

Policy Brief

Number 14 • January 2025

Taxing the Wealthy in Lower-Income Countries: Why It's Important, and How to Do It

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The world is experiencing multiple crises, including increasing global tension, skyrocketing debt levels, and climate change. Lower-income countries (LICs) are bearing the brunt of these crises. Their finances, both from domestic sources and international aid, are not growing sufficiently to meet their needs. Their expenditure requirements are higher than ever – improving services, expanding social protection, and promoting investment all add to the bill. This policy brief argues that one of the tools that LIC governments have at their disposal is particularly under-utilised – taxing the wealthy more effectively.

Key messages

- Lower-income countries (LICs), including those on the African continent, can increase revenue from the wealthy in the short term by enforcing existing tax laws more effectively. This should also bring substantial gains to tax equity.
- Most already have tax codes that provide for taxes that particularly bear on the wealthy, such as those on personal income from professional self-employment, property, rental income, capital gains, and inheritance or investment income.
- Revenue from these tax handles, however, accounts for a much smaller proportion of national income in LICs than high-income countries (HICs), as they are enforced very weakly, if at all.
- Plugging the personal income tax (PIT) gap, together with measures to make corporate income taxation (CIT) more progressive, would result in substantial gains in both revenue and tax equity.
- High-profile international policy debates on taxation of the wealthy have tended to be of limited relevance to LICs due to a lack of context-specific evidence. Research emerging from Nigeria, Rwanda, Uganda, and Sierra Leone highlights specific administrative, legal, and political barriers to taxing the wealthy.

¹ In this brief we use LICs to include low- and lower-middle-income countries, as classified by [the World Bank](https://www.worldbank.org/).

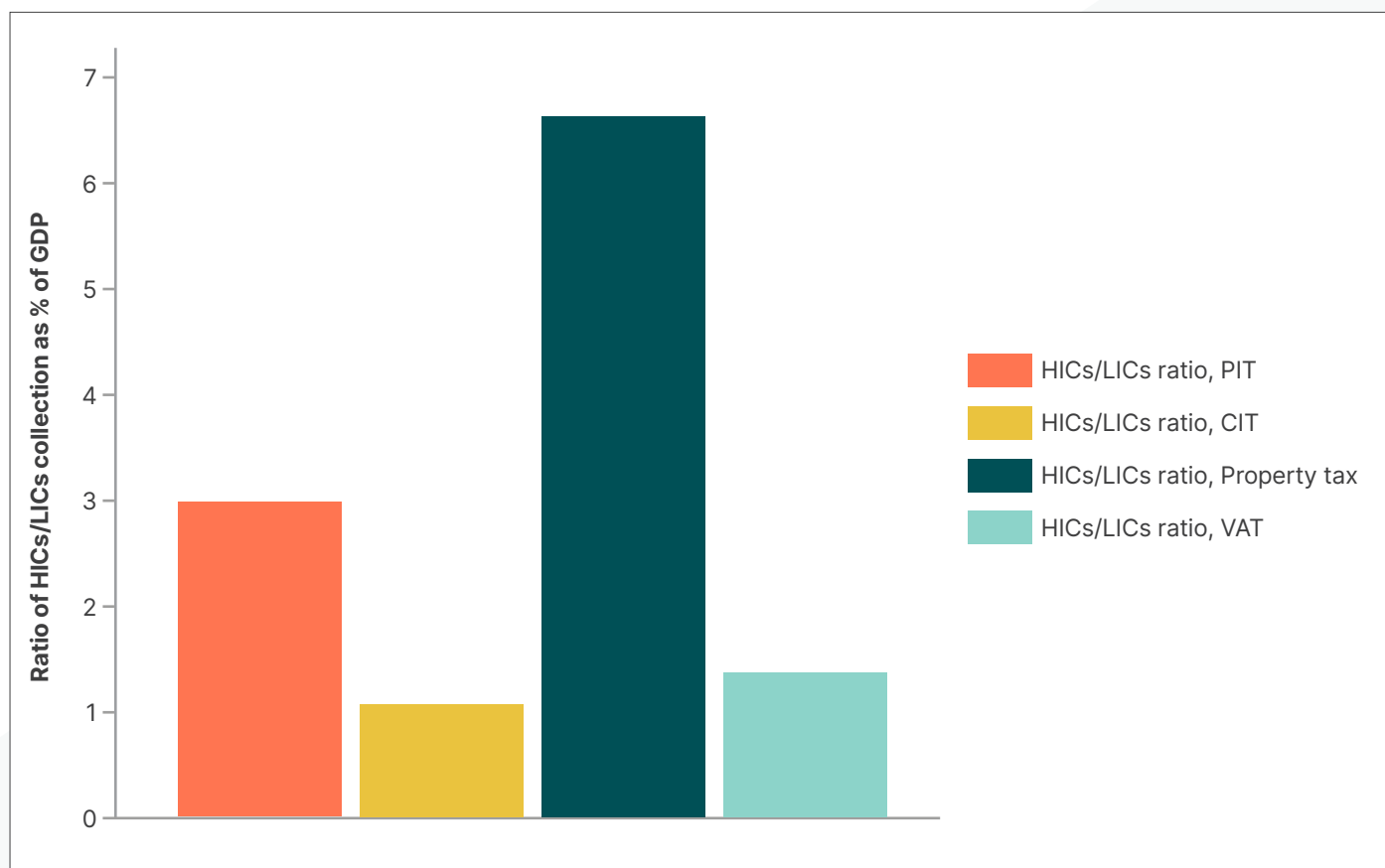
- Problems, including insufficient data (or lack of data sharing), weak compliance strategies, and political interference with enforcement, are generally entrenched in all LICs.
- African LICs have experimented with strategies to tax the wealthy effectively more than is appreciated. These include the creation of dedicated high net worth individual (HNWI) units, adoption of taxpayer clearance certificates, and the establishment of cooperative compliance frameworks.

