



FAIR TAX MONITOR STUDY

Terms of Reference

Background

The Fair Tax Monitor (FTM) project was started in December 2014. The FTM project was developed by Oxfam Novib and Tax Justice Network–Africa in collaboration with partners and Oxfam Country Offices.

The Fair Tax Monitor’s overall goal is to strengthen the advocacy activities at the local and global levels. It provides an overview of national tax systems and identifies the main challenges they face. The tool provides reliable evidence for the advocacy and lobby work of our partners, which strengthens their position and increases their credibility as well as their influencing power. Furthermore, the FTM compares key elements of tax systems and thus complements the activities of Oxfam’s global Even it Up! Campaign and TJN-A’s activities realized at the African level. The project’s focus is on tax policies and practices, and by deliberate choice it pays only limited attention to issues related to public expenditure.

This 2017 edition of the Common Research Framework (CRF) will be used during the 2017 country research in 9 countries: Senegal, Tunisia, Nigeria, Uganda, Occupied Palestinian Territories, Pakistan, Bangladesh, Vietnam, and Cambodia. The original CRF was developed during the pilot phase in 2015/2016 and implemented in 4 pilot countries: Bangladesh, Pakistan, Uganda and Senegal.

The revisions in the 2017 CRF are based on the inputs received during a series of skype meetings with the FTM Working Group members (Oxfam staff and partners) and during workshops held in Ramallah and Entebbe. In addition, we received inputs from internal and external experts working on taxation and development.

The common research framework can be used to gather qualitative and quantitative information in a standardized manner. The collected data will be categorized and evaluated and entered into the FTM online tool. A research report with more detailed information and analyses will be available for each focus country at www.maketaxfair.net.

Approach

The common research framework is divided into six thematic categories used for evaluation. These categories are meant to cover the main issues that tax systems in developing countries face today, and to reflect the idea of a fair tax system. The categories included in the FTM’s methodology to evaluate the tax systems are:

PROGRESSIVE TAX SYSTEM

SUFFICIENT REVENUES

WELL GOVERNED TAX EXEMPTIONS

EFFECTIVE TAX ADMINISTRATION

PRO-POOR GOVERNMENT SPENDING

ACCOUNTABLE PUBLIC FINANCES

To properly assess the categories above and to be able to compare the data between the countries, each category is divided into several topics for which a series of scoring questions are designed. The scoring questions were formulated as binary (yes/no) questions and their structure is adjusted so that a scoring point is assigned to a positive answer and no scoring point to a negative answer. For qualitative questions, to indicate a country scores partially positive, we offer the possibility to give 0,5 points. In this way, it is possible to work with both qualitative and quantitative data and to combine them in constructing the final score for each category.

The researcher is asked to make a first attempt to fill in the scoring methodology, including reference to the page numbers in his report where the answers to the scoring questions can be found.

The scoring scale is defined from zero to ten; zero representing an unfair component of a tax system and ten representing a fair component of a tax system. The final scores are rounded up for practical purposes, but the exact scores are available in the methodology sheets for each country. The scale is also divided into five coloured intervals corresponding to scores (0 to 2), (3 to 4), (5 to 6), (7 to 8) and (9 to 10).

Common research framework

The common research framework itself is described in this chapter and can be used as a basis for the Term of Reference for the country level research. The research framework defines in more detail which information is required to be analysed in the FTM Country Reports. Using the CRF should lead to similar looking reports in the FTM focus countries with 7 main analytical chapters following the stipulated guiding questions below. First of all the report should give a brief description of the tax system. Secondly it should analyse the current tax system following the 6 clusters of topics listed above, distribution of the tax burden and progressivity, revenue sufficiency, tax exemptions, effectiveness of the tax administration, government spending, transparency and accountability. These clusters of topics were selected to best capture the complex character of tax systems in order to evaluate fairness of a tax system under review.

With the project Working Group we defined a fair tax system as follows: (1) progressive and serves as a mechanism to redistribute income in a gender responsive way¹, (2) allows to raise sufficient revenue to perform government functions and provide essential services, (3) refrains from and eliminates tax exemptions and incentives to the elite and (4) tackles causes of illicit capital flight and tax evasion by international companies and the wealthy. With this in the mind the analysis described below should be undertaken.

