Governance of tax expenditures
-Oxfam's approach

Session 1, Regional workshop on tax expenditures, October 18-19, 2022

Nairobi, Kenya

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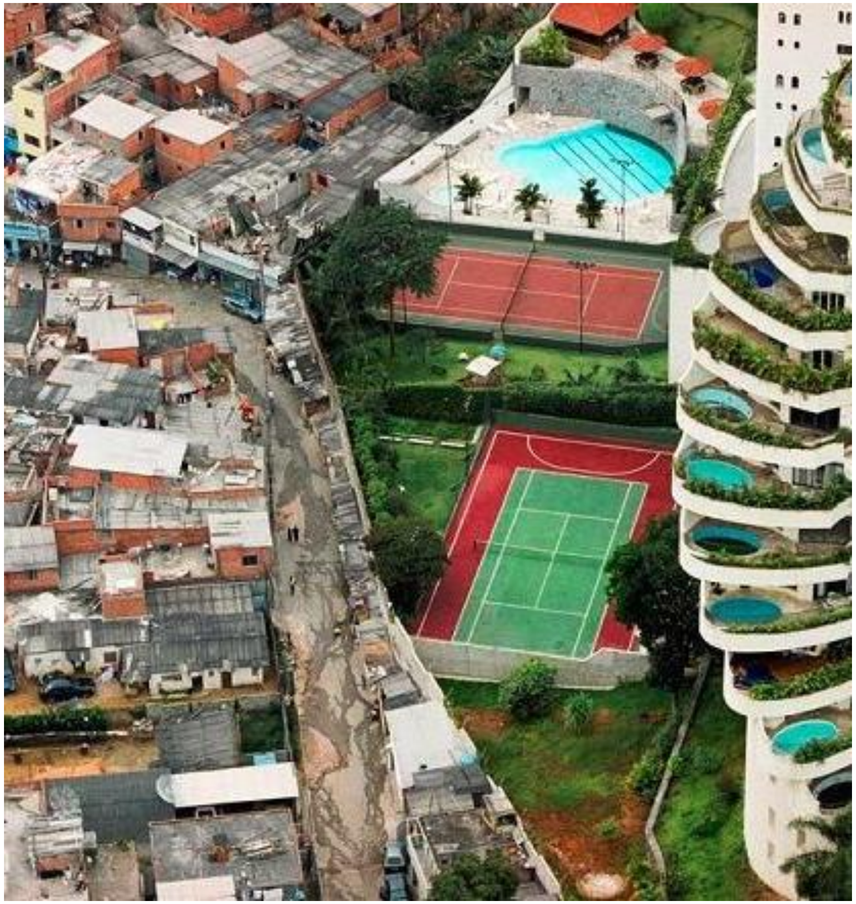
Oxfam and tax justice

Our mandate:

- Fight inequality to beat poverty
- Tax justice: Key for reducing inequality, strengthening the social contract and funding the realisation of rights

Our work on Tax Expenditures:

- We focus mostly on corporate tax incentives
- In the region, especially in Kenya, Uganda and Tanzania
- On average, tax systems in Africa increase inequality by 1%



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National governance of Tax Expenditures

- Appendix: Oxfam's 14 recommendations on good governance around TE. Most should be familiar: Non-discretionary, transparency, regular evaluation etc.

How does Oxfam's approach differ from others?

1. Inequality
2. Accountability stakeholders
3. Tax havens & harmful tax practices

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Inequality & the governance of TE's

- TE governance is:

  …NOT just about achieving efficiency

  …NOT just about reducing budget deficits or meeting revenue targets

- Instead: TE governance should also help achieve progressive taxation:
  - Addis Tax Initiative, Commitment 1: ”*we will work together to gradually strengthen progressive revenue sources and advance the level of progressivity within tax and non-tax revenues. We will monitor the impact of tax policies on equity and equality”.*
  - SDG 10.4, indicator 10.4.2: ”*Redistributive Impact of Fiscal Policy”*
- Integrate inequality lens throughout TE governance

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Accountability stakeholders & TE’s

- TE governance is:

  …Not just for government, however widely defined

- Instead: TE governance should include journalist, professional bodies, civil society:
  - Addis Tax Initiative, Commitment 4: *”ATI members commit to enhance space and capacity for accountability stakeholders in partner countries to engage in tax and revenue matters.”*

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Tax Havens & Harmful Tax Practices in TE governance

