

International Budget Partnership

# Our strategy to promote tax equity in Africa

African countries struggle to mobilize sufficient domestic revenues—particularly through taxes—to deliver social services and fuel progress toward the Sustainable Development Goals, or global goals. The average tax revenue to GDP ratio in the region is 17%, which is below the 20% ratio needed to help countries fast track efforts to meet the global goals.

Unfortunately in an effort to mobilize a revenue base, many countries have turned to indirect taxes, such as sales and consumption taxes, which are primarily regressive and disproportionately burden those with low incomes. Meanwhile governments underutilize direct taxes, like income taxes, and maintain tax exemptions to corporations and High-Net Worth Individuals (HNWI).

Most corporations, especially multinational corporations, enjoy tax exemptions and preferential tax rates which hinder governments' ability to have enough public resources to meet development needs. For instance, according to the Civil Society Legislative Advocacy Centre, Nigeria lost approximately $3 billion annually in tax waivers to multinational companies. In 2021, Senegal lost an estimated 952 billion CFA

francs or 6.2% of GDP to tax waivers. These waivers further limit the fiscal space to fund social services people need— like primary healthcare and water and sanitation. As a result, women and others who have been traditionally excluded not only receive less accessible and lower quality public goods and services, but paradoxically are the most heavily taxed as a share of their gross income. These tax systems hurt David to the benefit of Goliath-- the average woman selling goods in the market pays a much higher percentage of her income in taxes than the large corporation that produced the goods she sells.

IBP's tax equity initiative in Africa (focused on Nigeria, Senegal, Ghana and Tanzania) works to ensure that everyone pays their fair share of taxes so that governments have sufficient resources to deliver for their people. We focus on several reform strategies to balance out the tax system so that it does not unduly burden those least able to pay and mobilizes sufficient revenue from those who could pay more. This includes rationalizing tax exemptions for corporations and High-Net Worth Individuals (HNWI), leveraging more direct taxes like property taxes, addressing overreliance on indirect or consumption taxes and streamlining collection practices to not unduly burden lower income earners. We also urge governments to be more transparent and accountable with information about how and from whom they collect taxes and for what those revenues are used in order to bolster public trust and compliance in the tax system. Below are a few key areas of reform in which we focus:

- **Better leveraging taxes on wealth.** HNWIs are not paying their fair share of tax. Wealth and assets are concentrated within a small segment of the population, yet there is insufficient capacity to assess and tax these assets— such as real estate, capital gains and luxury goods— effectively. The lack of effective mechanisms for taxing HNWIs leaves much of the country's wealth untaxed, perpetuating inequality in the tax system. For example, property taxes are underutilized as a method of mobilizing tax revenues, even though it is more directly correlated with people's ability to pay. In Nigeria, property taxes contribute merely 0.2% to GDP and in Senegal property taxes represent just 0.51% and 5.7% of national and local tax revenues respectively. We are advocating for governments to leverage property taxes as a much more progressive way to mobilize tax revenues than through indirect taxes and for officials to show how these taxes are then leveraged to provide better services.

- **Rationalizing tax expenditures**. The wealthiest corporations and individuals are also very successful at tax evasion and avoidance strategies. Governments often grant excessively generous tax incentives and exemptions to corporations and the highest earners without conducting an adequate cost benefit analysis of whether the gains in economic activity outweigh the cost of lost revenues that could be used to finance better social services for women and other underserved populations, like health and

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education. We are advocating for governments to assess the cost-benefit of these exemptions and work to rationalize and limit harmful tax expenditures.

- **Reforming Value-Added Tax (VAT).** In an effort to mobilize domestic revenues, many governments turn to consumption taxes such as VAT to shore up their tax base, which disproportionately burdens those with lower incomes. Governments also do not consider the gendered impacts of their policies, including how VAT affects lower-income women consumers, especially when it is applied to essential goods that they most purchase as primary caregivers. For example, in Tanzania a broad 18% VAT, including on necessities, greatly increases the cost of living and exacerbates inequality and gender inequity. We provide analysis and advocate for more gender-responsive VAT reforms that reduce the tax burden on essential goods that are disproportionately purchased by women, including feminine hygiene products and children's items, and advocate for the use of VAT on luxury goods or other products that target higher earners.

