

Report on the 6th meeting of ATI Consultative Group 1

Addressing potentials and challenges for revenue-raising and fighting inequalities.

Date: 20 June 2023, 16 :00 – 18 :00 (UTC +2) | Hybrid

Participants: Virtual & physical participants 2023 ATI GA & ITC / ATI Secretariat

Agenda:

1. Welcome and introduction.
2. 2023 Oxfam Policy Paper: Taxing the rich to fight inequality.
3. Opportunities provided by UN wealth tax guidelines to more effectively and efficiently tax the wealthy.
4. Q&A session.
5. Concluding remarks on taxing the wealthy.
6. Overview of the activities implemented by ATI Consultative Group 1 in 2022/2023.
7. Open dialogue about potential additional products and areas of engagement for 2023.
8. Next steps

Welcome and introduction

On the 20th June 2023, the Addis Tax Initiative (ATI) Consultative Group 1 (CG1) met at the sixth consultative group meeting since the signature of the [ATI Declaration 2025](#). The meeting was facilitated by **Ms. Michelle Ordóñez**, representing the ATI Secretariat, and moderated by **Mr. Daniel Nuer**, Head of Tax Policy Unit at the Ghanaian Ministry of Finance and co-coordinator of the ATI CG1.

2023 Oxfam Policy Paper: Taxing the rich to fight inequality.

The first part of the meeting highlighted the importance of addressing inequality through progressive taxation measures and called for greater political will and public support to overcome the obstacles associated with taxing the wealthy effectively.

The session featured a presentation by **Mr. Christian Hallum**, Oxfam tax lead, focusing on the role of progressive taxation in addressing inequality. The paper shed light on the widening global inequality gap and the significant rise in billionaire wealth, with severe implications for African economies. He divided the presentation into three main sections: the impact of regressive taxes in an unequal world, the potential of progressive taxes in developing countries, and the actionable steps that ATI members could take towards progressive taxation.

Tax systems in many countries favour the wealthy, resulting in the under-taxation of the rich due to loopholes and preferential treatments, while the poor end up paying disproportionately higher taxes. In curtailing these widening disparities, **Mr. Hallum** discussed the revenue-generating potential of progressive taxes drawing on Uganda's increased revenue collection from HNWI's and South Africa's

substantial contributions from the top 0.5% income earners. Additionally, he highlighted Morocco's success in property taxation, unveiling a promising avenue for exploration. The renewed enthusiasm surrounding net wealth taxes in Latin America further accentuated their potential.

Mr. Hallum invited ATI partner countries to incorporate equity concerns in DRM efforts and explode the potential of taxes with significant effects on inequality, such as property taxes, personal income taxation, and wealth taxes, corporate taxes, as well as support the call for a UN tax convention. ATI development partners should support these measures. In this journey, teamwork and political backing were seen as essential ingredients, involving not just governmental bodies but also citizens and other stakeholders.

Opportunities provided by UN wealth tax guidelines to more effectively and efficiently tax the wealthy.

Mr. Abdul Muheet Chowdhary, senior programme officer at South Centre, and a member of the UN Subcommittee on Wealth and Solidarity Taxes, presented a compelling case for the feasibility and practical implementation of wealth taxes. He began by addressing the critical question: 'Is it worth taxing the rich?' Citing Oxfam estimates, he pointed out that a global wealth tax targeting millionaires at 2%, individuals with wealth exceeding \$50 million at 3%, and billionaires at 5% could potentially generate an astounding \$1.7 trillion per year. Furthermore, assuming universal implementation of a 1% effective wealth tax, this source could contribute approximately \$1.9 trillion annually, as indicated in the World Inequality Report 2022. **Mr. Chowdhary** emphasised that wealth taxes hold substantial potential and could significantly support global efforts, especially in light of the substantial financing requirement for achieving the Sustainable Development Goals (SDGs), which stands at \$4.3 trillion. Wealth taxes could potentially cover 44% of this financial need, making them a pivotal resource for funding SDGs.