Why should LIC governments prioritise taxing the wealthy?

Taxing the wealthy more effectively allows LICs to tackle two of the major challenges they are grappling with – mobilising revenue and reducing inequality.

Revenue mobilisation. Improving the performance of existing taxes on the wealthy gives LIC governments an immediate opportunity to increase tax revenue, while addressing pervasive inequity in their tax systems. Taxes that bear more heavily on the wealthy are typically personal income taxes, such as those on dividends, investment income, capital gains, and rental income – and progressive taxes on income from labour, especially of the self-employed. Although these taxes exist in LIC tax codes, and often have a progressive design in line with international standards, their enforcement is weak – or sometimes absent. Figure 1 confirms that both personal income taxes and taxes on property account for a much lower proportion of gross domestic product (GDP) in LICs than HICs. Other taxes, such as value added tax (VAT) and CIT, raise roughly the same amount of revenue as a share of GDP.

Figure 1 CIT, PIT, property tax, and VAT – ratio between tax collection in HICs and LICs as share of GDP, 2009–2018 average

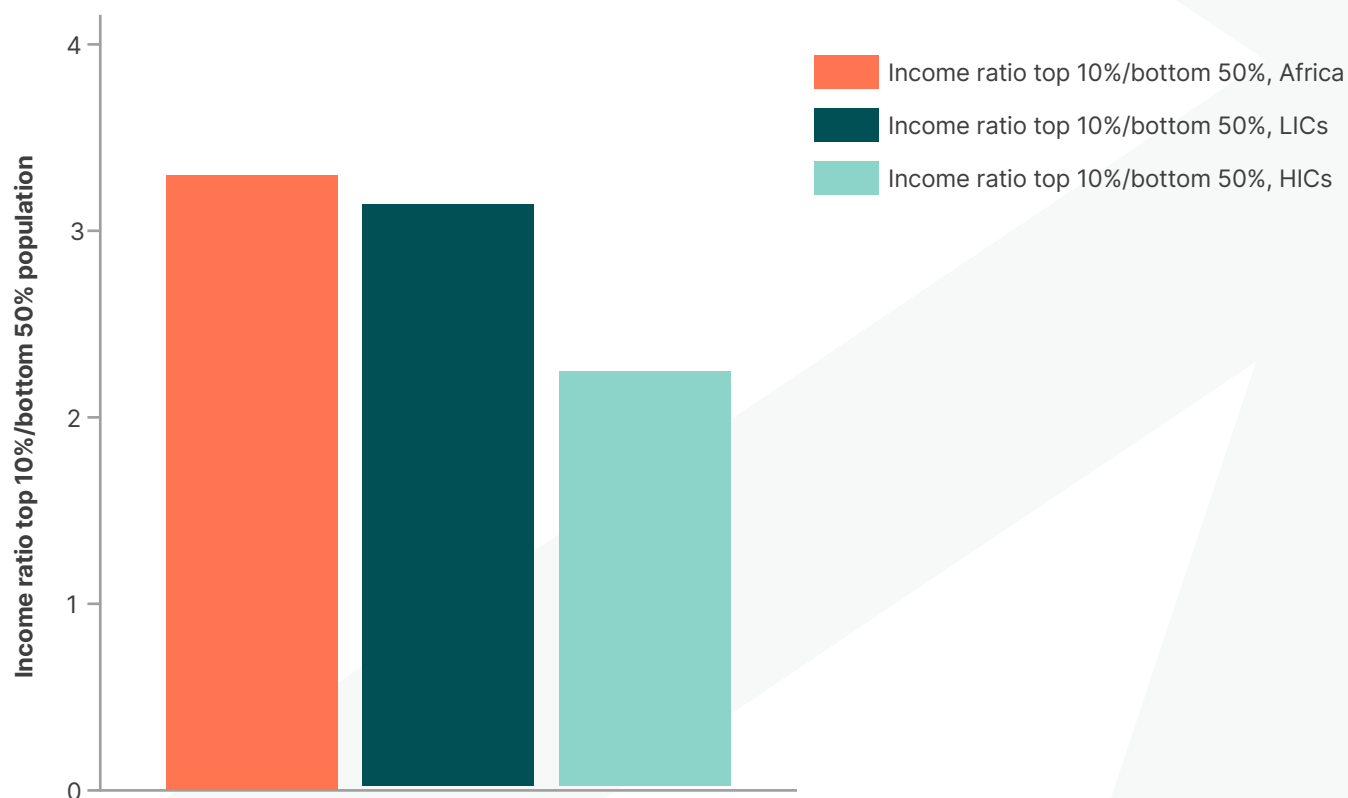


Source: Authors' elaboration on data from UNU-WIDER (2023).

This gap can be closed through stronger enforcement, despite a narrower tax base in LICs. For example, before its HNWI unit was created only 1 of the top 71 Ugandan government officials, and 17 of its top lawyers, had ever submitted a personal income tax return (Kangave *et al.* 2016). Similarly, less than 16 per cent of landlords identified during a registration drive in Sierra Leone in 2021 even possessed a taxpayer identification number (Kangave, Occhiali and Kumara 2023). The lack of effective enforcement of taxes on those with higher income also means there is a large margin for increasing compliance – and revenue – from this specific segment. Recent evidence documents feasible strategies to improve enforcement. For example, the Ugandan HNWI unit raised over US\$5 million during its first nine months of operation (Kangave *et al.