PROGRESSIVE TAX TO FIGHT INEQUALITY

ATI Consultative Group 1

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1. REGRESSIVE TAXES IN AN UNEQUAL WORLD

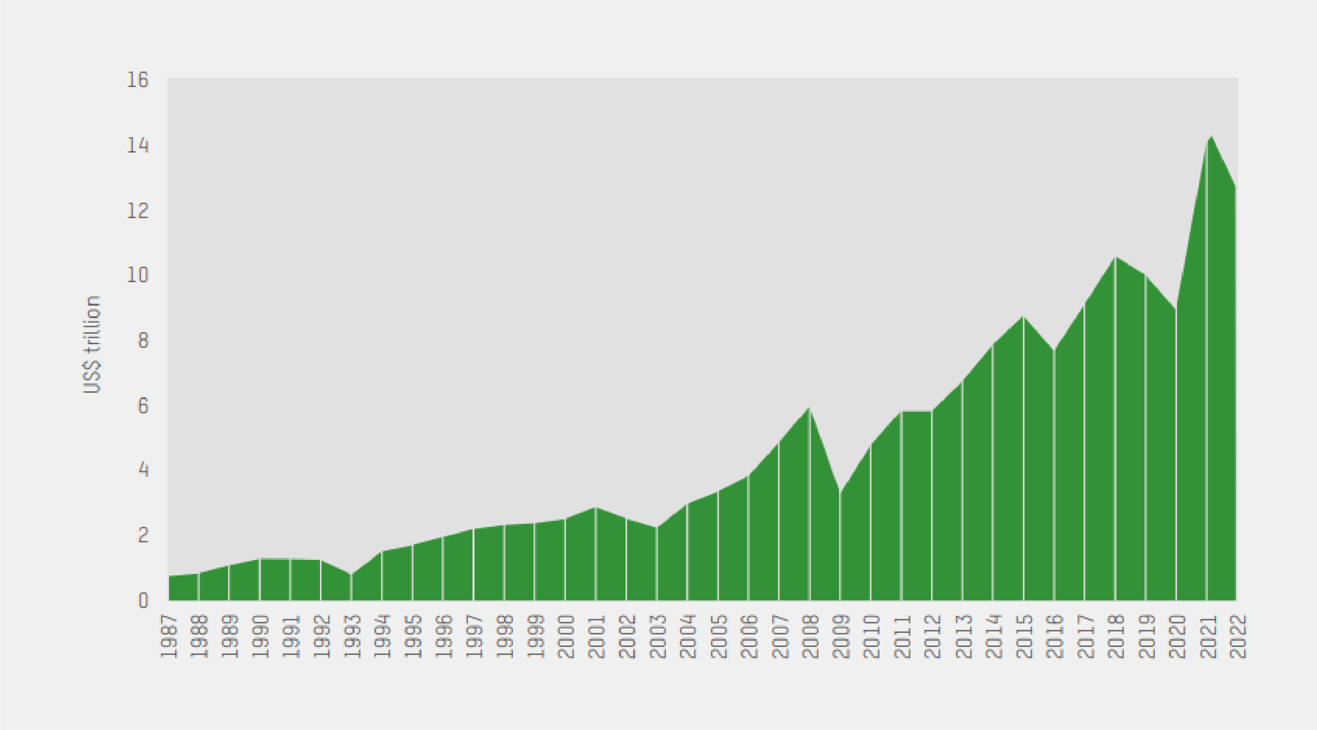
2. THE POTENTIAL OF PROGRESSIVE TAXES

3. WHAT ATI MEMBERS ARE DOING AND COULD BE DOING

INEQUALITY IN TIME OF POLY-CRISIS

- The richest 1% have captured almost two-thirds of all new wealth since 2020
- Billionaire wealth has doubled over the last 10 years
- Africa is home to 7 out of 10 of the most unequal countries in the world
- The 3 richest African men have more wealth than the poorest 650 million people on the continent

FIGURE 2 INCREASE IN BILLIONAIRE WEALTH 1987–2022 IN US$ TRILLION (REAL TERMS)



Source: Forbes World's Billionaires list.[26]

DECADES OF TAX CUTS FOR THE RICH AND CORPORATIONS

- Rising inequality has been accompanies by fall in top marginal rates on the rich
- For every $1 raised in tax, only four cents comes from taxes on wealth
- Two-thirds of countries do not have any form of inheritance tax on wealth and assets passed to direct descendants
- A fifth of countries do not tax capital gains, and all but three tax capital gains lower than personal income

