

Report on the 7th meeting of ATI Consultative Group 1

The 3 E's of good tax systems

Date: 24 January 2024, 14 :00 – 15 :15 (CET)

Participants: Abdul Muheet Chowdhary (South Centre), Alena Kukuckova (Slovakia), Anders Thomas, Anders Troedsson (Sweden), Ania Rajca (World Bank), Annemie Helsen (Belgium), Alastair Thomas (WB), Alpha Ngom (Senegal), Arjun Dhakal, Arnold Chimfwembe (Zambia), Babatunde Oladapo (WATAF), Badjul Alam, Barbara Caliendo (Italy), Beverli Musili (Kenya), Birhanu Tadesse Daba (IBFD), Carlos Eduardo Jaramillo (Ecuador), Daniel Nuer (Ghana), David Dod (USA), Dinesh Panday (Nepal), Dirgha Raj Mainali (IRD), Deborah Lock (UK), Emily Ngolo, Emmanuel Mensah (Ghana), Eva Horvathova (Slovakia), Federica Boncristiano (Italy), Gabriella Ossicon, Henrique Masas, Eva Esposito, Jean-Bernard De Milito (European Commission), Jonas Henriques (Denmark), Joy Ndubai (ATAF), Juan Carlos Campuzano (Ecuador), Jules Tapsoba (ECOWAS), Kenny Mendoza (SECOSEFIN), Koffi Ahiakpor (Togo), Kwesi Oben (Ghana), Leila Kituyi (ATAF), Marcus Wener S, Maria Altavilla (Italy), Mark Mutumba (SEATINI), Mulay Weldu Asegehegn (Ethiopia), Oliver Petzold (OECD), Peter Ringstad (Norway), Regina Navuga (SEATINI), Romeo Ella (ATAF), Steve Rozner (USA), Thulani Shongwe (ATAF), Violeta Vulovic (World Bank), Yam Karki, Yuki Araki (World Bank), Florian Schatz (ITC), Goldman Guy (ITC), Laura González (ITC), Michelle Ordóñez (ITC).

Agenda:

1. Welcome and introduction.
2. Overview of the activities implemented by the ATI CG1 in 2022-2023
3. Q&A session
4. Presentation of latest developments on the ATI CG1 work plan for 2024-2025
5. Next steps

1. Welcome and introduction

On the 24th January 2024, the Addis Tax Initiative (ATI) Consultative Group 1 (CG1) met at the seventh consultative group meeting since the signature of the [ATI Declaration 2025](#). The meeting was moderated by **Mr. Peter Ringstad** from the Norwegian Agency for Development Cooperation (Norad), acting as co-coordinator of the ATI CG1. The ATI Secretariat facilitated the meeting included.

2. Overview of the activities implemented in 2022-2023

On behalf of the ATI Secretariat, **Ms. Michelle Ordóñez** started by presenting an overview of the activities and events developed throughout 2022 and 2023. There were five different work streams in which the

work of CG1 focused. The first one involved the *monitoring* process through the presentation of the 2020 Monitoring Report. The idea was to look at the progress of the different selected indicators for the completion of Commitment 1 in the ATI Declaration 2025. The second, on *equitable taxation*, included a [brief](#) on ATI partner’s perspectives from moving towards more equitable tax systems and a [webinar](#) in 2022 on “Evidence-Based Fiscal Policy to Improve Equity”, in collaboration with Germany.

For the third work stream, *subnational taxation*, the ATI hosted a virtual (four) workshop series on policy design for property taxation among partner countries in collaboration with ICTD’s [LoGRI](#). This was followed by the publication of four policy recommendation in the form of factsheets (see [here](#)), which summarise the main results of the discussions as well as some policy takeaways. The fourth work line about *revenue administration and reforms* incorporated a [webinar](#) on ATI partner countries’ experiences with formulating and implementing national revenue reform strategies in the medium term. Also, it included a virtual (three) [workshop series](#) called “Using the FTA Digital Transformation Maturity Model (DTMM) in a strategic context”, in collaboration with the OECD’s FTA.

Finally, as a *cross-cutting* topic not directly related but still relevant to the fulfilment of Commitment 1 as it tackled taxpayer compliance and the role of revenue administrations on this matter, the ATI CG4 hosted a [webinar](#) on “Enhancing Tax Accountability through Citizen Participation and Taxpayer Education”, in collaboration with the OECD and Save the Children.

3. Q&A session

Following the overview of activities, **Mr. Ringstad** (Norway) opened the floor to questions from the audience. **Ms. Ordóñez** invited participants to reach out the ATI Secretariat bilaterally in case there were additional questions regarding the activities disclosed in the previous segment.

4. ATI CG1 work plan for 2024-2025

The ATI Secretariat provided an update on its work plan 2024-2025, which includes the five work streams with activities to be carried out during this and the following year. For the *monitoring* exercise, the 2023 Monitoring Report will assess the progress of ATI members towards the achievement of Commitment 1 of the ATI Declaration 2025. This report will be presented during the 2025 ATI General Assembly¹. Concerning the work line of *equitable taxation*, ATI members are invited to the next session of the Un Tax Committee (UNTC) on 18-21 March 2024, where the [Draft Guidance Document on Wealth Tax](#) published and finalized by the UN Subcommittee on Wealth and Solidarity Taxes will be discussed.