* 2018); in Borno State, Nigeria, a focus on the enumeration of rented properties led to an increase in collection of almost US\$900,000 in 2021 (Occhiali, Kangave and Khan 2024). LICs would be wise to focus their efforts to mobilise revenue on taxes that perform poorly. These examples illustrate that this includes those on the personal income of wealthy individuals.

Tackling rising inequality. Equally importantly, taxing the wealthy more effectively can help LICs tackle rising inequality. Contrary to common belief, LICs are characterised by starker income and wealth inequality than HICs. Figure 2 demonstrates this pattern for the distribution of income, and the picture would change very little if it showed the distribution of wealth instead. Income and wealth distribution in Africa are particularly unequal compared to other LICs, which justifies increasing interest in this issue on the continent.

Figure 2 Ratio of income accruing to top 10% and bottom 50% of the population in 2022



Source: Authors' elaboration on data from the World Inequality Database. Data for Africa covers 36 low- and lower-middle-income countries. Data for LICs covers 28 low- and lower-middle-income countries outside of the African continent, and data for HICs covers 50 countries.

Tax systems can play a crucial role in tackling inequality by generating revenue to fund basic services, such as healthcare and education. How this revenue is generated also matters. Progressive tax systems already start addressing income and wealth inequality

at source, because they impact less on individuals with lower income than those with higher income. By doing this, they shift more of the burden of funding public expenditure onto the shoulders of wealthier citizens, with positive implications for overall fiscal equity.

