality. This is more than the entire GDP of Africa.
- Of the 119 countries we reviewed, only 33% tax inheritance passed to direct descendants.
- For low- and lower-middle-income countries the figure is even lower: none of the six low-income countries with available data has an inheritance tax on wealth and assets passed to direct descendants, and only 26% (eight out of 31) of lower-middle income countries have one.

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| | 8.3.3 Can gift and inheritance taxes be paid over a period of time to minimize the risk that inheritors will be forced to sell for example family homes?<br><br>8.3.4 What could be an politically acceptable level of inheritance tax on the fortunes of the top1% in your country?<br><br>**Financial transaction tax (FTT)**<br>Discuss how and in what developing countries a FTT could be a relevant policy objective?<br><br>**Withholding taxes**<br>see chapter 3 and check for building on this and how to structure between chapter 3 and chapter 8 |
| 8.4<br><br>Taxes on increase in the value of wealth<br><br>See country examples[59] | **Capital gains tax (CGT) and unrealized capital gains tax[60]**<br><br>8.4.1 Are capital gains and personal income taxation taxed jointly? Or is there a separate capital gains tax?<br><br>8.4.2 What is the CGT tax rate? Is it progressive?<br><br>8.4.3 Is there a way or system the revenue authority uses to keep track of disposal/selling of assets to allow for levying of CGT? Does this take into account the informal sector (if relevant)?<br><br>8.4.4 What does the CGT apply to (sale of all assets?)? Are non-residents also covered by the CGT requirement? |

[59] Capital gains are currently only taxed at 5% in **Kenya** where intense lobbying and political capture by wealthy interests have made it one of the most hotly contested and lobbied areas of the tax code for decades. See - Mutava, C.N. and Wanjala, B. (2017). *Taxing for a more equal Kenya: A five point action plan to fight inequality* https://policy-practice.oxfam.org/resources/taxing-for-a-more-equal-kenya-a-five-point-action-plan-to-tackle-inequality-620389/

Capital Gains Tax (CGT) in **South Africa** introduced capital gains tax (CGT) in 2001 at 10%, the rate hereafter went up to 13.3% in 2002, 13.7% in 2015. In 2016 it again increased to 16.4% followed by a raise to 18%in 2017 - see Arendse, J. and Stack, L. (2018) Investigating a New Wealth Tax in South Africa: Lessons from International Experience https://jefjournal.org.za/index.php/jef/article/view/175/207#T0001_175

In **India**, a one-off tax on unrealized gains from 2017–2021 on just one billionaire, Gautam Adani, could have raised $21.95bn – enough to employ more than five million Indian primary school teachers for a year. See - Oxfam 2023, *Survivel of the Richest* https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf

[60] ***Capital gains tax (CGT)*** is a tax levied on the increased value of an asset when it is sold. The most common capital gains are on stocks or bonds.
***Unrealized capital gains tax*** is a tax levied on the increased value of an asset that has not been sold.
If we want the wealthiest to pay a higher rate of tax, we need higher taxes on all forms of income that they enjoy. For the super-rich, capital gains are much more important than salaries.
Oxfam's Survivel of the Richest report
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf
shows that

- Out of 123 countries the average tax rate on capital gains is only 18% – far less than taxes on income from work.
- Only three countries that tax capital income more than work income.

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| | 8.4.5 Are there certain assets exempted from CGT? Is there a threshold?<br><br>8.4.6 How do the provisions on CGT in the country's DTA network look like? Are they securing or giving away capital gains taxing rights?<br><br>8.4.7 How is unrealised capital gains taxed (UCGT) in your country[61]?<br><br>8.4.8 Are measures taken to prevent individuals and companies avoiding capital gains tax by hiding their ownership of assets? CGT should be applied to the true owner regardless of how the asset is legally owned, such as through a trust or company, or through registration in a foreign country. |
| 8.5<br><br>Income taxes targeting rich individuals | 8.5.1 What does the PIT brackets/bands look like in your country?<br>● What percent of tax-payers pays the highest PIT rate?<br>● Is there a PIT band for the top1% highest income-earners?<br>● If not, has such a PIT-band been discussed?[63]<br>● What do these bands look like in comparison to countries in your region (a comparison with three or more countries)?<br><br>8.5.2 Is financial income progressively taxed, such as dividends or share income, interest on deposits or bonds, or gains on pension/investment fund investments?<br><br>8.5.3 How does the tax rate on dividend payouts to wealthy stockholders compare to the tax rate on income from wages in your country? |