FIGURE 5 TOP PERSONAL INCOME TAX RATES FOR THE RICH

Source: Oxfam calculations based on data from OECD.Stat, UNESCAP and ODI.[32]

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WEALTH IS UNDER-TAXED - ESPECIALLY IN DEVELOPING COUNTRIES

TABLE 2 WEALTH IS ESPECIALLY UNDER-TAXED IN LOW- AND LOWER-MIDDLE-INCOME COUNTRIES

Country income	Taxes on wealth, % of GDP
Low-income countries	0.69%
Lower-middle-income countries	1.74%
Upper-middle-income countries	3.11%
High-income countries	5.89%

Source: Oxfam calculation based on OECD data.[276]

THE RESULT

TWO DIFFERENT TAX SYSTEMS: ONE FOR THE RICH AND ONE FOR THE REST

Aber Christine, a market trader and community mobilizer in Northern Uganda. Photo: Oxfam in Uganda.

Elon Musk at the Axel Springer Award Ceremony in Berlin, Germany, December 2020. Credit: Britta Pedersen/dpa-Zentralbild/dpa-pool/dpa/Alamy Live News.

THE POTENTIAL OF PROGRESSIVE TAX

TAXING THE INCOME OF HIGH NET-WEALTH INDIVIDUALS

- Uganda: unit for taxing HNWI can deliver impressive results
- South Africa: Top 0,5% pay 25% of all Personal Income Tax

Taxing HNWI in Uganda, 2016-2022

	2016	2022
Registered taxpayers	397	1934
Percent that file a personal income tax return	49%	91%
Revenue collected (UGX)	2 billion	157 billion

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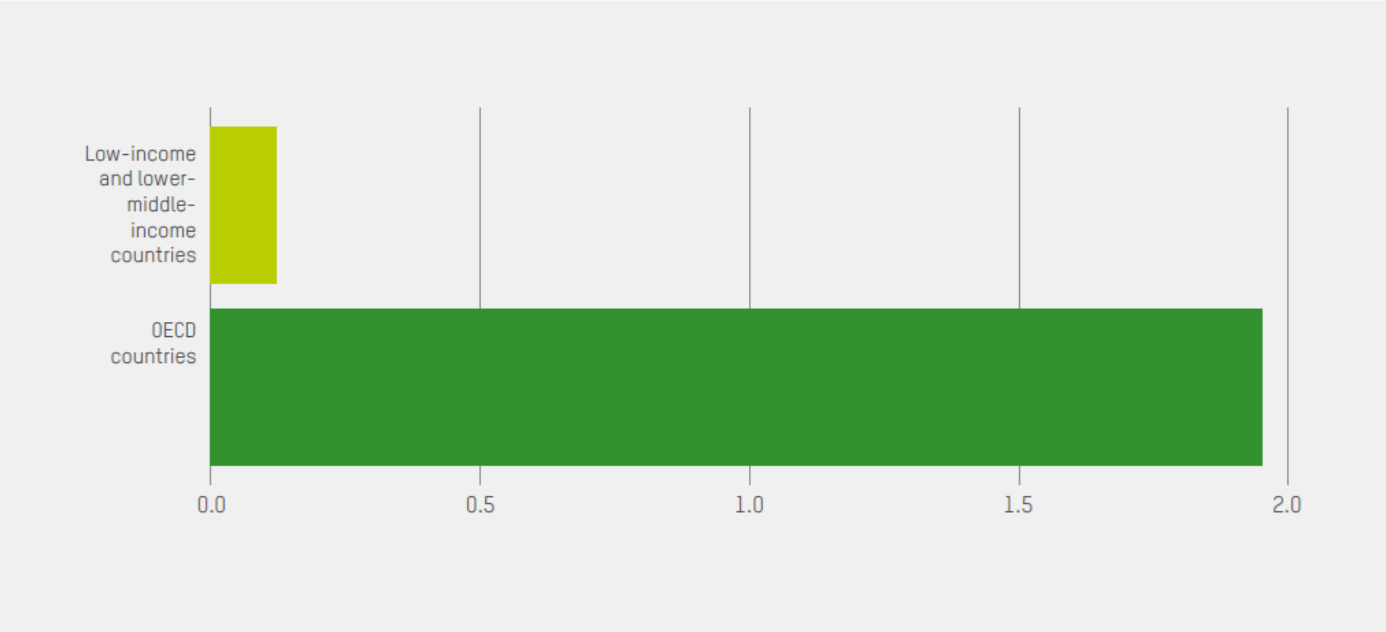
PROPERTY TAXATION

- If all low- and lower-middle-income countries raised as much revenue from property taxation as Morocco (1.26% of GDP), they could collect an additional $17.6bn.