Over the last decade, much has been written about how high inequality can hamper the development process (Stiglitz 2016; Aiyar and Ebeke 2020), by hindering skills accumulation, slowing economic growth, depressing economic and social mobility, and increasing social tension. All these reasons led to having a dedicated Sustainable Development Goal (SDG 10) for reducing inequality both within and among countries. This saw significant progress until the COVID-19 pandemic hit. Yet, efforts to reduce inequality – or indeed make substantial progress on the SDGs more generally – require a dramatic increase in revenue by 2030 – a date that is looming closer and closer (Gaspar *et al.* 2019). Taxing the wealthy more effectively provides a unique opportunity to both mobilise more revenue and tackle inequality.

“There are immediate opportunities for LICs to strengthen taxation of the wealthy, making the adoption of wealth taxes or more progressive rates more likely to succeed in the future”

Existing opportunities to tax the wealthy in LICs

There are major gaps in revenue collection from wealthy taxpayers – closing these gaps is critical for mobilising revenue, increasing equity, and building broader popular trust among taxpayers. The central question is: what can governments do to improve outcomes?

We observe that many interventions in this debate fall at one of two extremes:

Little possible

There is little that governments can do.

For some observers, there are limits to how much government can do to strengthen PIT, in particular, owing to the predominance of hard-to-tax smallholding semi-commercial agriculture, petty urban trading, and larger-scale informal economic activities across most LICs. Faced with this situation, major improvements in taxation of the wealthy are thought to depend on promoting general economic development and structural change, which will eventually lead to increased revenue mobilisation. In the short term indirect taxes are likely to remain more important (e.g. Gordon and Li 2009)

Major reform

Significantly reform policy frameworks and strategies.

Other observers argue for significant policy changes to expand the tax burden on wealthy taxpayers and increase progressivity. These included advocating the adoption of higher marginal tax rates on the wealthy, raising tax thresholds for lower-income groups, and the adoption of new taxes on wealth. In this view new policy measures are central to improving revenue mobilisation and progressivity (e.g. Saez and Zucman 2019; Advani, Chamberlain and Summers 2020; Zucman 2024)

Our reading of existing evidence and experience points towards a third view – that there are immediate opportunities for LICs to strengthen taxation of the wealthy, as well as good reasons to believe that this investment will, in turn, make the adoption of new policy tools, like wealth taxes and more progressive rates, more likely to succeed in the future.

While disaggregated data on taxes, such as those on capital gains, property, and dividend or rental income, are generally hard to come by, ICTD research suggests that they currently have suboptimal enforcement and discretionary exemptions (Kangave *et al.* 2016, 2023; Occhiali *et al.* 2024). As these are the more relevant taxes for wealthier individuals, it seems very likely that HNWIs often face lower effective tax rates than citizens whose only source of income is formal employment. This mirrors what happens

with nominally proportional taxes, such as VAT (Brockmayer *et al.* 2024), and corporate income taxes (Mascagni and Mengistu 2019).

Improve enforcement and simplify compliance

Recent research highlights major gaps in tax collection from the wealthy, and the potential for rapid improvement from redirecting enforcement efforts towards wealthy individuals, without other significant changes to the tax system. Research in Uganda, for example, highlights the potential for tax authorities to relatively quickly identify substantial and obvious non-compliance by large numbers of high-income taxpayers. This, in turn, led to quick revenue gains (Kangave *et al.* 2018). Although these gains proved hard to maintain in the medium term (Santoro and Waiswa 2023), this clearly shows that tax administrations can identify large gaps in compliance when the necessary administrative resources and political support are in place. Even more optimistically, property tax reform in Freetown, Sierra Leone, which focused on property mapping and valuation, sensitising taxpayers, and simplifying compliance, contributed to tripling revenue collection. The new tax collection came overwhelmingly from high-value properties, making the system dramatically more equitable (Robi 2024).

In all these cases success turned, to a large extent, on the government opting to direct administrative resources towards taxing the wealthy.

Increase tax administration resources

Despite recent improvements, LIC revenue administrations remain significantly under-resourced – a typical tax officer from an LIC is responsible for ten times as many taxpayers as their counterpart in an HIC (Okunogbe and Tourek 2024). In turn, administrative resources are often directed to lower potential targets, such as registering small informal actors. However, very little – if any – revenue can be gained by focusing on registering taxpayers at the bottom end of income distribution (Llediga, Riedel and Strohmaier 2025; Mascagni *et al.* 2022; Gallien *et al.* 2023). As described above, Uganda's dedicated HNWI unit, set up in 2015, raised over US\$5 million during its first nine months of operation (Kangave *et al.* 2018).