Across the world, capital gains are generally only taxed when they are realized. Asset prices change constantly, but a capital gain is considered 'realized' when there is a transaction and the asset is sold for a higher price than it was purchased for. If the price of an asset increases but the asset is not sold, this is an unrealized capital gain. The absence of a tax on unrealized gains allows rich people to accrue value from their assets without having to pay tax on it.
Opponents of taxing unrealized gains argue that it is not 'real money'. However, assets (financial, property, etc.) can be used as collateral to raise loans; therefore, they are in practice 'real money' for the wealthiest. A recent example is when Elon Musk took out loans against his Tesla stocks to buy Twitter - see https://www.reuters.com/markets/us/how-will-elon-musk-pay-twitter-2022-10-07/
Tax on unrealized gains is currently still a relatively new concept, and would need careful consideration and analysis before being implemented. Such a tax could take the form of a one-off tax to be paid over time on unrealized gains made over multiple years, or it could be designed as a recurring tax on annual unrealized gains.

[61] Oxfam knows of no countries currently taxing unrealized capital gains (UCG) while the holder is still alive. The UCG share of income among the ultra-rich is usually very large, e.g. above 60% for the wealthiest Americans. The figure is probably comparable in many other countries, but data is scarce.
According to ProPublica, the 25 wealthiest Americans paid an average 16% tax on their taxable income from 2013 to 2018 but only had an average true tax rate of 3.4% from 2014 to 2018.
Sources: (1) PwC tax summaries: https://taxsummaries.pwc.com/ ;
(2) Propublica 2021, The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax
(3) Propupblica, 2021, How We Calculated the True Tax Rates of the Wealthiest, https://www.propublica.org/article/how-we-calculated-the-true-tax-rates-of-the-wealthiest

[63] Most low-income countries have high tax rates at the lower-end of the income bracket, therefore, in most cases, income taxes are regressive. Introducing an additional tax rate band could be useful in bridging the inequality gap whilst increasing tax revenue.

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| Country examples[62] | 8.5.3 Are high income taxpayers in your country benefiting from general tax reliefs, e.g. base deduction, joint income filing for married couples, childe education support[64]?<br><br>8.5.5 Does the rich and/or ultra-rich pay lower *effective tax rate* (ETR) than the median-wage earner in your country?<br><br>8.5.5 Do you have experiences of implemented **windfall** taxes in your country? How much revenue have these taxes generated?<br><br>8.5.6 Does your country have experience with **one-off** taxes targeting rich people in times of crises, e.g. on companies, exports, netwealth, properties, income (see example from Argentina[65])?<br><br>8.5.7 How could implementing a one-off solidarity wealth tax on the top 1% impact revenue and political sentiments in your country? What are the potential challenges associated with implementing such a tax? |

[62] It is likely difficult find out what the effective tax rate (ETR) is of the richest people. Likewise, it can be difficult to find out what the average worker effectively pays in taxes. Looking at statutory rates can nevertheless sometimes be helpful. The OECD, however, publishes data on the average effective tax rate for median-wage earners in its members countries. OECD average workers' tax rates: https://stats.oecd.org/index.aspx?DataSetCode=Table_I6
Country data can be found e.g. at PwC tax summaries: https://taxsummaries.pwc.com/

