

Checklist of lessons for approaches to equitable tax reforms

This document sets out a checklist of lessons on factors that helped promote equitable tax reform, which emerged from case studies in three countries exploring experiences in taking forward tax reforms that help reduce economic and social inequality. This checklist is presented as a guide to input into discussions about how to pursue such reforms elsewhere, but is not intended to provide a blueprint for these reforms, as differing approaches will be required in each context.

The three case studies focussed on:

- ① **Philippines – Sin Tax Reform and Revenue-Raising for Access to Healthcare**
- ② **Sierra Leone – Subnational Revenue Generation through Property Tax Reform in Freetown**
- ③ **Uganda – Strengthening the administration of taxes paid by High-Net-Worth Individuals (HNWIs)**

The key lessons emerging from the three case studies presented in the brief on ATI partner countries' perspectives from moving towards equitable tax system are presented below:

1

High level political support and coordination across a wide range of actors can be critical to efforts to implement these reforms, especially as, by their nature, they usually imply a degree of resource reallocation from economically and politically powerful groups.

In the **Philippines**, support from and coordinated collaborations across the President, the finance and health ministries, and a wide coalition of civil society groups (including those focussed on health and economic reforms issues) helped combat resistance from industries that were long against more radical reforms to sin taxes.

In contrast, in **Uganda**, although there was initially high-level political support for the work of the HNWI Unit, this support was not sustained, as illustrated by a decline in the capacity of the Unit and limited progress in developing expertise and skills amongst its staff.

2

Linking revenues and the narrative of promoting reforms to public spending priorities or public policy outcomes can help secure broad public support.

In the **Philippines**, most of the revenues raised by taxes on sin products have been ring-fenced for expanding public health spending, which was reported to have helped promote public support for the reforms.

In **Sierra Leone**, the property tax reforms emerged out of a broad public investment plan that the revenues were required to deliver, and the reform package included a participatory budgeting strategy that linked property taxes to service delivery.

3

Addressing the wide range of constraints that hold back efforts to promote equitable tax reforms is fundamental, so that a comprehensive approach to tackling relevant challenges could be promoted.

In **Sierra Leone**, the success of property tax reforms was driven by the effort to address challenges across relevant administrative processes, including property assessments and valuation; IT systems for billing and collecting revenues; appeals processes; and the sensitisation of taxpayers to the new system and around the planned use of revenues.

In contrast, in **Uganda**, the efforts of the HNWI Unit to secure more substantial increases in tax collected from HNWIs was held back by limited efforts to strengthen information management systems within the Uganda Revenue Authority (URA) and to promote the required collaboration and information sharing with other relevant organisations (banks and financial institutions).

4

A clear strategic approach and methodology for promoting equity is important, as these outcomes are not automatic and require explicitly targeted efforts.

In the **Philippines**, databases used by national cash transfer programmes for identifying and storing information on low-income families, were utilised to target the expansion in access to the National Health Insurance Program (NHIP) to these families, so as to ensure access to health services was widened.

In **Sierra Leone**, the Freetown City Council (FCC) developed a methodology for calculating tax rates that shifted the burden of payment from lower to higher value properties.

In **Uganda**, a set of criteria for identifying HNWIs was developed, which aimed to help the URA to better identify these individuals and to improve the collection of taxes from them.

5

External support from donors and international organisations can help address key constraints to undertaking such reforms, especially in contexts where there are significant resource and capacity constraints.

In **Philippines**, the World Bank (WB) and the World Health Organization (WHO) provided technical support for modelling the potential impacts of various reform proposals, and also shared valuable knowledge on the experiences of other countries in introducing sin taxes.

In **Sierra Leone**, the provision of external finance from the United Kingdom government and of technical assistance from the International Centre for Tax and Development (ICTD) and the International Growth Centre (ICG) helped pilot the new property tax system and resource its significant set-up costs.

In **Uganda**, ICTD provided technical support in the process of developing criteria for identifying HNWIs.



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