- **Lowering tax burden on lower income earners.** Lower income earners, especially those in the informal sector, are often hit with multiple taxes by different tax authorities at the national and subnational level, which can result in having to pay an outsized percentage of their income in taxes. In Nigeria for example, 52% of informal sector business owners earning less than 1,000 Naira daily spent as much as 20% of their income in taxes. In Ghana, three of the prevailing seven income tax rates for Pay-As-You-Earn (PAYE) workers applied to people living below the international poverty line. These thresholds underscore that even a progressive tax like PAYE can be unfair if not well designed. These unfair tax burdens are exacerbated by the fact that many women are also often engaged in unpaid care work that limits their income generating power. We propose reforms to get authorities across levels of government to promote more progressive taxes and to streamline tax collection/stop multiple taxation so that lower-income earners, especially women, are not burdened with paying similar taxes multiple times.

- **Addressing tax harassment and bolstering grievance mechanisms.** Workers in the informal sector—especially women who are disproportionately employed in the informal sector— often have to contend with illegal tax collectors who harass and threaten them with extortion, property seizures and personal harm. For example, in Nigeria, although more than 55 billion Naira is collected from vehicles in road taxes every year, most of this revenue goes to transport unions and thugs, rather than state coffers. We work with officials to formalize collection methods and bolster redress mechanisms to report complaints.

> **"We are taxed whether we sell or not, whether we are present or not, but in return we do not see how (the government's) actions serve women in the area.**
>
> Astou Mbengue, Member of the Senegalese Federation of Inhabitants (UrbaSEN) speaking about market women in Senegal.



# Impacts to Date

With support from the Gates Foundation and Norad, we have been forging reform coalitions in Nigeria, Senegal, Ghana and Tanzania since 2019 to advance fairer tax policies. We have brought social movements, community organizations, small business owners, private sector and government allies and the media together to drive reforms. We have built the capacities of women-led groups to understand the tax system and their rights and obligations so that they are better able to influence tax policy and propose reforms. And we have ensured that these coalitions are at the table informing key tax policy decision-making spaces. Progressively these reform coalitions have become trusted interlocutors with government officials and key players in driving reforms for more equitable tax systems. Below are a few key outcomes:

1. We have trained and built the capacities of more than 1,700 individuals from partner organizations to conduct tax analysis and advocacy (including assessing tax policies from a gender lens), and to advocate effectively for reforms with tax officials.
2. We have worked with women-led organizations to get state tax officials to streamline multiple taxes imposed on women market workers in Nigeria. As a result of advocacy efforts in Cross River State, we were able to successfully lower the tax burden for women working in the Ika Ika Oqua market (one of the state's biggest markets) from 124% to 36% of their weekly income. Officials overseeing the market also agreed to designate tax collection officers, including women tax collectors, to stop the practice of unauthorized individuals falsely claiming to represent local tax authorities.
3. In Nigeria and Senegal, we have strengthened the use of Grievance Redress Mechanisms for taxpayers to clarify their tax obligations and report problems they face with tax collection.
4. We have ensured our partners are heard and able to influence key tax policy decision-making spaces such as Nigeria's Presidential Fiscal Policy and Tax Reforms Committee, the West African Tax Administration and the Addis Tax Initiative. As co-chairs of one of the Consultative Groups in the Addis Tax Initiative and the post-2025 task force, we have been able to ensure that our local civil society partners can influence ATI conversations.
5. In Senegal, we established a multi-stakeholder platform for tax equity that convenes tax experts, civil society groups, government agencies, parliament, journalists, the private sector, academics, women's groups, social movements and citizen coalitions. This effort was the first time that oversight institutions like the National Office Against Fraud and Corruption (OFNAC) and the Court of Auditors joined a civil-

society led initiative on taxation. The platform has helped break down siloes and foster collaboration among civil society groups and others that had never collaborated before on a common tax agenda.

6. In 2024, tax authorities in Senegal adopted a new decree covering big tech companies— Google, Amazon, Facebook, Apple and Microsoft— allowing the Senegalese state to regulate the digital services sector and guarantee a fair contribution of digital transactions to the country's tax revenues. The new decree specifies the procedures for implementing Value Added Tax (VAT) on digital activities, more specifically on digital services provided in Senegal by foreign online suppliers and foreign digital platforms.
7. We have helped Bignona municipal officials in Senegal to register motorbike taxis as taxpayers. Officials now have a better sense of how many motorbike taxis are in circulation and looking to use these resources to provide insurance to the taxis.



# Strategy to drive systems change

## In the coming years, we will seek to scale up our impacts through a strategy to advance the following key outcomes by 2030.

**Bargaining Power:** We will strengthen our reform coalitions— that include community groups, women business owners, tax professionals, young people, government and private sector reform champions and the media— to ensure they organize around a shared agenda and work together to propel reforms.