Revise tax rates across all sources of income

While immediate revenue gains can be obtained without any significant change to nominal tax rates, there is scope in the longer term to revise rates to improve both revenue and equity. Tax rates for capital gains, dividends, and interest often remain below the top marginal tax rate for employment income, so LIC governments could consider equalising rates across all sources of income.

Marginal top rates can also be increased, particularly for those with exceptionally high income. Doing this would not harm economic development or growth, as arguments in support of trickle-down economics, associating low tax rates on capital and dividend income with increased economic investment, have been largely disproved (Chancel *et al.* 2021).

Changes in rates are likely to only be possible in the longer run as they require legislative changes, which usually face significant opposition.

The need for strong leadership and reform strategies, targeting multiple constraints and vested sources of resistance

Why, then, do we see significant underperformance of existing systems?

Technical complexity. The current weakness of taxation of the wealthy across LICs in part reflects the technical complexity of the task. Identifying the income and assets

of the wealthy can be complicated, particularly when these taxpayers actively seek to disguise them. There is, for example, growing attention to the challenge of identifying and taxing wealth held overseas – new investment in strengthening international data sharing is advancing slowly, and encountering significant hurdles. More broadly, the challenge of identifying the income and assets of the wealthy is particularly true in contexts where data systems – and data system integration – are often imperfect, and where recruiting and retaining skilled tax auditors and lawyers can be difficult.

Administrative, legal, institutional, and political challenges. Alongside these technical challenges lie deeper administrative, legal, institutional, and political challenges.

Politics looms particularly large – wealthy individuals often wield significant political influence, and can seek to influence administrators directly. This constrains tax administrations in their pursuit of reforms or outstanding tax liabilities. The Uganda Revenue Authority was extremely successful in identifying non-compliant taxpayers – but found it far more difficult to compel these taxpayers to comply, and to sustain that compliance over time.

Successful reform generally requires:

- a clear understanding of constraints shaping underperformance in particular contexts;
- strong leadership;
- strategies that target multiple potential constraints.

While revenue authorities can largely tackle administrative obstacles, they generally require support from the ministry of finance, parliamentarians, and even the cabinet, to tackle legal, institutional, and political challenges. To illustrate the complexity of the challenge for reform, we highlight two examples.

“Identifying the income and assets of the wealthy can be complicated, particularly when these taxpayers actively seek to disguise them”

Example 1: Data sharing is more than a technical task

Improving the quality of data available to tax administrations is foundational to strengthening taxation of wealthy taxpayers. It is often viewed as a fundamentally technical administrative task, involving better data systems, improved data collection and data sharing, and better data analysis. For example, information on capital gains and withholding taxes on rent or dividends is often not stored and shared systematically in existing data systems, making it hard to obtain a comprehensive view of an individual's income. Yet these technical challenges are often accompanied by important legal and political obstacles. A significant share of the data that tax administrations could usefully access – such as property, luxury car ownership, or holders of government contracts – is managed by other government institutions (Kangave *et al.* 2016), by third parties like banks, or by tax authorities overseas. There are certainly technical challenges in sharing and using this data across institutions and jurisdictions. Yet the biggest challenges often lie elsewhere – legislative barriers, inter-institutional rivalry, and resistance from powerful individuals whose interests may be threatened by improved data sharing. For example, banking laws often include very strong data protection clauses, which might override other general legal provisions if not explicitly amended. Similarly, other government institutions might resist providing access to their data, even when it is legally mandated, for fear of losing rent-seeking opportunities. Even activities that are often viewed as fundamentally technical, like digitalisation, are often, in fact, deeply political, with expanded data transparency and integration resisted by those who stand to lose. This resistance does not need to be explicit – inadequate funding and staffing of key departments and activities might be subtler, but as effective.