Transitioning to the 'how' of wealth taxation, **Mr. Chowdhary** acknowledged that the central challenge lies not in recognising the need for such taxes but in practically implementing them. He identified key obstacles, including the valuation of assets owned by the wealthy, determining the tax base, obtaining data on wealth stored in tax havens, and managing political pressures from influential individuals or entities. To address these challenges, countries require practical guidance on the implementation of wealth taxes.

He highlighted the United Nations' commitment to this issue, with the United Nations Tax Committee embarking on a four-year work program in 2021 that places wealth taxation as a key priority. A dedicated Subcommittee has been formed to develop comprehensive guidance for wealth taxation, with a strong emphasis on practical implementation. **Mr. Chowdhary** outlined the contents of the United Nations Tax Committee Guidelines on Wealth Taxation, which include rationales behind wealth taxes, different types of wealth-related taxes, policy decisions, and practical guidance for implementing net wealth taxes for individuals. As a call to action, **Mr. Chowdhary** encouraged public feedback on the draft guidelines, emphasising that tax officials and the general public can participate in the sessions of the UN Tax Committee as observers, either remotely or in-person, to provide input..

Q&A session

Following the presentations, **Mr. Daniel Nuer** opened the floor to questions from the audience. The questions revolved around the topics below:

- **Implementation Challenges and Political Will:** A consultant inquired about the challenges of implementing wealth taxation, creating political will, and addressing the influence of the powerful 1%. The speaker acknowledged the difficulties, given the link between rising inequality and political capture by the wealthy. However, he noted a shift in public opinion and increasing

political support for taxing the rich. Wealth taxation is gaining acceptance as part of mainstream discourse, with support from institutions like the IMF and World Bank.

- **Taxing the Influential:** A participant raised concerns about taxing influential individuals who may resist taxation. A suggestion was made for a gradient approach to focus on the truly wealthy and minimize political resistance. Exit taxes and global minimum wealth tax proposals were also discussed as measures to prevent wealth flight.
- **Low Uptake of Wealth Tax:** A participant questioned why there has been limited adoption of wealth taxes, even in richer countries. The speaker attributed this to neoliberal ideology and the argument that taxing the rich could lead to their migration. However, he emphasized that such arguments don't always hold up to scrutiny and cited examples from France.
- **Economic Impact:** It was highlighted that skewed income and wealth distribution can slow down aggregate demand, affecting economic growth. Addressing wealth inequality can have positive macroeconomic effects.
- **Role of Parliaments:** Participants, including MPs from different countries, discussed the role of parliaments in enacting wealth taxation policies and overcoming political resistance. The speaker stressed the importance of engaging the wider public to create genuine debates within parliaments.
- **Capacity Building:** The significance of capacity building in tax administrations was emphasized, especially for taxing the wealthy, as it presents unique challenges compared to regular taxpayers.
- **Global Minimum Wealth Tax:** Proposals for a global minimum wealth tax, similar to the minimum corporate tax, were discussed to discourage wealthy individuals from shifting their assets across borders.
- **Aid for Domestic Resource Mobilization (DRM):** Questions were raised about the equitable distribution of aid for DRM among developing countries. Ensuring support for all countries and preventing the capture of wealth from developing countries were emphasized.

Overall, the discussion highlighted the complexities and political challenges associated with implementing wealth taxation. However, it also underscored the importance of engaging parliaments, building capacity, and mobilizing public support to address wealth inequality effectively.

Concluding remarks on taxing the wealthy.

