

Report of the 5th meeting of ATI Consultative Group 1

The 3 E's of good tax systems

Date: 26 January 2023, 14:00 – 15:30 (CET), Virtual

Participants: Alhagie Jallow (The Gambia), Amadou Abdoulaye Badiane (Senegal), Anders Gerdin (SIDA), Augusto Del Valle (Paraguay), Benedikt Madl (EC), Chiara Putaturo (Oxfam), Colette Nyirakamana (LoGRI), David Dod (USA), Fariya Mohiuddin (IBP), Geert Holterman (Netherlands), Gideon Rabinowitz (Agulhas), Hitchen Dauara (IBP), Jonas Henriques (Denmark), Juan Pedro Schmid (Switzerland), Junaid Murtaza (Pakistan), Junias Rehabeam Kaulimonua Makoka (Namibia), Khamis S. Mwalim (Tanzania), Lodovico Muratori (Italy), Miguel Játiva (Ecuador), Monica Tumukunde (Uganda), Outi Hakkarainen (Finland), Romeo Nkoulou Ella (ATAF), Simen Bjørnerud (Norway), Sissie Fung (ADB), Stina Färje (Sweden), Titilola Akindeinde (LoGRI), Valerie Schulte Nordholt (Netherlands), Vegard Holmedahl (OECD FTA), Addisu Degefa (ITC), Michelle Ordóñez (ITC), Taïs Chartouni Rodrigues (ITC).

Agenda:

1. Welcome and introduction
2. Activities implemented by ATI Consultative Group 1 in 2021/2022
3. Presentation of Brief on Equitable Taxation
4. Latest developments on [ATI Consultative Group 1 work plan](#)
5. Open dialogue and next steps

The ATI Consultative Group 1 is dedicated to the implementation of Commitment 1 of [the ATI Declaration 2025](#): “ATI partner countries commit to enhance DRM on the basis of equitable tax policies as well as efficient, effective, and transparent revenue administrations. ATI development partners commit to support such reforms.”

Welcome and introduction

The fifth meeting of ATI Consultative Group 1 was held on 26 January 2023. The meeting had the following objectives:

- 1) Present the status and progress of the activities and products under the work plan 2021/2022 of ATI Consultative Group 1, while receiving feedback and further ideas on these current developments;
- 2) Agree on priority topics and future areas of engagement for 2023, including during the 2023 ATI General Assembly;
- 3) Discuss and agree on next steps.

Simen BJØRNERUD (Norway), co-coordinator of ATI Consultative Group 1, opened the meeting in his role as a moderator of this session by welcoming attendees.

Activities implemented by ATI Consultative Group 1 in 2021/2022

Regarding the ATI Declaration 2025 *monitoring framework*, the identification of indicators for tracking the progress of ATI members on Commitment 1 has been completed (see [here](#)). On *equitable taxation*, the brief on ‘ATI partner countries’ perspectives on moving towards equitable

tax systems' is being concluded. Moreover, the ATI, in collaboration with Germany, organised a webinar on 'Evidence-based Fiscal Policy Tools to Improve Equity', with technical inputs from the Global Development Network (GDN). In relation to *subnational taxation*, the ATI, the Development Partners Network on Decentralisation & Local Governance (DeLoG) and the Norwegian Agency for Development Cooperation (Norad) jointly organised a [webinar series](#) on the 'Role of Subnational Domestic Revenue Mobilisation for Public Service Delivery' in 2021.

Under the work stream of *revenue administration and reform*, as a result of the interest raised by ATI partner countries during the webinar on the Digital Transformation Maturity Model (DTMM) from the OECD's Forum on Tax Administration (FTA), which took place in March 2022, the ATI & OECD FTA undertook the [first session](#) of a series of (three) workshops on the topic in October 2022, bringing together tax administrations from five ATI partner countries interested in performing the DTMM-based self-assessment.

Finally, as a cross-cutting topic, the ATI Consultative Group 4's [webinar](#) on 'Enhancing Tax Accountability through Citizen Participation and Taxpayer Education', in collaboration with OECD and Save the Children, contributed to the fulfilment of ATI Commitment 1 as the webinar highlighted the importance of fostering tax accountability for increasing trust in the tax administration and curbing non-compliant behaviour.

Presentation of Brief on Equitable Taxation

The consultant **Gideon RABINOWITZ**, from Agulhas Applied Knowledge, provided a brief overview of the main results of the study. Based on a conceptual framework developed to identify equitable tax reforms and selected criteria for country case examples, three experiences were selected: (i) the sin tax reform and revenue-raising for access to healthcare in the *Philippines*; (ii) the property tax reform and resulted subnational revenue generation in *Freetown, Sierra Leone*; and (iii) the introduction of the High-Net-Worth-Individuals (HNWI) Unit in *Uganda*. The country experiences included interviews with key stakeholders involved in the implementation of these reforms / processes besides the revision of literature and data.

As **Gideon RABINOWITZ** highlighted, the following lessons can be drawn from these cases. First, the brief suggests that high-level political support is critical in the initiation and implementation of reforms. Secondly, establishing a link between generating revenue and public spending priorities can help secure broad public support as illuminated in these case studies. Third, it is essential to address the broader range of constraints that hinder efforts to achieve equitable tax reforms, and secure external support from donors. Finally, a clear strategic approach and methodology for promoting equity is pertinent when considering reforms.