FIGURE 15 TAX REVENUE FROM PROPERTY TAXATION, % OF GDP



Source: Coplin, N. and Nwafor, A. (2019).[252]

NET WEALTH TAXES

- Nigeria could raise twice as much as France from a net wealth tax as a percent of GDP
- India could raise twice as much as the US from a net wealth tax as a percent of GDP
- Net wealth tax of 2% on those with a net wealth of $5 million and above, 3% on those with $50 million and above, and 5% on those with $1 billion and above.

	Revenue as a percent of total tax revenue	Increase in public health budget
Nigeria	7%	14%
India	14%	33%

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WHAT ARE ATI MEMBERS DOING – AND WHAT SHOULD THEY DO?

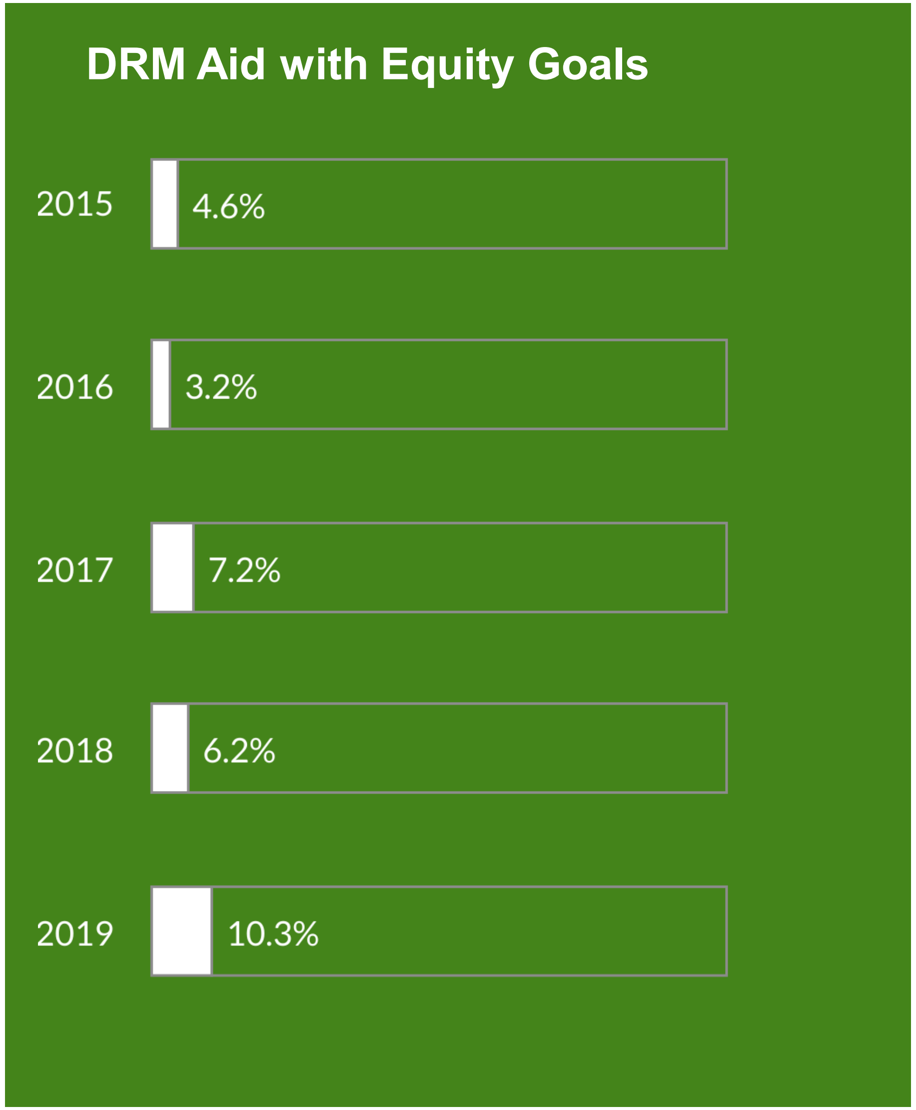
ARE ATI MEMBERS SUPPORTING EQUITY?

