Driving tax expenditure reform

- Five recommendations for TE reforms that strengthen the social contract

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Christian Barrie Hallum

Tax Justice lead for Oxfam



Choose the right approach to TE reform

	Unclear policy aims and/or low efficiency of TE	Popular policy aims and/or high efficiency of TE
Use revenue from TE reform to support citizens	Remove investment incentives, especially in extractives industries and profit-based incentives	
Use TE reform to reduce budget deficit		Remove of VAT zero rating of essential foodstuffs

 When done well, TE reform strengthen the social contract by improving the progressivity of the tax system and ensuring new funding for essential social services



Make transparency effective

- Our experience: Transparency can drive TE reform
- BUT: Information does not change policies alone

Implications:

- Dissemination: Share TE reports broadly in the same way that budget information is shared
- Simplify: TE reporting should be simple and relatable
- Relatable: Not just revenue forgone, but development forgone



Strengthen accountability stakeholders

- Transparency without accountability does not work
- Wasteful TE's exists in part because of political capture by powerful interests

Implications:

- Build capacity <u>and</u> space of accountability stakeholders to understand and use TE information
- Institutionalise the role of accountability stakeholders: Ad-hoc involvement is not sustainable



Strengthen regional and international coordination

- Regional coordination can make TE reform more likely. By:
 - Banning certain forms of tax incentives
 - Agreeing minimum levels of taxation
 - Agreeing on best-practices for TE governance
- International rules can limit use of TE's.
 - Minimum effective taxation
 - Ending tax havens
 - But: Vital that developing country interests are well represented when international rules are agreed



The five recommendations

1. Target removal of TE's that are unpopular/inefficient

- Make the rich and corporations pay their fair share increase tax progressivity
- Profit based incentives and extractive industries incentives

2. Tie the removal of TE's to increasing support for citizens

- Use revenue from the removal of TE's to pursue popular policies that reduce poverty and inequality, address gender inequality
- Consider ring-fencing revenue

3. Make TE information useable and relatable

Illustrate the impact on national development, disseminate

4. Strengthen capacity and space of accountability stakeholders

- Institutionalise the involvement of accountability stakeholders

5. Use regional and international coordination

But ensure that rules are representative and fair to developing countries



Appendix: Oxfam's theory of change for citizen-led fiscal justice reforms

Long-term outcome 1: Tax systems raise Long-term outcome 2: Budgeting processes become more transparent and more revenue and are made more progressive so the tax burden is more evenly spending on progressive public services shared and inequality reduced, particularly that tackle gender and economic inequalities increases for women and young people INCREASED taxation in response to SPACE FOR people and CSOs **DIALOGUE AND ENGAGEMENT** Decision makers are aware of and engage with people's and CSOs' aware of and engage with people's and CSOs' demands which mean women and youth are excluded from fiscal policy People, particularly decision-making women and youth, spaces are reduced CSOs actively seek to engage with and mobilize women and young people, co-create influencing strategies with them, and put their interests at the centre of those strategies Alliances between CSOs, including women's organizations and media, are strengthened for greater fiscal justice at local, national, regional or global levels CSOs, including women's organizations, are equipped with the skills and resources they need to lobby decision makers and to mobilize people People are equipped (by civil society) with the knowledge and skills to mobilize for more progressive taxation and to influence and monitor spending and delivery of services



Appendix: Oxfam and allies reports on tax expenditures

- Oxfam & CEPAL (2019): <u>'Tax Incentives for Businesses in Latin America</u> and the Caribbean'
- Oxfam (2020): <u>'Towards Sustainable Tax Policies in the ASEAN Region:</u> <u>The Case of Corporate Tax Incentives'</u>
- Oxfam, ActionAid, Christian Aid, CBI (2018): <u>'Tax Incentives in the Global South: A Business and Civil Society Briefing'</u>
- Tax Justice Network Africa & ActionAid (2015): <u>'The West Africa Giveaway:</u>
 The Use & Abuse of Corporate Tax Incentives in West Africa'
- Tax Justice Network Africa & ActionAid (2016): <u>'Still Raising Towards the Bottom? Corporate Tax Incentives in East Africa'</u>
- 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): <u>'Losing Out: Sierra Leone's Massive Revenue Loss</u> from Tax Incentives'

Thank you!

Questions and comments:

Kwesi Obeng, West Africa Inequality Advisor Email: KObeng@oxfam.org.uk

Christian Barrie Hallum, Tax Justice Lead Email: cha@oxfamibis.dk