Example 2: Legal, institutional, and political barriers to property taxation

Property taxation is another case where challenges to reform have often been viewed in technical terms, but where legal, political, and institutional barriers are often at the root of underperformance. Particularly in LICs, land and property are a key mechanism for HNWLs storing and building wealth, especially in booming African cities that are seeing both house prices and rental values skyrocket (Goodfellow 2017). Yet, property taxes are the most underperforming major tax type relative to wealthier countries. Part of the challenge is that property taxes are often administered by local governments, which typically have less administrative capacity than their national counterparts. This limits their ability to map and value properties, and to bill, collect payments, and pursue enforcement. However, in many countries – primarily in francophone Africa – property taxes are administered by higher-capacity national tax agencies, with a similarly disappointing performance. More broadly, the lack of technical capacity is not an adequate explanation for failing to tax large and readily visible properties – the challenge is also political and institutional. The close proximity between local governments and their taxpayers allows wealthy individuals to successfully mount resistance to reform attempts (Jibao and Prichard 2015). Administrators, including property valuers, often resist reforms that may threaten opportunities for rent-seeking. Meanwhile, successful reform often relies on complex inter-institutional cooperation – with land authorities, planning departments, and ministries of finance. In practice, it enjoys limited support from central governments, for whom local revenue-raising is not a priority – and may even be viewed as a threat.

The bottom line is that successful reform depends upon strategies that understand, and seek to navigate, the full range of constraints to reform. At the root of these efforts is often the need for adequate political leadership to confront vested sources of resistance. To some extent this means being opportunistic in pursuing reform when committed leadership emerges. It can also be reflected more explicitly in strategies that seek to build internal and popular support for reform, while navigating around intractable points of resistance.

Policy recommendations

The most successful strategies to improve the compliance of wealthy individuals are those that act on multiple dimensions at the same time. Naturally, the specific measures that are best in a particular context depend on what are the biggest obstacles. A holistic assessment of current administrative practices, the underlying legal framework, and the elites' fiscal bargaining position is a good place to start.

In the long term, more effective taxation of the wealthy depends on more investment in strengthening the overall quality of tax administration, including digitalisation, increasing staffing and technical capacity, and stronger administrative processes.

In the short term, LICs can implement more targeted and immediate strategies to make progress in this area within existing frameworks and resources, including:

1. Define and identify wealthy taxpayers

Improving outcomes often requires a clear strategy for engaging this relatively small group of taxpayers.

Often the first step is to agree on a definition of wealthy taxpayers, and criteria to identify them in practice. The OECD (2009) definition, which is often used in

international debates, sets a threshold of US\$1 million for net worth. By this definition, Africa hosts approximately 135,000 HNWIs, 35 per cent of whom reside in four upper-middle-income countries; another 30 per cent are spread across five lower-middle-income ones.² While this is not an insignificant number, the generally low compliance with PIT and property taxes makes it important to consider more tailored and wider definitions, which can include many of those in the top 10 per cent of income distribution.

More important than definitions is identifying data, or strategies, to identify these individuals and their liabilities, despite imperfect data. The Uganda Revenue Authority spent a significant amount of time understanding the indicators of wealth in Uganda (Kangave *et al.* 2016), and defined core and non-core parameters. The first included the value of land transactions over five years, value of loans obtained from commercial banks, yearly rental income earned, and type of companies in which an individual holds shares. Non-core parameters covered commercial farming and forestry holdings, import and export turnover, and market value of vehicles (Kangave *et al.* 2018). Through this process the URA created an initial list of 117 individuals who potentially qualify as HNWIs, and identified a way to investigate their tax affairs – despite not always having perfect data. This list has now grown to cover over 2,000 individuals. This process is not only administrative – it might entail legal amendments, such as including the HNWI definition in tax acts, as was considered in Sierra Leone (Kangave *et al.* 2023)

2. Create specialised tax units

Once HNWIs have been clearly defined, revenue administrations should consider creating a separate taxpayer segment and a dedicated office, similarly to the way large taxpayer offices (LTOs) often manage the tax affairs of large companies. Ideally the HNWI unit will be staffed with tax officers who are already involved in the definition of this new segment, and particularly the identification of qualifying criteria and relevant data sources. Similarly to LTOs, HNWI units should include senior officers who can interact effectively with the country's political and economic elite, who will be the bulk of the unit's clients. It is also essential that officers working with HNWIs have sufficient funding, and, perhaps more importantly, the full support of the revenue administration's top managers, whose involvement might be required to tackle the most sensitive cases.

