

# 8<sup>th</sup> Meeting of the ATI Consultative Group 1

ATI GA 2024, Day 2, 19 June 2024, 13:05 – 14:05

## Speakers

**Artur Swistak**, Deputy Division Chief, Tax Policy Division, International Monetary Fund (IMF)

**Alpha Ngom**, Co-coordinator ATI Consultative Group 1 & Senior Technical Advisor on International Taxation to the Director General, General Directorate of Taxation, Ministry of Finance, Senegal (Moderator)

## Minutes

To reflect on the ongoing trends in making core taxation more progressive, ATI Consultative Group 1 organised a discussion on the findings of Artur Swistak's (Deputy Division Chief at IMF's Tax Policy Division) recently co-authored [article](#).

The discussion began with an in-depth presentation by Swistak, focusing on the critical role of VAT as a significant revenue source for partner countries. He emphasised that while VAT is a robust tool for revenue generation, its inherent regressivity poses a challenge. Typically, lower-income households spend a larger portion of their income on consumption, thus bearing a disproportionate VAT burden compared to wealthier households. To address this, countries often implement exemptions and zero ratings on essential goods and services. However, these measures, while mitigating regressivity, also create inefficiencies and lead to substantial revenue losses. Swistak proposed a transformative solution: a single-rate, broad-based VAT system accompanied by real-time rebates. This system would ensure that lower-income households receive immediate financial relief at the point of purchase, effectively countering the regressive nature of VAT. Swistak illustrated the potential of this approach with the example of Uzbekistan, where such a system has successfully increased tax revenues and reduced the tax gap by promoting greater compliance and encouraging formal economic activities. He argued that this model not only simplifies the VAT structure but also leverages digital technology to provide targeted relief efficiently.

During the open discussion, various questions were raised about the feasibility and potential challenges of implementing the proposed VAT system, primarily on the risk of individuals exploiting the system by making purchases on behalf of others to gain rebates and high costs of introducing the necessary technology. Swistak responded by suggesting the implementation of spending ceilings and sophisticated tracking technologies to monitor and control rebate claims and acknowledged that while there are initial investments required for such technology, the long-term benefits in terms of enhanced compliance and revenue generation would outweigh these costs.

The session reviewed ATI Consultative Group 1's work plan, with Michelle Ordóñez and Nikola Đurić from the ATI Secretariat outlining the activities for 2024-2025. They proposed also focusing on the taxation of extractives, aiming to help resource-rich developing countries increase revenue sustainably. Viola Tarus from the IGF emphasized progressive taxation, noting efforts by Zambia, South Africa, and Peru to link royalties to market prices or mine profitability. Due to time constraints, feedback will be gathered later from selected group members, particularly partner countries. A brief on equitable taxation, featuring Latin American tax reform case studies, is expected by the end of 2024. Moreover, the ATI, in partnership with the ICTD's Local Government Revenue Initiative, provided property taxation advisory services to Gambia and Madagascar, following their interest in a 2023 workshop series. Finally, the 2024 Tax Gap Workshop in Tanzania, in collaboration with several organizations, engaged 32 ATI partner countries to improve tax gap estimation methodologies. A Community of Interest on tax gap estimation was established. A tax gap estimation toolkit, developed with UNU-WIDER, is underway, including compliance gap estimation code and a technical note. An online training session is planned for Q3 2024, with the toolkit's launch during the UNDP's Dialogue on Tax and SDGs 2024.

The full General Assembly report can be accessed [here](#).