**Ghana** The top PIT rate is 30%, and the average worker probably has a statutory PIT rate of around 9%. The top CGT rate is 15%, and there is no comprehensive inheritance tax.
**Kenya** The top PIT rate is 30%, and the average worker probably has a statutory PIT rate of around 9%. The top CGT rate is 5%, and there is no comprehensive inheritance tax.
**Nigeria** The top PIT rate is 24%, and the average worker probably has a statutory PIT rate of around 5%. The top CGT rate is 10%, and the top inheritance tax rate for direct descendants is 10%.
**Tanzania** The top PIT rate is 30%, though the average worker probably has a statutory PIT rate of around 1%. The top CGT rate is 10%, and there is no comprehensive inheritance tax.
**India** The top PIT rate is 42%, though the average worker probably pays no income tax. The top CGT rate is 10%, and there is no comprehensive inheritance tax.
**Pakistan** The top PIT rate is 47%, though the average worker probably pays no income tax. The top CGT rate is 13%, and there is no comprehensive inheritance tax.
**Argentina** The top PIT rate is 35%; I haven't tried to estimate the average worker's effective rate. The top CGT rate is 15%, and there is no comprehensive inheritance tax.

[64] Tax reliefs in the tax code must aimed at reducing inequality, rather than being given on a wholesale. For instance, in Ghana, taxpayers are entitled to a tax-free amount of GHC 3,828 (approximately $670) a year. Even though this aims at reducing inequality through tax codes, every taxpayer in the country qualifies. Aside the personal reliefs (i.e. personal allowances), there are several tax reliefs such as married couples' allowance, child education support, dependent spouse, etc. which are again given to any taxpayer. Removing such tax 'freebies' for higher income tax earners, for example, those earning over $6000 a month, could generate substantial revenue whilst promoting one of the core aims of taxation, fairness.

[65] In december 2020 Argentina passed the *'Solidarity and Extraordinary Contribution of Great Fortunes'* law, a one-off tax intended to help cover the costs of the COVID19 pandemic. The tax was levied on Argentina's 12,000 richest people, just 0.02% of the population, who have declared assets of more than US$2.5 million will be collected through a one-time charge of 2-5.25% on individual assets that the Argentine government expects to raise some $3.5bn.

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| 8.6<br><br>Minimum tax for ultra-rich (MTUR) sometimes called a *Billionaire Minimum Tax Rate (BMTR)*[66] | 8.6.1 Are there studies or statistics in your country showing the effective tax rate (ETR) of the rich and ultry rich, e.g. the top1% or top 0.1% ?<br><br>8.6.2 If yes, does it include income both from *personal income, realized capital gains,* and *unrealized capital gains?* |
| 8.7<br><br>Exit tax[67] | 8.7.1 Does your country have an exit tax for persons leaving your country in order to become tax resident in another country?<br><br>8.7.2 Does your country have rules in place to keep taxing people after they leave the country based on how much wealth they redomicile out of your country and/or based on the number of years they were tax residents?[68] |

[66]The USA Biden administration's 2022 proposal of a "Billionaire Minimum Income Tax" (**BMIT**) has started a renewed interest in MTUR-taxes in many countries. The common feature of these and other framings is that a MTUR would **fix a bug in the system**: we never intended for the ultra-rich to pay lower taxes than others, but here we are, and one way to fix it is by setting a minimum tax rate that would apply to their total income. In the Biden administration's proposal, this minimum rate is set equal to the top CGT rate at 20%.

**Double taxation and MTUR.** Tax authorities can arrange the MTUR as a "prepayment" of future taxes and thus avoids double-taxing anyone. The BMIT paid in past years will be deductible from future tax liabilities, such as when capital gains are realized, or when capital is passed on upon death. E.g. if the total price of the stock holdings crashes the next year, our stylized stockholder would be eligible for a tax refund based on the price decrease. And if the stylized stockholder ends up realizing all the gains in year 2, they will owe no taxes on those gains because the MTUR in year 1 was just a prepayment of future taxes. All in all, such a structure makes it exceedingly unlikely that a MTUR will cause liquidity issues, significant debt or market distortions related to suddenly necessary asset sales.