ATI partners:

- More tax is collected on goods and services (39.7% of total tax revenue), than from income, profit, and capital (37.8%).
- According to the new ATI monitoring report, there is a strong emphasis on VAT in tax gap analysis being conducted.

ATI development partners:

- Low support for equity, but slowly growing.
- According to the new ATI monitoring report, around 40% of DRM aid had some equity focus in 2020.
- IFI's continue to promote regressive taxes such as VAT.
- Tax havens and facilitators based in ATI development partner countries and regions continue to pose a challenge for taxing the rich and corporation.



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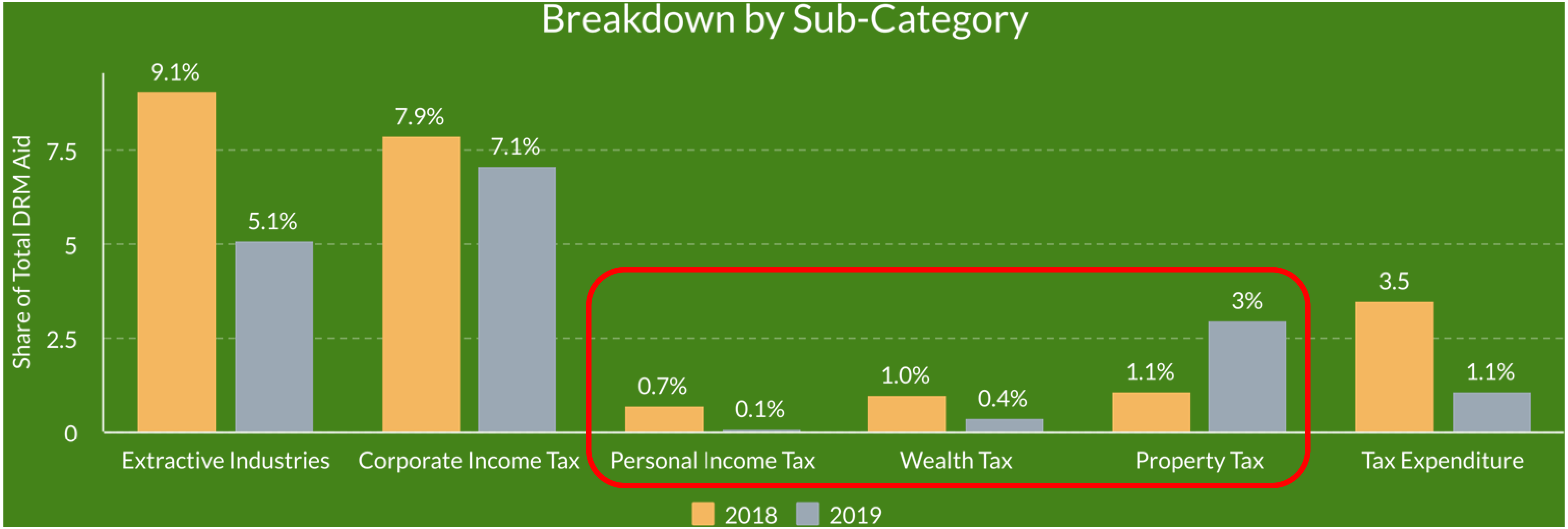
WHICH PROGRESSIVE TAXES ARE BEING SUPPORTED BY DEVELOPMENT PARTNERS?



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WHAT SHOULD ATI MEMBERS BE DOING?

ATI partners:

- Make equity a core concern for DRM: In tax administration, compliance efforts and policy-making.

Development partners:

- Scale up support for DRM that is clearly focused at reducing inequality.
- Provide more support to the types of taxes that have the biggest potential for reducing inequality, for example property taxes, personal income taxation, wealth taxes, corporate taxes.
- Support the call for a UN tax convention.
- Stop tax havens & share financial information with partner countries.

All:

- Focus on building not only the technical capacity to tax the rich, but the political support as well.

Thank you!

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