HNWI units can also be useful in developing a tailored approach to HNWIs that accounts for confidentiality requirements and the importance of establishing a cooperative relationship with individuals – who in many cases are new taxpayers with potentially large tax liabilities. Especially in the early stages of an HNWI unit's operation, officials should attempt to minimise resistance and ensure buy-in from powerful individuals – to secure sustainability of efforts to tax the wealthy in the longer term. To do this, officials can embed strong elements of education and sensitisation in their interactions with wealthy individuals – while maintaining a credible threat of enforcement as a last resort. Perhaps surprisingly, the experience of the HNWI unit in Uganda showed that wealthy individuals are not necessarily knowledgeable or well-informed about their tax affairs (TADAT 2023). Many of them have complex tax affairs with multiple sources of income and wealth, including holding properties, engagement in real-estate dealings, and ownership of family-run businesses. Although tax laws provide for taxes on these sources of wealth, in many cases they have never been enforced. It is conceivable that at least a proportion of the wealthy might respond to sensitisation campaigns stressing the societal and community benefits of taxation, as opposed to a more aggressive

² The upper-middle-income ones are South Africa (27.7 per cent), Mauritius (3.8 per cent), Algeria (2.1 per cent) and Namibia (1.7 per cent). The lower-middle-income ones are Egypt (11.5 per cent), Nigeria (6.1 per cent), Kenya (5.3 per cent), Morocco (5 per cent), and Ghana (2 per cent). See [Top 10 Wealthiest Countries in Africa](#).

approach focusing on penalising non-compliance, especially when enforcement has been historically lacking.

Nonetheless, HNWIs who are not willing to cooperate should be pursued with the full force of the law, just like any other citizen.

3. Consider voluntary disclosure programmes with tax amnesties

The process of supporting cooperative compliance might also include the establishment of voluntary disclosure programmes, with tax amnesties introduced to incentivise expansion of the tax base. This can contribute to bring HNWIs into the tax net. The key advantage, especially for LICs, is that tax amnesties allow the uncovering of income and wealth with much less administrative capacity than is required for enforcement action, such as audits. Various African countries have implemented these measures in recent years, including South Africa in 2016-17 (with US\$296 million of revenue gains), Nigeria in 2017-19 (with US\$162 million revenue gains), and Kenya in 2021-23. This resulted in the identification of substantial assets and tax liabilities (ATAF 2024). Despite their advantages, these programmes should only be one-off measures available to the whole population, only wave penalties and interest, and be part of a broader effort to improve compliance –including punitive enforcement on those ignoring this opportunity. Given their associated ethical challenges, governments interested in this measure should consider the involvement of civil society organisations before and following their introduction. These organisations have often proved capable of framing tax compliance issues through a moral lens, supporting the introduction of otherwise contentious reforms (Prichard 2015).

4. Issue tax clearance certificates

Tax clearance certificates can also be important sources of information – making their submission compulsory to access government services can help increase revenue in the short term. This is especially the case when they are required for political candidates, nominees to public bodies, registration with professional bodies, and when bidding for public projects. For example, over US\$110,000 was collected in a single month in Uganda when tax clearance certificates were made compulsory to compete in national elections (Kangave *et al.* 2018). Similarly, different Nigerian states have introduced presumptive tax payments for candidates seeking to obtain tax clearance certificates to run for a variety of political positions (Occhiali *et al.* 2024). Most LICs already have all the necessary provisions to make obtaining tax clearance certificates necessary for accessing services catering to the better-off, such as obtaining a passport, or getting a loan from a commercial bank. Their wider deployment is then a question of political support – and the administrative integrity of those releasing the certificate – rather than one of creating new legislation.

5. Strengthen sharing of data

It is hard to overstate the importance of having access to the relevant data to identify the tax liability of wealthy individuals. While there may be instances where data can be seamlessly shared across government institutions, this is not always the case. Legal provisions might be required to facilitate data sharing across public bodies (e.g. the Ministry of Land and national identification registers), private entities (chiefly commercial banks), and revenue authorities. Data sharing obligations should be combined with explicit data protection rules, as leakage or misuse was the most common reason for banks withholding information from tax administrators.

While setting up secure and robust domestic systems might require technical and financial support, it also helps facilitate the international exchange of information (EOI),

as HNWIs' tax bases often include assets and income in foreign jurisdictions. LICs are increasingly participating in the global EOI regime. A few, such as Uganda, have been able to recover significant revenue as a result (African Union, ATAF and OECD 2023).

