actionaid

Making tax work for girls' education:

How and why governments can reduce tax incentives to invest more in girls' education.

Executive summary: research findings from four countries

TAX PAYS FOR EDUCATION

Norad

Globally, there are 264 million primary and secondary age children and youth out of school. Most children not currently in primary school are girls: 5 million more girls than boys currently receive no primary education. But even many of those who are in school receive a poor quality education. Many schools, especially in the world's poorest countries, lack electricity, trained teachers, adequate teaching and learning materials, and basic infrastructure and sanitary conditions to ensure a good quality education for all.

To ensure all girls can go to school and receive a good quality education, governments in developing countries need to increase their spending on education. One key way to raise extra resources is to increase tax revenues, by reducing or eliminating tax incentives especially to corporations. Recent research by ActionAid shows how each year, this 'tax expenditure' causes governments lose huge amounts of potential revenues that could be spent on improving education, especially for girls.

Our findings, summarised in the infographics on page 2 show that:

- Mozambique, Nepal and Tanzania are losing more than half a billion dollars a year to tax incentives
- Mozambique and Nepal would gain more than $1 billion by educating all girls currently out of primary school over their 45 year working lives. Tanzania would gain in excess of $7 billion.
- The costs of educating all girls currently out of primary school in these countries is miniscule by comparison. Tanzania, for example, loses 15 times more in tax incentives each year than it would cost to educate all girls currently out of primary school.

ActionAid urges governments to act swiftly to reduce the amount of tax revenue lost to tax incentives and invest a proportion of this in girls' education. Specifically, they should:

- Stop offering harmful tax incentives and only other incentives selectively to facilitate development. All current tax incentives – including discretionary tax incentives and those applicable to special economic zones – should be reviewed to assess whether they are fit for purpose, including undertaking a cost-benefit analysis.
- Subject all tax incentives – both statutory and discretionary – to public scrutiny, including by parliament, media, civil society and citizens. This should include publishing an annual overview of the costs of tax incentives as part of the annual budget, so the public can see the impact of corporate tax incentives.
- Review their tax treaty networks to ensure that they do not result in tax losses and renegotiate those that do. Cancel or renegotiate disadvantageous tax treaties.
- Announce a timetable to reach, within three years, a tax to GDP ratio of 20% (e.g. through ending harmful tax incentives and promoting other progressive tax reforms) and an allocation of at least 20% of government spending to education (publishing a clear breakdown of budget allocations by sub-sector online).
- Invest 20% of the tax revenue raised by reducing tax incentives and tax treaty regimes in education, especially girls' education.
- Ensure that education budgets are gender-sensitive to ensure adequate financing for measures proven to tackle persistent barriers to girls' education.
- Ensure that public education is free, compulsory and of good quality and that there are no economic barriers that might prevent families sending their girls to school.