[67] An exit tax or emigration tax is a tax on persons who cease to be tax resident in a country. This often takes the form of a capital gains tax against unrealised gain attributable to the period in which the taxpayer was a tax resident of the country in question.
The current South African exit tax regime works in concert with South Africa's foreign exchange controls. A person who is a resident of South Africa as defined under the exchange control laws (someone who is resident or domiciled in South Africa) may change status to become an emigrant, if the person is leaving the Common Monetary Area (South Africa, Namibia, Swaziland, and Lesotho) to take up permanent residence in another country. A single emigrant may expatriate up to R4 million of assets without exit charge, while a family is entitled to twice that amount. The emigrant must declare all worldwide assets to an Authorised Dealer of the South African Reserve Bank, and obtain a tax clearance certificate from the South African Revenue Service. See, https://en.wikipedia.org/wiki/Expatriation_tax

[68] *See Page4 in* Emmanuel SEAZ & Gabriel ZUCMAN (2022). Wealth Taxation: Lessons from History and Recent Developments , https://gabriel-zucman.eu/files/SZ2022AEA.pdf

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| 8.8<br><br>Alternative and creative ways of tackling challenges with data availability and tax compliance | 8.8.1 What experience (if any) does your country have in using *proxies* for wealth and income when data availability is a challenge. *Proxies* could for instance include:<br>● The number of cars and homes owned, using third party data such as DVLA and local assemblies' records of property ownerships registration documents.<br>● Bank balance and movements<br>● The type of educational establishment of one's child/ward<br>● Investment outside Ghana (Here, the corporation of foreign government/authorities may be required)<br>● Records of their imports and /or exports and their volume<br>● Bank transactions including loans. Size of loan may help determine their wealth since most banks give loans based on one's personal finance/ assets/collateral.<br>● Publicly and generally available information.<br>● Social activities and general lifestyle.<br><br>8.8.2 Does your country have specific taxes and levies targeting luxury goods? E.g. luxury vehicles could be subject to an extra annual levy where vehicle owners pay during the renewal of their road tax or road certificates with the Drivers and Vehicles Licensing Authority which could be the body to administer such levies for luxury vehicles.[69] |
| 8.9<br><br>Administrative question in relation to the Revenue Authorities and other state institutions<br><br>See country examples[70] | 8.9.1 Has specific units in the tax authority been established to deal with taxing the wealthy and powerful people, e.g. High Net Worth Individuals (HNWI), and/or politically exposed persons (PEPs) and persons seen as Very Important Persons (VIPs)?<br>● Who is defined as a HNWI in your country? What types of income/asset will be considered/included and what is set as threshold above which wealth and income levels are considered "high"?<br>● How are HNWIs identified?<br>● How are revenue/tax authorities in your country engaging with HNWI?<br>● What legal and administrative frameworks need to be amended to ensure HNWIs are fairly taxed? |

[69] If Tax luxury vehicles, the Drivers and Vehicles Licensing Authority (DVLA), could administer such levies to increase simplicity and administrative efficiency, as the DVLA already has full access to data on luxury vehicles in the country. The policy must exclude commercial vehicles (as prices may be passed on to the poor who may be using public transport). To promote fairness and improve compliance, cars used by politicians [which qualify] must be included. This levy, if well designed could raise substantial revenues for low-income countries.

[70] A step in the right direction is to create a high-net-worth individual (HNWI) unit within a revenue administration to monitor high-value transactions and property ownership, rental incomes or large loans, in order to facilitate risk audits and compliance checks.
**Uganda** successfully increased revenue collection from HNWIs by $5m in the first year and $11m in the second year after setting up a special unit. See - Okecho Olwenyi, J. and Seery, E. (2020, October). Widening the Tax Base of Low-Income Countries: Taxing high-net-worth individuals in Uganda. https://policy-practice.oxfam.org/resources/widening-the-tax-base-of-low-income-countries-taxing-high-net-worth-individuals-621078/