To delve further into the guidance document, **Mr. Abdul Muheet Chowdhary** (South Centre) gave a short input into what is coming and how ATI member could engage in this process. He emphasised that the guidelines had been officially published and are accessible on the UNTC website. Regarding the upcoming event in March, he extended the invitation for all participants to share their comments on the guidance document, as they are highly appreciated. Participants were encouraged to engage in the event, either through the online format or in-person attendance in the city of New York.

Mr. Florian Schatz, from the ATI Secretariat, presented in a following step the two upcoming activities within the *equitable taxation* work stream. First, a progressive taxation product will be developed, incorporating country experiences from Latin America. This initiative stems from the expressed interest of ATI members during the 2023 ATI General Assembly in understanding the implementation of progressive

¹ The monitoring report has a two-year lag due to data availability of many of its indicators that are extracted from publicly available sources. Information on the sources and framework can be found [here](#).

tax reforms in Latin America and the Caribbean. Given the region's historical engagement with such reforms, the ATI proposes a case study compilation, potentially featuring Colombia, Chile, and Uruguay. These countries have undergone broad tax reforms, covering key segments of the tax base (PIT, CIT, and capital and wealth taxes). The goal is to assess the effects of these reforms on government revenue, equity, and other economic effects contingent on data availability. The ATI Secretariat is actively identifying representatives to be interviewed for such study.

Second, a hybrid event on net wealth taxation is being planned in partnership with the World Bank (WB) to be held on 21st March in Dar es Salaam, Tanzania, as part of the 2024 ATI Tax Gap Workshop. The objective is to facilitate insights and discussions on the merits of net wealth taxation in lower-income countries, featuring inputs from WB experts and presentations by (ATI) partner countries with practical experiences. The target audience includes Ministers of Finance and Tax Administrations from partner countries. As a follow-up, the ATI aims for news articles and additional inputs for the progressive taxation study.

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In the *subnational taxation* work stream, as a follow-up to the workshop series on property taxation, LoGRI will engage bilaterally – during the first quarter of 2024– with selected ATI partner countries to provide tailored guidance on specific needs and challenges identified during the workshops' discussions. This could cover aspects such as valuation methodologies, property registration and identification, etc.

In the *revenue administration and reform* work line, the ATI is set to host the 2024 Tax Gap Workshop in Dar es Salaam, Tanzania, from 19-21 March 2024. In partnership with the IMF, UNU-WIDER, and the World Bank, the workshop aims to facilitate in-depth technical exchanges among experts and peers from ATI member countries. The focus will be on VAT, CIT, and PIT gap estimation, covering various estimation approaches (top-down and bottom-up methods), practical sessions, and insights from country experiences. The workshop will also delve into the role of wealth taxation to close the overall tax gap. The invitation extends to ATI partner countries' staff in revenue administrations and ministries of finance. A workshop report will follow, and the objective is for this workshop to be a catalyst for bilateral technical / financial support from international experts and donors to ATI partner countries.

Additionally, a toolkit for the estimation of the CIT, VAT, and the PIT gap is being developed and to be delivered in collaboration with UNU-WIDER. This will consist of analysis code to estimate the CIT, VAT, and the PIT compliance gap using a bottom-up approach, and a technical note with estimation instructions. The toolkit and materials will be available in the official languages of the ATI – English, Spanish, French – and Portuguese. The next steps include a toolkit testing in Uganda, which will be presented during 2024 ATI Tax Gap Workshop. Feedback and improvements will be incorporated after the toolkit testing and training delivered to workshop participants.

Finally, for the *cross-cutting* line, the ATI Secretariat is planning a workshop series on environmental taxation topics as well as an event on the impacts of the EU Carbon Border Adjustment Mechanism (CBAM) on ATI partner countries. Likewise, events on the intersection between gender and tax policy issues and

research on the revenue impact of gender are being conceptualised. **Ms. Ordóñez** cordially invites participants to remain informed through the social channels of the ATI for updates on upcoming events.

5. Open dialogue

Mr. Ringstad (Norway) opened the floor for questions and suggestions on the workplan 2024-2025, for which **Mr. Chowdhary** (South Centre) initiated by raising two topics. First, he sought more insights into the ATI net wealth taxation event. Second, concerning environmental tax activities, he highlighted the sensitivity of the EU Carbon Border Adjustment Mechanism, especially in developing countries where consensus is challenging. With regard to the wealth taxation event, **Ms. Ordóñez** agreed on sharing the agenda and preliminary concept note with South Centre. On the topic of environmental taxation, **Ms. Schatz** emphasised that the Secretariat is aware of the diverse receptions this mechanism has received on different parts of the world, and as a result, will consider these when launching the event. Since this activity is still on the early stages of planning, is appropriate to have such sensitivity issues in mind.