- TE governance is:

  …NOT just a domestic matter

- TE governance should also:
  - Especially recognize the harmful effects of incentives related to profits
  - Recognize spillover of tax policy: More than 40 countries in LAC, Africa: The lenght of countries tax holidays follows those of its neighbours
  - Work for fair and ambitious measures to stop the race to the bottom – setting regional minimum corporate tax, banning Harmful Tax Practices

> Press releases

OECD tax deal is a mockery of fairness: Oxfam

Published: 8th October 2021

In response to the OECD's tax deal announced today, Oxfam's Tax Policy Lead Susana Ruiz said: "Today's tax deal was meant to end tax havens for good. Instead it was written by them."

"This deal is a shameful and dangerous capitulation to the low-tax model of nations like Ireland. It is a mockery of fairness that robs pandemic-ravaged developing countries of badly needed revenue for hospitals and teachers and better jobs. The world is experiencing the largest increase in poverty in decades and a massive explosion in inequality but this deal will do little or nothing to halt either. Instead, it is already being seen by some wealthy nations as an excuse to cut domestic corporate tax

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Appendix: 14 recommendation for national TE governance

1.Only give tax incentives **through law** and/or consolidate all tax incentives regimes in the tax code

2. Establish clear, objective and easily measurable **eligibility criteria**

3. Include **justification** for establishing or maintaining a preferential tax measure that clearly sets out the objective pursued – base this on cost-benefit analysis

4. Include regime **end-date** in the legislation and demand that relevant **assessments** be carried out in order to decide whether to continue, reform or eliminate the regime

5. Publish the full and updated legislation on tax incentives (laws, decrees, regulations, administrative instructions, etc.) and a **list of all tax incentives currently in force**, including the eligibility criteria, amounts granted and procedures for investors to follow in order to obtain them.

6. Adopt **a centralized system for granting and administering all national tax incentives** within the Finance Ministry with close involvement of tax authorities.

7. **Periodically assess the costs and effectiveness** of preferential tax measures.

8. Evaluate the efficiency of tax incentives **relative to other tools**.

9. Set out a strong institutional framework for the countries to **periodically publish a suitable and detailed report** on the costs, hoped-for benefits, key beneficiaries and objectives of the tax incentives, as well as cost-benefit assessments.

10. Include the reports on tax expenditures (incl. on beneficiaries) in the **discussion on the budget** for each year and present them in such a way as to facilitate comparison with other budgetary expenditures.

11. Carry out **cost-benefit assessments**.

12. The **tax authorities must oversee the beneficiary businesses** and ask them for the information required to carry out cost-benefit assessments. The information should include a description of the tax benefits received, jobs created, amounts invested, exports, and so on

13. Promote **greater citizen participation** and **coordination between the different government institutions** involved, including coordination between the central and subnational levels of government.

14. Progress towards **greater international coordination** and cooperation.

Appendix: 3 recommendations for the regional governance of Tax Expenditures

1. Blacklist / Whitelist of tax incentives
2. Minimum (effective) corporate tax for the region
3. Rulebook for good governance of tax incentives

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Appendix: Oxfam and allies reports on tax expenditures

- Oxfam & CEPAL (2019): ‘Tax Incentives for Businesses in Latin America and the Caribbean’
- Oxfam (2020): ‘Towards Sustainable Tax Policies in the ASEAN Region: The Case of Corporate Tax Incentives’
- Oxfam, ActionAid, Christian Aid, CBI (2018): ‘Tax Incentives in the Global South: A Business and Civil Society Briefing’
- Tax Justice Network Africa & ActionAid (2015): ‘The West Africa Giveaway: The Use & Abuse of Corporate Tax Incentives in West Africa’
- Tax Justice Network Africa & ActionAid (2016): ‘Still Raising Towards the Bottom? Corporate Tax Incentives in East Africa’
- Economic Governance Platform (2018): ‘Review Of Tax Incentive Policy In Ghana That Gives Rise To High Tax Expenditures’
- CERA-FP (2021): ‘POSITION DE LA SOCIÉTÉ CIVILE SUR LES DÉPENSES FISCALES DE L’ÉTAT BURKINABÉ PÉRIODE : 2016 À 2020’
- BAN & NACE (2014): ‘Losing Out: Sierra Leone’s Massive Revenue Loss from Tax Incentives’

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Thank you!

Questions and comments:

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