¹ The researcher is invited to provide as much gender specific data as possible. With each future update of the methodology, the common research framework will be further sharpened on this issue.

1. Brief description of the tax system

The objective of this part is to provide a comprehensive overview of the structure of the tax system, the authorities responsible for collecting taxes and the overall approach to managing taxes. This section also determines the impact of the changes that have been made to the tax system in the past years and whether the country has been moving towards a fairer tax system or vice versa.

Topic	Research Analysis Questions
Tax and social security system	<ul style="list-style-type: none">- Describe the overall tax system. What types of taxes does the country collect at local and national level? Do the tax policies focus more on equity and progressivity or on more “efficient” collection or do they have any other focus relevant on tax justice? What is the tax collection procedure? Who is responsible for collecting taxes at both local and national levels?- What benefits are covered by the social security system? Are social security contributions collected separately from tax payments?- What important reforms in the tax system and tax policies have been made in the last 10 years? Are there any reforms of the tax system planned for the near future? Focus on the most essential reforms and those that have had (will have) an important impact on the current tax system. Provide a brief historical evolution of the country tax system indicating the reasons behind particular tax reforms which were implemented. Has the country intended to/succeeded in combating tax evasion/avoidance, eliminating inefficient tax incentives and in broadening the tax base?

2. Distribution of the tax burden and progressivity

In this part, we aim to assess the progressivity of selected taxes and to determine what impact they have on income/wealth distribution and inequality. It is assumed that direct taxes are generally more progressive than indirect taxes, however, this section should also analyze whether there are exceptions to this assumption (e.g. luxury consumption taxes).

Additionally, look at the structure of the tax system as it relates to gender dimensions e.g. do the rules and rates of the taxes distinguish/differ depending on gender (such as treating men and women differently e.g. applying taxes on items predominantly purchased by women for basic/home use – this is most common with VAT and taxation of the informal sector where women are the predominant actors). This analysis together with the information about how much is collected per each tax will allow the researcher to draw conclusions about the fairness of each tax and to provide policy recommendations.

Topic	Research Analysis Questions
Cross cutting progressivity	<ul style="list-style-type: none"> - Provide a trend analysis of the share of direct tax in total tax revenue for the last 10 years. What was the share of VAT? - Are there any tax rates, policies or laws that have negative effect on gender equality? - What is the ratio of PIT versus CIT as a share of total tax revenue? - Are there any issues with certain professions that are not paying their fair share of taxes (e.g. individuals who can pay - so not the poor street traders, but lawyers, doctors, small profitable businesses)?
Personal Income Tax (PIT)	<ul style="list-style-type: none"> - Provide a trend analysis of the share of PIT and social security contributions (if applicable) in total tax revenue for the last 10 years. (separate figures in one table) - Provide the current rates of PIT and the PIT tax tables. Include an overview of how the PIT rates evolve with different income brackets (also for the five income quintiles). Have the tax tables been updated in the last 5 years and are these updates comparable to the inflation level? - Who does the PIT apply to? Do the rates vary for different sectors/activities or for different income levels? What is the level of personal income tax threshold? Is this threshold comparable to the level of living cost or poverty threshold? What are the exemptions to PIT and who/what kind of income do they apply to? Is there any distinction of rates based on gender or marriage status (single/married) or size of family (e.g. number of children)? What level of tax revenue authority is responsible for PIT collection (local/national)? - In what way do the PIT policies and various PIT rates and exemptions address income inequality? Do the policies contribute to a fair tax system? Draw main policy recommendations based on this analysis. - Are there preferential rates/exemptions for certain types of professions?