Mr. Mark Mutumba (SEATINI) inquired about the possibility of broader participation, extending beyond ministries of finance and staff from revenue authorities, in the tax gap workshop. In addition, he expressed interest in understanding whether there would be empirical studies or outputs that could shed light on the progressive taxation product and its potential applicability in African countries. Regarding the first inquiry, **Ms. Ordóñez** noted that the participation of non-ATI partner countries in this workshop is subject to the venue's capacity. However, once the final list of participants is determined, arrangements for additional participants can be considered. She further emphasised that the wealth taxation event, scheduled for the final day and adopting a hybrid format, is designed with the intention of extending its accessibility to a broader audience, encompassing individuals beyond those attending the workshop in person. **Mr. Schatz** provided additional remarks, indicating that the ATI has identified only cases for Latin America and Asia so far, reason why specific applicability for African countries is so far unknown. He extended an invitation for participants with knowledge of case studies from other regions to contribute to the discussion. **Mr. Chowdhary** (SC) added that no African country currently charges a wealth tax except Nigeria, thereby limiting the available experiences in that region.

Mr. Alastair Thomas (World Bank) addressed the wealth taxation topic, emphasising the significance of building upon existing knowledge. He stressed the need of practical country experiences that have already implemented wealth taxes and are on different stages of development. Both successful and unsuccessful stories are valuable, as they provide learning opportunities for other countries. **Mr. Thomas** encouraged widespread participation in this session, urging participants to consider whether their country has a wealth tax and invited participants to share for the inclusion of more cases in the programme. On this matter, **Mr. Ringstad** (Norway) stated that Norad could share inputs from its work with the Inter-American Center of Tax Administrations (CIAT) on the topic.

Regarding the workplan, **Mr. Emmanuel Mensah** (Ghana) asked about the possibility of adjustments to it and whether suggestions could be considered. In response, **Ms. Ordóñez** emphasised the flexibility of the work plan according to the needs and priorities of the group. While there are already planned activities for the year covering certain aspects, the ATI Secretariat is open to incorporating additional topics. Given that the activities for 2025 are not extensively outlined, members are encouraged to discuss any other priority topics they would like to address with the ATI Secretariat. **Ms. Ordóñez** mentioned the relevance of receiving further feedback. Additionally, she informed the members that the ATI is in the process of organising the annual side event at the UN ECOSOC Forum on Financing for Development. The ATI Secretariat is exploring various topics, including the prospects of international tax cooperation from the perspective of partner countries and their expectations.

In a subsequent intervention, **Mr. Goldman Goldman**, from the ATI Secretariat, addressed a potential topic concerning the country-by-country Report (CbCR). The focal point was the reduction of inequalities in tax systems in accordance with Commitment 1, particularly with the aim of enhancing collection rates and mitigating illicit financial flows (IFFs). He highlighted a significant challenge stemming from the limited access of most ATI partner countries to CbCR reports, leading to complications in multinational taxation and the implementation of a global minimum tax. **Mr. Goldman** noted that, according to the OECD, 45 countries have either enacted legislation or are in the process of doing so. Consequently, there is a critical need to reconsider tax incentives to prevent revenue loss to other nations. The knowledge delivery focuses on providing an introduction to CbCR reporting, challenges in implementation and their solution; analysis of MNEs structures from a global, regional and firm perspective; and lessons to tax policy and administration. Following this, **Ms. Deborah Lock** (UK) raised her interest in learning more about this product. **Mr. Goldman** responded that a concept note could be shared once it is ready and encouraged participants to express their specific content preferences regarding CbCR.

Ms. Ordóñez proceeded to mention one last additional possible topic for which there is not yet a tangible or concrete proposal, but that has been raised by members of CG1: taxation on extractive industries. On previous occasions Senegal raised this topic as quite relevant for their national priorities. Consequently, it may hold relevance for other member countries of this group. **Mr. Mulay Weldu Asegehegn** (Ethiopia) shared some insights on these type of taxes for the case of Ethiopia, in which the rate for extractive industries is 25%, while for other industries is 30%. He explains that the rate is lower by 5 pp given the sector's capital intensity and initial cost of investment.

A final inquiry was made by **Ms. Regina Navuga** (SEATINI) who asked about the possibility of attendance to the test of the toolkit in Uganda by UNU-WIDER. **Ms. Ordóñez** noted that the presentation of the toolkit testing will be undertaken during the tax gap workshop, which will be a closed event for ATI partner countries and highly technical.

6. Next steps.

The ATI Secretariat will carefully reflect and update the work plan 2024-2025 of ATI Consultative Group 1 based on the feedback gathered during this meeting. Moreover, the ATI Secretariat will contact some participants bilaterally, in alignment with the specific questions and needs presented in today's session. Members were cordially invited to join the next meeting of the group during the virtual 2024 ATI General Assembly.

With the invitation to share ideas for the workplan with the ATI Secretariat, **Mr. Ringstad** (Norway) closed the meeting expressing gratitude to all the participants, presenters, and the ATI Secretariat for its work.