In this segment, **Mr. Wilson Prichard's** gave a presentation, on behalf of Julia Mascagni, shedding light on the growing significance of progressive taxation within the realm of tax policy and development. This shift in focus over the past two decades signifies a pivotal moment in the history of taxation, as income, property, and wealth taxes have transitioned from being marginal concerns to critical elements of revenue generation. While these taxes have historically posed political challenges, the increasing interest from governments and donor partners offers a unique window of opportunity for progress. However, the implications of progressive taxation extend beyond fiscal matters alone, with gender equity emerging as a key dimension. Income and wealth disparities, predominantly held by men, underscore the inequities within tax systems, as these very taxes are often the least efficiently collected. Women, actively engaged in heavily taxed sectors like market trading and small businesses, further emphasize the need for balance within tax structures. The pressing question is not the importance of progressive taxation, as this view is increasingly shared; rather, the focus is on how to effectively enact it in practice. The ATI's role in facilitating knowledge exchange between countries, addressing technical challenges such as data sharing, and navigating the intricacies of building public support during opportune political moments becomes paramount. Additionally, the wealth tax debate, driven by strong ethical arguments and practical challenges, prompts governments to strategize on the most effective political pathways for progress. This

holistic perspective underscores the evolving landscape of taxation and its profound implications for fairness, equity, and development.

Overview of the activities implemented by ATI Consultative Group 1 in 2022/2023.

The ATI Secretariat provided an update on its 2022/2023 work plan, which includes monitoring progress on ATI Commitment 1 and its alignment with the ATI Declaration 2025. Firstly, the ATI has developed a monitoring framework for ATI Commitment 1 and are currently evaluating its progress in achieving the ATI Declaration 2025. Secondly, they conducted a webinar series on equitable taxation in collaboration with Germany, addressing topics such as Enhanced EBT, CEQ Assessment, and FIA methodology, with additional sessions planned for the future.

The work plan included a spotlight on equitable taxation, featuring a literature review and case study compilation covering subjects like sin taxes in the Philippines, property taxation reform in Sierra Leone, and Uganda's HNWI Unit. This initiative aims to identify and advance more equitable tax systems in lower-income countries.

Furthermore, the ATI organised virtual workshops, in partnership with ICTD's Local Government Revenue Initiative (LoGRI), focusing on policy design for (subnational) property taxation in partner countries. Lastly, they organized webinars and workshops on revenue administration and reform, particularly in the context of digital transformation, using the FTA Digital Transformation Maturity Model (DTMM). These sessions covered self-assessment methodologies, sharing experiences, and shaping digitalization strategies for revenue administrations in ATI partner countries.

Open dialogue about potential additional products and areas of engagement for 2023.

During the open dialogue, participants discussed potential areas of engagement for the coming year. Suggestions included broadening the focus on tax exemptions beyond businesses to include non-business entities like NGOs and governments (ODA). Questions were raised about whether to enhance existing foundational taxes or introduce new instruments, and the opportunity to introduce reforms for progressive taxation in response to OECD Pillar 1 and 2. A debate ensued with some countries favouring revisions to previous instruments over introducing new ones.

Furthermore, the importance of property taxation, considering both national and local levels of tax administration, was highlighted. There was also interest in exploring a proposal for a global minimum wealth tax and learning from other countries' experiences in enacting progressive taxation measures during and after the pandemic.

Next steps.

The ATI Secretariat as it advances its mission of supporting member countries. These include a focus of gathering case studies that showcase successful experiences, not solely in tax compliance but also in navigating the complexities of wealth tax reforms and political challenges surrounding the approval of wealth tax legislation.

The proposal to broaden ATI's purview by exploring progressive taxation initiatives beyond its current membership, with a particular focus on Latin America, aligns with the need to stay attuned to global

developments. Additionally, the steadfast commitment to promoting equitable revenue collection, particularly at the local government level, remains a priority, with ongoing efforts in the realm of property taxation and potential collaborations with LoGRI.

Gender considerations in taxation, coupled with the development of a case study framework, underscore ATI's dedication to addressing regressive impacts and evaluating the effects of taxation on women.

Lastly, the forthcoming UN guidelines on wealth taxation from the UN sub-committee present an avenue for member countries to contribute their insights, ultimately bolstering the relevance and applicability of these guidelines across diverse contexts. These reflections chart a comprehensive course for the ATI Secretariat's future endeavours, geared towards fostering equitable and effective taxation practices among its members.