Corporate Income Tax (CIT)	<ul style="list-style-type: none"> - Provide a trend analysis of the share of CIT in total tax revenue for the past 10 years. - Provide the current rates of CIT and its development over the past 5 years. Who does the CIT apply to? Do the rates vary for different sectors and activities (e.g. extractive industry), different sizes of corporations or levels of profit? What are the exemptions to CIT and who do they apply to? What is the level of corporate income tax threshold (if applicable)? What level of tax revenue authority is responsible for CIT collection (local/national)? - Are there transfer pricing rules e.g. limiting interest deductions, or limiting other deductions e.g. R&D, CSR, Marketing etc.? (this section concerns transfer pricing rules to curb aggressive transfer pricing/planning) - How do the CIT policies affect income inequality? Do the policies contribute to a fair tax system? Draw main policy recommendations based on this analysis. - Are there penalties applied for failure to pay tax on due date?
Wealth taxes (property tax, land tax, capital gain tax)	<ul style="list-style-type: none"> - Provide a trend analysis of the share of property tax, land tax, taxes on financial assets and incomes derives from them, in total tax revenue for the last 10 years. - Provide the current rates for these taxes and their development over the past 5 years. Do they vary for different sectors and different levels of wealth? Are there any exemptions to these taxes? What level of tax revenue authority is responsible for collection of wealth taxes (local/national)? - How do the property and wealth tax policies affect inequality? Do the policies contribute to a fair tax system? How? Does wealth tax sufficiently take into account the position of poor people, e.g. via thresholds and/ or brackets? Draw main policy recommendations based on this analysis.
Sales tax/VAT	<ul style="list-style-type: none"> - Provide a trend analysis of the share of Sales/VAT taxes in total tax revenue for the past 10 years. What are the rates of sales tax/VAT? Do they differ for different goods/services? What goods/services are exempted from Sales Tax/VAT or are zero rated? Are luxurious goods taxed at least with average rate? Which level of tax revenue authority is responsible for collection of Sales/VAT taxes (local/national)? - What distributional impact does the VAT and its special rates/exemptions have? Does it contribute to a fair tax system? Draw main policy recommendations based on this analysis.
Trade taxes	<ul style="list-style-type: none"> - What was the share of import/export taxes, compared to total tax revenue and GDP in the past year? - What are the rates of import/export taxes? Do they differ for different goods or sectors (e.g. for basic/luxurious goods)? Are any goods/sectors exempted from import/export taxes? What level of tax revenue authority is responsible for collection of Trade taxes (local/national)? - Is there a trade tax for goods predominantly consumed by women and/ vulnerable groups of the society?

	<ul style="list-style-type: none"> - Do the trade tax policies contribute to a fair tax system? Draw main policy recommendations based on this analysis.
Presumptive/Turnover taxes	<ul style="list-style-type: none"> - Is there a presumptive tax system for the informal sector in place? - Provide a trend analysis of the share of Presumptive taxes in total tax revenue over the past 10 years. - Is the presumptive tax system based on a feasibility assessment? - Are there clear rules for calculating the tax? - In which way does the presumptive turnover tax affect three types of informal businesses (Subsistence Enterprises; Micro & Small Businesses; Small & Medium Businesses)? Are the rules adapted to the three groups? - Is there a tax-exempt tax bracket that protects low-income businesses from paying presumptive taxes? - When individuals or informal businesses receive a tax presumption, is there a legal objection procedure available? Who (what level of tax revenue authority) is responsible for collecting presumptive taxes? - Do the rates of presumptive tax differ by sector in a way which results in a higher burden of the tax being extended to women and/ other vulnerable groups of society? How do these tax policies affect inequality and contribute towards a fair tax system? Draw main policy recommendations based on this analysis.
Gender analysis	<ul style="list-style-type: none"> - Analysis of gender equality in terms of income tax. Are there different rates for men and women? Are the sectors that women/men are more likely to work in taxed with a special income tax rate? Are the tax allowances/exemptions more accessible for men/women? - Are the goods that women/men are more likely to consume taxed with a special VAT rate? - Are married couples taxed differently? If yes, what is the impact on women's income? - Are there any biases in the tax system which have a negative/discriminatory effect on women? - Draw main policy recommendations based on this analysis.
Public perception of the tax system	<ul style="list-style-type: none"> - Search for the following information in existing national surveys: <ul style="list-style-type: none"> • What is the public perception of fairness of the tax system? • What is the public perception of transparency of the tax system? • What is the public perception of revenue authorities?

3. Revenue sufficiency and tax leakages

The objective of this section is to determine the total tax (and non-tax) revenue and to identify where the most tax revenues get lost. Through such analysis, we seek to provide policy recommendations to prevent tax leakages.