Figure 1: Key figures

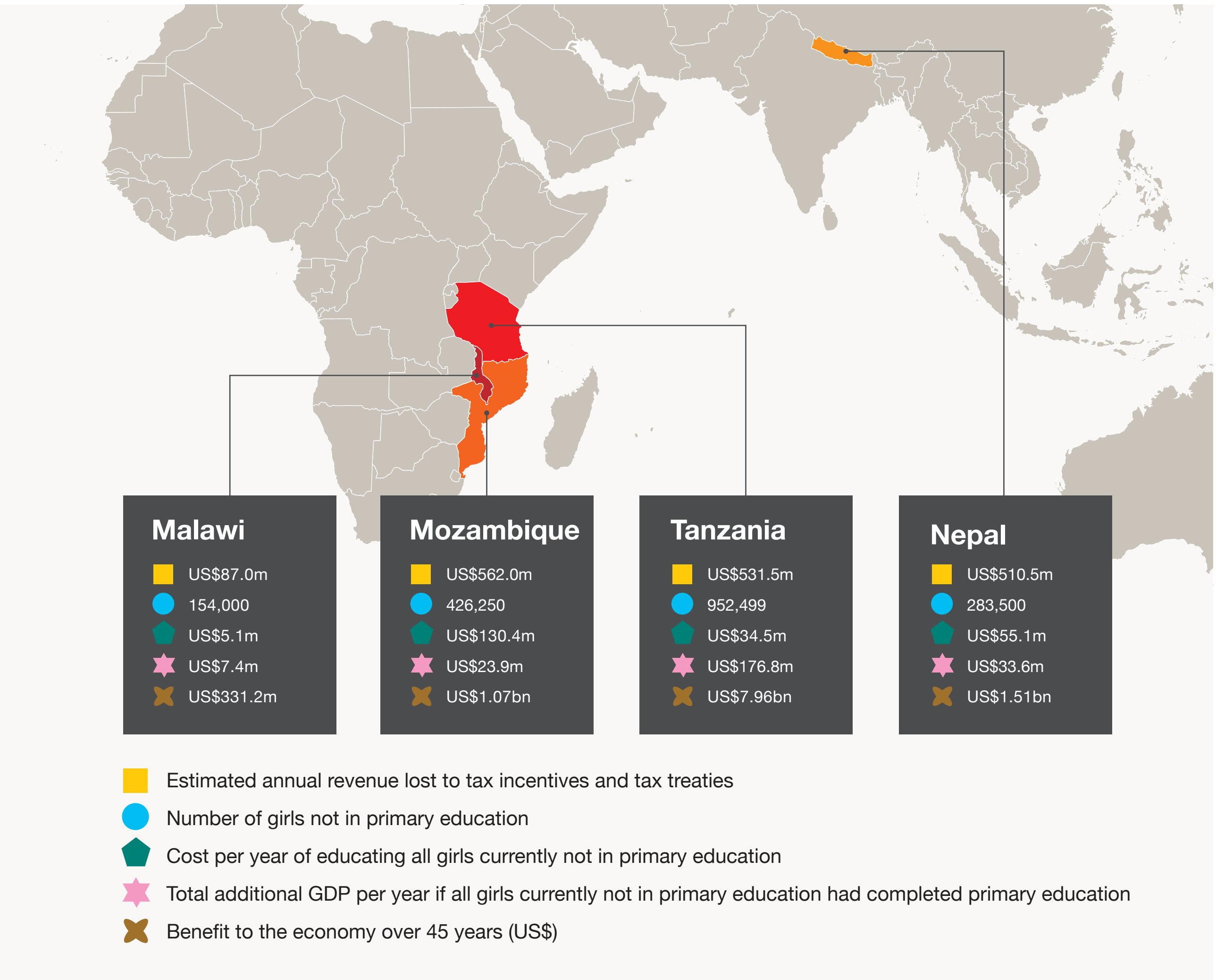
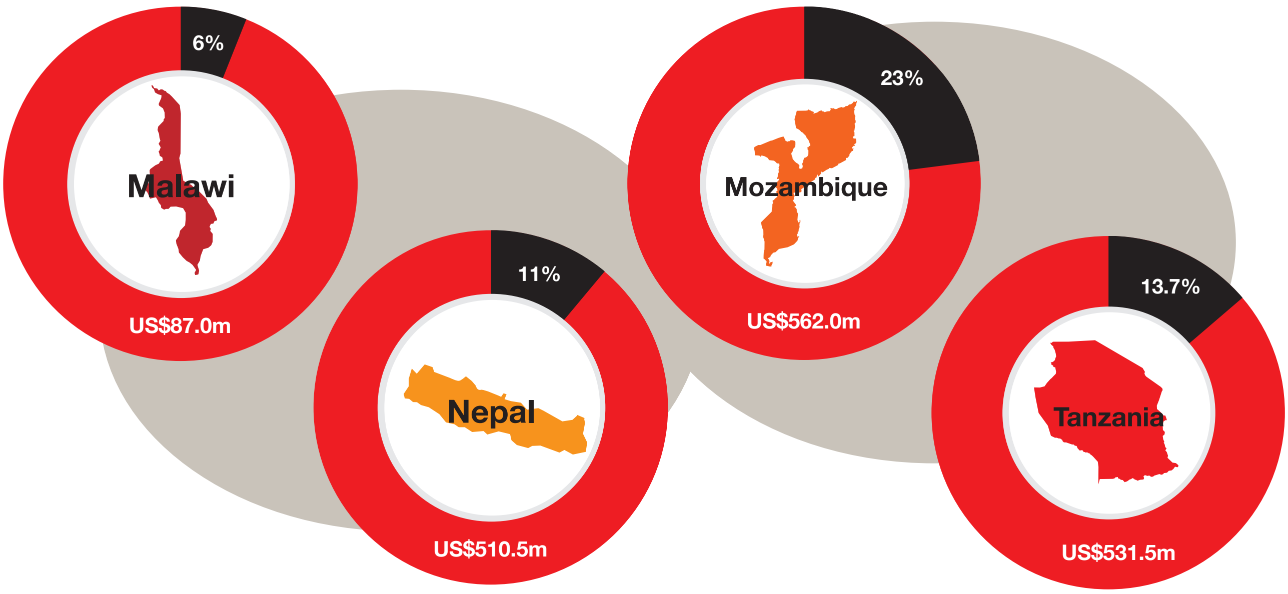


Figure 2: Percentage of revenue lost to tax incentives that would be needed to educate all out of school girls in Malawi, Mozambique, Nepal and Tanzania



#taxjustice
#Taxpays for
#Fundthefuture
#EducationNow

This brief is based on research and analysis conducted in Malawi, Mozambique, Nepal and Tanzania and internationally by ActionAid staff and consultants and consolidated by Mark Curtis. The final report, **Making Tax Work for Girls' Education: how and why governments can reduce tax incentives to invest more in girls' education** will be available online in February 2018.