Decision-making processes: We will urge governments officials at all levels to expand spaces for meaningful public participation so that those who are most impacted by tax policies, including women, can inform and influence reform efforts and key decisions. Our partners will use these spaces to ensure that officials have gender-disaggregated information to assess the gendered impacts of various tax policies and proposed reforms. These spaces for exchange and advocacy will also allow authorities to take into account the needs of populations in the collection and redistribution of tax revenues.

**Institutional Effectiveness:** Collecting the right amount of taxes from HNWIs requires extensive data networks to adequately track their incomes. Anecdotal evidence suggests that more auditors need to take advantage of these systems to improve HNWI taxation and we will urge that they do so. We will also urge governments, especially in Tanzania and Ghana, to incorporate Exchange of Information (EOI) targets into the key performance indicators of staff to incentivize them to share more information with the public, including on measures to tax corporations and HNWI. We will also work to address multiple taxation and other challenges in how taxes are administered that lead to undue burdens on low-income earners.

**Laws and policies:** We will review various laws on indirect and direct taxes in our target countries and advocate to key officials to promote more progressive avenues to mobilize tax revenues. We and our partners will also encourage officials to publish annual reports on VAT collection efficiency so that we can assess and propose reforms. We will advocate for rationalizing tax expenditures and increasing property taxes and for those to be leveraged to bolster funds for social services. We will advocate for reforms to lower the tax burden on low-income earners, especially those engaged in the informal economy and in unpaid care work.

**Data and Information Flows:** IBP and partners will ensure that tax reforms and administration at local, national, regional and internal levels are informed by citizens' data and needs. We will also urge governments to release more timely and relevant information, for example on tax exemptions and on taxation of HNWIs. For instance, the availability of reports on the performance of taxes— including timely reporting on tax expenditures— will enable legislatures and citizens to assess the level of revenue loss and propose reforms. Women in rural and informal sectors are especially impacted, as they frequently encounter additional challenges such as lower digital literacy and limited access to tax-related information. It is essential to address these gender-specific barriers through targeted outreach and support programs to enhance women's participation in the formal tax system. Civil society organizations will produce convincing and reliable tax data as a basis for tax reforms. To ensure inclusivity, the collection and use of tax data must be disaggregated by gender, enabling authorities to understand how tax policies impact women differently, particularly those in low-income sectors.

**Mindsets:** There are many mindsets and norms that are perpetuating a system in which not everyone is paying their fair share and, as a result, few people trust the tax system. We will invest in targeted advocacy to build broad-based public support for everyone paying their fair share, for taxing wealth to support public goods and services and for bolstering public trust in the tax system. We will map the narratives that are holding back progress and develop winning messaging frames and narrative strategies to build public support for a fairer tax system.



# Key strategic actions

We will pursue these outcomes by engaging in the following strategic actions.

1. Accompany organized groups—such as women small business owners, women tax professionals and other women's groups—and their reform allies to drive reforms. We will assess tax policies in our target countries (including tax exemptions, VAT and taxes on HNWIs) and share strategies to drive change.
2. Support communities to generate quality, standardized data that governments and global actors can use to reform how domestic resources are mobilized. We will co-create with partners and share with key officials analyses on the impact of tax policies on equity.
3. Facilitate greater access for organized groups to spaces where decisions are being made so that they can influence tax policymaking and administration. This includes ensuring representation of partners—including those who represent informal sector workers and others— in state and local revenue committees and expanding access for civil society in tax expenditure reporting processes, among other measures.
4. Bring reform allies together in broad coalitions to address equity issues in tax policy and administration. We will bring together organized groups and other reform allies such as global trade unions, government reformers, academics, investigative journalists, legislators and others to work together to achieve reforms.
5. Influence regional and global actors to advance fairer tax policies. We will use our role as chair of one of the consultative groups in the Addis Tax Initiative (ATI) to ensure that civil society is at the table and equity considerations are taken into account in deliberations around the upcoming Financing for Development summit and the post 2025 agenda for ATI. In particular, we will share our analysis on how women and informal sector workers are impacted by various tax policies to inform reform efforts. We will also continue to engage with key regional players like the West African Tax Administration, African Tax Administration Forum and African Union to leverage their ability to influence national governments to promote policies that advance equity.
6. Invest in new narratives that build broad public support for a fairer tax system in which everyone pays their fair share. We will learn from others who have successfully engaged in narratives work to develop a narratives strategy and infrastructure for tax equity. This will include developing new messaging frames, establishing a listening capacity to oppositional messaging, equipping a network of messengers and influencers on the ground (i.e. a "speakers bureau" of women impacted by tax policies) and creating a network of influencers, content and channels by which to disseminate new ideas that shift hearts and minds in support of everyone paying their fair share.