During the Q&A session, **Simen BJØRNERUD** referring to the Sin Tax reform in the Philippines, raised the question on how to reconcile the health and revenue generation objectives when considering such tax reforms. **Benedikt MADL** (EC) pointed out the methodological difficulties in assessing the impact and questioned the potential regressive effects of these taxes. He further stressed the importance of considering the mobility of assets in the Ugandan case. **Gideon RABINOWITZ** explained that there was a legislative earmarking and echoed the methodological challenges. He underlined that it is difficult to know how much the government wants to spend on health and what the additional revenue will be earmarked. However, in the case of the Philippines,

health spending has increased rapidly in a very short period of time, and it can be stated that around 40% of this spending comes from sin tax revenues in 2022.

Anders GERDIN asked if there was any communication strategy to promote compliance in Uganda as in the case of Sierra Leone, to which **Gideon RABINOWITZ** replied that part of the task of this unit was communication and customer management. Adding to this, **Monica TUMUKUNDE** (Uganda), from the Uganda Revenue Authority (URA), emphasised that the focus of the Unit is creating good relationship with taxpayers and raising their awareness, which will enhance engagement and ultimately compliance.

Simen BJØRNERUD raised his concern on the issue of earmarking, especially considering that the ministries of finance may not agree with it. **Chiara PUTATURO** (Oxfam) reiterated the concerns in the selection of cases in relation to the Philippines case, which could be seen regressive in some respects. Based on the Ugandan case, she underlined the importance of strengthening international cooperation to combat aggressive tax planning and improve tax transparency, as well as building the capacity of tax administrations on these matters. In response to a question from **David DOD** (USA) on data sharing between different government agencies, **Gideon RABINOWITZ** explained that in the case of Uganda, the Unit used publicly available data to identify HNWI with limited information sharing.

The ATI Secretariat announced that the final brief on equitable taxation will be disseminated in the upcoming months.

Latest developments on ATI Consultative Group 1 work plan

Regarding the *monitoring* of ATI Commitment 1, the progress of ATI members on this commitment will be presented as part of the 2020 ATI Monitoring Report. Concerning the work line of *equitable taxation*, the second part of the webinar series on fiscal policy tools to improve equity is planned for the first semester of 2023. This session will feature practical experiences of partner countries implementing these tools.

On *subnational taxation*, as a follow-up of the ATI-DeLoG-Norad webinar series, the ATI in partnership with the Local Government Revenue Initiative (LoGRI) will undertake a workshop series on 'Policy Design for Effective Property Taxation'. The aim of this event is to provide technical, administrative, and policy advice on core areas related to property taxation, and will be divided into four sessions: (1) Strategies for Cost-Effective Property Valuation Systems; (2) Rethinking Property Identification and Registration for Taxation Purposes; (3) Effective Information Technology Systems in Property Tax Administration; and (4) Building Taxpayer's Trust, Compliance, and Public Support for Reform. The ATI Secretariat invited participants to share any feedback on this process and communicated that the workshops will be followed by policy recommendation factsheets, as well as tailored advisory services for partner countries based on the interest and outcomes of the discussions.

Finally, in the work line of *revenue administration and reforms*, the ATI will host a [webinar](#) in February on 'ATI partner countries' experiences on the formulation and implementation of national revenue reform strategies in the medium-term'. In relation to the ATI & OECD FTA workshop series, the second session on the exchange of experiences from partner countries on the DTMM-based self-assessment process, as well as the third and final session to discuss how to use the results of the DTMM to shape the digitalisation and digital transformation strategy in revenue

administrations will be carried out during the first half of 2023.

Open dialogue and next steps

Simen BJØRNERUD added that it might also be relevant to consider the issue of high-level political commitment as part of the discussions on property taxation reform for the ATI & LoGRI workshop series. Regarding the upcoming **2023 ATI General Assembly (GA)**, the ATI Secretariat indicated that there will be two events related to ATI Consultative Group 1. The first is the meeting of the group, in which ATI members could delve into any of the country experiences of the brief on equitable taxation. The second is a potential technical session on tax gap analysis, with focus on Corporate Income Tax (CIT) and Personal Income Tax (PIT).

Simen BJØRNERUD suggested looking into the topic of taxing the rich and the issue of information exchange between different government agencies for this purpose. **Simen BJØRNERUD** went on to comment on the sessions on tax gap analysis and suggested looking for further alternatives. The ATI Secretariat pointed out that the background research and discussions with partners revealed that little has been done on CIT and PIT. The recent monitoring on this issue also shows that not much has been done on these two areas in partner countries. **Alhagie JALLOW** (The Gambia) highlighted the relevance of a session on CIT and PIT gap to further build adequate expertise among tax administrations, while considering the utility of such an analysis for policy makers.

The ATI Secretariat will update the work plan of the group for 2022/2023. The Secretariat also invited ATI members to join the first webinar of the group to take place in February, and encouraged to share the invitation to the ATI & LoGRI workshop series with subnational relevant stakeholders in partner countries as part of the target audience for this event series.