Topic	Research Analysis Questions/Hints
Tax revenues	<ul style="list-style-type: none"> - Provide a trend analysis of the share of Tax revenues to GDP over the past 10 years, and an analysis of the Tax expenditure to GDP over the past 5 years. - How does the ratio of the focus country compare to other countries in the region and countries of the same income level? Has the government formulated the intention to reach similar levels? - Does the government set a long-term goal for the tax/GDP ratio? What is it? Are they on track? - What is the connection between regional structures (ECOWAS etc) and national tax policies?
Non-tax revenues	<ul style="list-style-type: none"> - Provide a trend analysis of the share of non-tax revenues to GDP over the past 10 years. - Provide a pie-chart of the share of non-tax revenues (e.g. royalties on extractives, profits from government owned enterprises, sales of government's assets) in the total non-tax revenues for the latest available year. How does the focus country use the non-tax revenues? Is it included in the budget or is it managed separately? - What are royalties based on? Profit or volume? - Are there windfall taxes, variable royalty rates or variable profit taxes in place for extractive industries? - Are there ring fencing rules in place for extractive companies?
Tax payers	<ul style="list-style-type: none"> - What is the rate of personal income tax payers to active population and to total population? Provide an overview over the past 5 years. - What is the amount of Tax Identification Numbers for companies? What is the amount of registered businesses? What is the amount of tax returns filed? Provide an overview over the past 5 years. - In which way is the tax base calculated? Do the Tax Authority provide estimates, or e.g. the Ministry of Economy or Chamber of Commerce? What are their estimates and what is the difference between the actual tax payers?
Informal sector (additional information might be requested depending on country context)	<ul style="list-style-type: none"> - How big is the informal sector as a share of the economy, what has been the trend of its development over the past 5 years? - Who are the main actors in the informal sector and which type of business is carried out in the informal sector? - In which ways do the authorities attempt to tax businesses in the informal sector? - Provide a trend analysis of the ratio of tax revenues from public vs. private sectors for the past 10 years.

	<ul style="list-style-type: none"> - Have there been recent efforts to ‘formalize’ the informal sector? How does the government encourage the presumptive tax payers to become corporate income tax payers? Is it easy and affordable? Are informal businesses taxed retro-actively when formalizing?
Tax exemptions	<ul style="list-style-type: none"> - Provide a trend analysis of how much revenue is forgone due to tax exemptions for the past 10 years. - Provide a comparative analysis of expenditure in the health, education and agriculture sectors with the revenue forgone in the last 5 years?
Illicit financial flows (IFFs)	<ul style="list-style-type: none"> - What are the main causes for illicit financial flows (IFFs) in the focus country? What steps has the government taken to combat IFFs? Do the tax authorities have the authority and means to investigate possible cases of tax evasion? - Are cases of tax evasion investigated and punished?

4. Corporate Tax Exemptions: governance and transparency

Topic	Research Analysis Questions/Hints
	<ul style="list-style-type: none"> - Short description of the rules for granting (corporate) tax exemptions. Who decides on granting exemptions? Are there specific economic zones with low/zero tax rates? What are the rules for operating in such a zone? - Description of the main issues related to transparency. Is the revenue forgone published and if so is it published by type of tax exemption? Are companies benefitting from tax exemptions published? - Are tax exemptions subject to a cost-benefit analysis? Is the analysis publicly available? - Do all tax payers meeting the set criteria qualify for tax exemptions? - Are there any discretionary exemptions granted? - Is there a parliamentary oversight over regular and discretionary tax exemptions? - Have there been any cases in the media revealing secret corporate tax exemption deals?

5. Effectiveness of the tax administration

This section aims to assess the ability of the tax administration to collect taxes and to determine whether the amount collected would be sufficient if proper tax policies were in place. It provides information on the capacity of tax administration in terms of human and financial resources and reviews the cost effectiveness of tax collection.