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| | 8.9.2 Is whistleblowing protection ensured for those who expose tax avoidance and evasion schemes by the ultra-wealthy?<br><br>8.9.3 Is there an automatic exchange of information system in place to ensure that information on assets held in other jurisdictions is shared between revenue authorities, through a reformed OECD Global Forum on transparency & Exchange of Information for Tax Purposes or otherwise?<br><br>8.9.4 To what extent are public and tax administrations in your country empowered to track and tax the wealth of the richest people and corporations? |
| 8.10<br><br>Public sentiment, tax-payer compliance and the politics of taxing the rich<br><br>See country examples[71] | 8.10.1 Does your country's revenue authorities have voluntary disclosure programs for high wealth individuals and/or high income individuals and companies?<br><br>8.10.2 Does your country have tax amnesty programs?<br><br>8.10.3 Are there public awareness programmes to help increase compliance? |

**South Africa** has adopted a third-party financial reporting mechanism (on capital income and ownership) even before implementing proper net wealth tax legislation. This provides the South Africa Revenue Service with crucial information to better map the profile of the wealthiest in the country and adjust compliance systems for the future. See - BusinessTech. (2022, March 27). Big tax changes coming to South Africa. https://businesstech.co.za/news/government/570384/big-tax-changes-coming-to-south-africa/
and South African Revenue Service. Third Party Data Submission Platform
https://www.sars.gov.za/businesses-and-employers/third-party-data-submission-platform/

[71] The concentration of media ownership in the hands of a few super-rich individuals, and the power this gives them to influence the terms of the political debate, pose a significant challenge to progressive reforms.

A sizeable share of **Mexico's** media is owned by the country's richest man, Carlos Slim - see https://mexico.mom-gmr.org/en/owner/individual-owners/detail/owner/owner/show/carlos-slim-helu-1/

**Kenya**'s former president Daniel Arap Moi, considered one of the richest men in the country, owned several newspapers with large reach, including the Standard, before he passed away in 2022 - see
https://www.businessdailyafrica.com/bd/corporate/companies/moi-family-shifts-sh520-million-stanchart-ownership-3926682
and
https://internews.org/wp-content/uploads/legacy/2021-03/KMAReport_Final_20210325.pdf

In **India**, 72 TV channels reaching over 800 million people are owned by one billionaire: Mukesh Ambani - see https://www.exchange4media.com/media-others-news/72-tv-channels-owned-by-ril-have-a-reach-of-800mn-indians-98774.html

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| | 8.10.4 Does your country have experiences with enhancing the social contract via ***political signalling*** around taxes targeting the rich?[72]<br><br>8.10.5 Does your country have special transparency and/or tax compliance requirements for persons holding or seeking political office (see example from Uganda[73])?<br><br>8.10.6 What is the public opinion on taxing rich individuals in your country?<br><br>8.10.7 How does the government in your country justify its tax system for rich individuals?<br><br>8.10.8 What institutions and players in your country are now making the case for taxing the rich more, and what does this suggest about the direction of national tax policy? |

## Chapter 8 literature for further reading


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CMI (2017) Property Taxation in Developing Countries
https://www.cmi.no/publications/file/6167-property-taxation-in-developing-countries.pdf


[72] **Political signalling.** WorldBank study from 2022 shows that progressive tax systems make people more likely to pay taxes - based on surveys in 8 developing countries
https://openknowledge.worldbank.org/bitstream/handle/10986/37987/IDU0aaee5bc5034b5041d80901c0e9d06c8ad905.pdf?sequence=1&isAllowed=y
It is important for governments to show that the wealthy are paying their fair share of tax, to signal that everyone in society is contributing according to their means, especially at times of austerity. More broadly, wealth taxes can be a way to enhance the social contract where those with more pay more in tax. When wealthier people are taxed effectively, tax morale in general improves as the government has increased fiscal legitimacy. This is likely to lead to less small-scale tax evasion across income groups as well as higher trust in relevant institutions.
Read more in *Oxfam, Wealth Tax Compendium, 2019, Page3*

[73] Experiences from Uganda (ATI case study 2022) on tax requirements for people running for political office - often very rich people - *1. "…before the 2016 parliamentary and presidential elections the URA requested that the Electoral Commission require a tax clearance certificate from the URA before accepting nominations from candidates for parliamentary seats. The URA and Domestic Taxes Department made public announcements and contacted candidates via text and email, urging them to file their returns and pay any tax due in order to obtain a Tax Clearance Certificate."*

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