There are, however, a few important caveats. For many LICs, efforts in this area have been focused on compliance with international standards, which can be resource-intensive, and does not in itself allow them to obtain and benefit from information from other jurisdictions. Compliance is mostly about the ability to share information with others. In addition, countries need to take two further steps to make use of EOI themselves. They must put in place legal and technological data protection before they can receive data, and must also create the institutional and technical resources to make and use information requests, and to process bulk data received automatically. In Africa, only ten jurisdictions were able to make ten or more information requests between 2021 and 2023 (African Union, ATAF and OECD 2023), and only five are currently able to receive bulk data automatically. Existing EOI standards apply largely to financial information, but discussions at the OECD and UN may expand this to cover assets like immovable property and business equity. This, in turn, requires strengthening land and beneficial ownership registers around the world. In short, EOI provides significant opportunities to countries, but a sustained investment of time, money, and political will is required to build the capacity to realise significant revenue gains.

6. Be aware of the limitations of general wealth taxes in LICs

Despite a lot of international attention on the topic of general wealth taxes (e.g. Advani *et al.* 2020; Saez and Zucman 2019), to date no African country has introduced a general wealth tax, although most countries have taxes on specific forms of wealth (e.g. property and inheritance).³ So far only a handful of European and Latin American countries have introduced general wealth taxes.⁴ Eye-catching contemporary debates about wealth taxes are extremely important to focus the international community on the need to reduce stark inequality through fiscal redistribution, but they do not currently provide LICs with much actionable advice.

The most recent proposal considered by the G20 is a good example of why this is the case (Zucman 2024). The G20's proposal to introduce a minimum income tax set at 2 per cent tax of the wealth of dollar billionaires and centimillionaires⁵ seems like a very reasonable starting point to address extreme wealth inequality through taxation. Yet, despite displaying starker income and wealth inequality than any other global region, Africa hosts only 21 US\$ billionaires and 342 US\$ centimillionaires (out of a population of 1.5 billion). Almost three-quarters of these are concentrated in only six countries.⁶ Hence, while increasing the tax contribution of these individuals is important, the proposal would only cover a handful of individuals in most African countries.

Generally speaking, while recent efforts to develop guidance on wealth taxation suitable for LICs, such as that in United Nations (2023), are definitely welcome, improving the performance of tax handles already in place to ensure that HNWIs are taxed more effectively can greatly contribute to building more effective and progressive tax systems.

³ While Zimbabwe has introduced a measure called 'Wealth Tax' in 2023, for all intent and purposes this is a tax on property other than the taxpayer's main residential dwelling if its value exceeds US\$250,000.

⁴ Argentina, Belgium, Bolivia, Colombia, Italy, Norway, Spain, Switzerland, Uruguay, and Venezuela.

⁵ Billionaires' wealth is estimated at US\$1,000 million or more; centimillionaires' wealth is estimated at US\$100 million or more.

⁶ These are South Africa, Nigeria, Egypt, Kenya, Morocco, and Mauritius.

Conclusions

To benignly misquote the report from the United Nations on wealth taxation across LICs: 'Governments should consider carefully how to tax [high net worth individuals] in a way that fits into their current tax system and makes the most efficient use of limited administrative resources and political capital' (United Nations 2023).

This statement is difficult to argue with. While much of the evidence presented originates from the African continent, we have no reason to believe that the situation of LICs in other regions is substantially different. As this brief hopefully demonstrates, there are several steps that their governments and revenue authorities can take in the short term to improve the effectiveness of existing tax handles, such as capital gains and withholding taxes, which can target the income of wealthy individuals. Most of these will require an assessment of the underlying reasons for their underperformance, but recent evidence suggests that a combination of the strategies we describe in this brief is likely to be successful. Addressing key obstacles to adopting and implementing these strategies will require concerted action on the administrative, legal, and political fronts. Doing so promises large pay-offs in terms of quick revenue gains and improved tax equity. By embarking on these reforms, LIC governments will ensure that wealthy individuals make a fair contribution to the tax take based on existing legal frameworks, while strengthening their position for future discussions around wealth taxation.

Further reading

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Acknowledgments

We would like to thank Jalia Kangave, Hamza Ahmed Khan and Mbakiso Magwape for substantial feedback on previous versions of this policy brief

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Citation: Occhiali, G.; Mascagni, G.; Prichard, W. and Hearson, M. (2025) *Taxing the Wealthy in Lower-Income Countries: Why It's Important, and How to Do It*, ICTD Policy Brief 14, Brighton: Institute of Development Studies, DOI: [10.19088/ICTD.2025.007](https://doi.org/10.19088/ICTD.2025.007)

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ICTD is proudly funded by

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