Topic	Research Analysis Questions/Hints
Organisation	<ul style="list-style-type: none"> - Is there a centralized revenue authority? - Does the centralized revenue authority work with local governments in revenue collection? - What is the gender composition of tax administration staff? What is the percentage of women in senior positions? - Is part of the centrally collected revenue transferred to the local level authorities? - Is there a unit dedicated to Large Taxpayers and/or rich individuals? Is there a transfer pricing unit established? If not, how many people with transfer pricing expertise are there in the tax authority?
Revenue shortfall	<ul style="list-style-type: none"> - Provide a trend analysis of revenue shortfall for the past 10 years (amount of actual tax collected compared to official forecasts). How is the forecast calculated?
Resources	<ul style="list-style-type: none"> - Provide a trend analysis of funding provided to tax authorities to GDP for the past 10 years. Is most of the funding used for running cost or are there also capital investments in IT and other technologies? - Provide a trend analysis of number of tax officers compared to registered tax payers/total population for the past 10 years. Are there any reports (e.g. in media) on serious understaffing? - Are the local and national authorities well equipped (with financial resources, human resources and expertise) to effectively collect taxes (e.g. you can compare funding of local authorities/number of tax officials/number of tax service centers to local GDP)? Provide an analysis of the availability and quality of training programs for tax officials, are they regularly trained? - Provide a description of how the tax administration has been modernizing tax collection: Is the tax administration digitized and automatically processed or have there been any steps taken in recent years to do so? Is it possible to file taxes online? Are Tax Identification numbers (TIN) in place and is TIN required for certification or licenses for businesses?
Conventions	<ul style="list-style-type: none"> - Is the country signatory to the Convention on Mutual Administrative Assistance in Tax Matters?

Cost of tax collection	- Provide a trend analysis of cost of tax collection (how much it costs to collect 1\$) for the past 10 years.
Oversight	<ul style="list-style-type: none"> - Provide an analysis of the oversight mechanisms for the revenue authorities? Is there a code of conduct and is it enforced? Is there a protection for whistleblowers? - Is government willing to investigate tax evasion? And if needed, is tax evasion investigated and prosecuted? - Are cases of criminal offence prosecuted?

6. Government spending

The objective of this part is to review how the government spends the revenues collected and whether the effects of fair tax collection are enhanced or diminished by the government spending. Education and healthcare are the main topics under review as they represent basic public services. Pro-poor analyses of these topics are provided to determine whether the spending is targeted to reduce poverty and decrease inequality.

Topic	Research Analysis Questions/Hints
Components of government spending/income	<ul style="list-style-type: none"> - Provide a pie chart reflecting the share of every component of government spending in total spending (education, healthcare, social protection, infrastructure, agriculture, military, debt servicing, etc.) for the 2 latest available years. - Provide a pie chart reflecting the sources of government income and their share in total income (tax revenues, social security payments, foreign aid, borrowings, extra budgetary funds revenues, etc.) - Provide an overview of the spending on education/health and agriculture per capita. - Are governments investment taking into account differences in regional wealth?
Subsidies	<ul style="list-style-type: none"> - Provide an overview of the main subsidies available. - Who are the main beneficiaries of these subsidies? Mostly poor people or rich people and (larger) companies?
Education	<ul style="list-style-type: none"> - Provide a trend analysis of share of education spending to total government spending and GDP for the past 10 years. - How much does the government invest in primary, secondary, high schools and universities? (% of total education spending for the latest available year) How pro-poor is the government spending on education? - Is there any obvious unfair regional distribution of government expenditures on education?

	<ul style="list-style-type: none"> - Analyse the quality of spending on education. This will reflect whether the spending is really pro-poor and gender responsive, and does it take into account the needs of vulnerable groups of society? What is the ratio of running/operating cost versus investments in quality and R&D?
Healthcare	<ul style="list-style-type: none"> - Provide a trend analysis of share of healthcare spending to total government spending and GDP for the past 10 years. - How much spending is going to hospitals as opposed to primary health care services? (% of total health spending for the latest available year) How pro-poor is the government spending on health care? - Is there any obvious unfair regional distribution of government expenditures on healthcare? - Analyse the quality of spending on healthcare. This will reflect whether the spending is really pro-poor and gender responsive, and does it take into account the needs of vulnerable groups of society? What is the ration of running/operating cost versus investments in quality and R&D?
Agriculture	<ul style="list-style-type: none"> - Provide a trend analysis of share of agriculture spending to total government spending and GDP for the past 10 years. - Issues to consider on Agriculture spending include access to water, land and credit among others. - Analyse the quality of the spending on agriculture. Is government expenditure on agriculture pro-poor and gender responsive, and does it take into account the needs of vulnerable groups of society? Is agricultural spending focused on small-scale or large-scale agriculture?
Gender	<ul style="list-style-type: none"> - Are there any policies ensuring the needs of women are taken into account when drafting the budget? - Is there any special attention for the enrollment of girls in school, or access to healthcare for women? - Are there any policies supporting promoting the participation of women in public spending decisions?
Social Protection (<i>OPTIONAL</i>)	<ul style="list-style-type: none"> - Provide a trend analysis of share of social protection spending to total government spending and GDP for the past 10 years.
Military (<i>OPTIONAL</i>)	<ul style="list-style-type: none"> - Provide a trend analysis of share of military spending to total government spending and GDP for the past 10 years.
Infrastructure (<i>OPTIONAL</i>)	<ul style="list-style-type: none"> - Provide a trend analysis of share of infrastructure spending to total government spending and GDP for the past 10 years.

7. Transparency and accountability

The main goal of this part is to assess the availability and accessibility of information about the country's tax system. As one of the main goals of the CRAFT project is to ensure accountable tax systems, it is crucial to review whether the government provides access to the information about them.

Topic	Research Analysis Questions/Hints
Information availability	<ul style="list-style-type: none"> - What is the policy regarding publishing information about tax system (tax rates and tax collection system)? What is the practice of informing the public about tax rates and tax collection system? - Is the information about tax exemptions publicly available and is the procedure of granting tax exemptions transparent? Is the information about beneficiaries of tax exemptions publicly accessible? - What is the policy regarding the management of non-tax revenues? If the non-tax revenues are managed separately from the budget, are they managed in a transparent way? - Are companies' financial statements available at national business registries or other publicly accessible places? - Is the information about companies' direct shareholders public? Is the information about companies' ultimate owner public?
Audit and Competence/proficiency test	<ul style="list-style-type: none"> - How often do tax authorities undergo audits? Who is responsible for it? Are the audit results publicly available? Are the results debated in parliament within a reasonable period of time? - Are recommendations from audit appropriately addressed within the planning cycle? - Have the tax authorities undergone any competence test in the past 3 years?
OBI questions ²	<ul style="list-style-type: none"> - Does the Executive's Budget Proposal or any supporting budget documentation: <ul style="list-style-type: none"> • Identify the different sources of tax revenue (such as income tax or VAT) for the budget year? • Identify the different sources of non-tax revenue (such as grants, property income, and sales of government-produced goods and services) for the budget year? • Present information on extra-budgetary funds for at least the budget year? • Present information on tax expenditures for at least the budget year? - Does the Year-End Report explain the differences between the enacted levels and the actual outcome for revenues?

² Data and questions taken from OBI survey 2015 (<http://internationalbudget.org/publications/open-budget-survey-2015-data/>)

Citizens' engagement	<ul style="list-style-type: none"> - Has the government established processes to facilitate civil society participation in shaping revenue policies at the national and local levels? What is the practice? Is civil society given the opportunity to participate? How does participation work at the national and local levels? - Is there any policy/practice that is promoting or supporting the participation of women and women's organizations in the revenue policies in particular? - What is the policy and practice regarding complaints about tax authorities? Is there a grievance mechanism and does it work in practice?
Corruption (OPTIONAL)	<ul style="list-style-type: none"> - Analysis of corruption in tax administration or illegitimate taxes based on independent/external information if available.

Submission of proposal

Interested candidates should submit their technical and financial proposals addressed to the Country Director, SEATINI-Uganda seatini@info.com.co.ug, cc: nbusingye@seatiniuganda.org, technical proposal should include the proposed methodology, the qualifications of the consultant and referees for previous similar work done in the past. The financial proposal should highlight the expected fee for the work.

Deadline for submission of technical and financial proposal is 27th February 2018 by 5:00pm.