



Integrating tax challenges of local market traders in international tax justice campaigns

Summary of Working Paper 80 by Kas Sempere

Defining tax justice locally

In the broad sense, 'tax justice' explores pro-poor and redistributive tax systems able to reduce inequality. It involves a transparent process of pro-poor collection (those who have less, pay less) and pro-poor expenditure (those who have less, receive more), for instance, through public services.

Tax justice has become a popular concept at the international and national levels. For instance, reports and campaigns have exposed the unfairness of tax havens and harmful tax breaks. Yet, the idea of tax justice at the local level is less known and more needs to be done to unpack it.

For many people living in poverty, including market traders in the informal sector, the impact of campaigns to end tax havens and harmful tax competition may seem too far from their lives and their day-to-day tax struggles. How do they define 'tax justice' and what struggles do they include under this banner?

Local tax justice and public services

Some international NGOs have integrated the local level in their international tax campaigns by noting the benefits that tax

collected from multinational corporations can have in financing public services.

Yet, the linkages between collecting tax and allocating it for public services are not straightforward – the ripple effects when the collection and allocation eventually takes place may find further challenges in relation to distribution such as corruption and inefficiency. It still remains hard for people such as traders to see any relatively quick improvements in their lives.

Local tax justice and market taxation

While work on tax-for-public services is an important step for integrating the local level in international tax justice campaigns, another option is to include the tax challenges that people struggling with poverty such as market traders and small-holder farmers experience daily.

Integrating the tax challenges raised by those most affected by poverty is key to mobilising them in campaigns while avoiding speaking on their behalf.

Market taxation is central to tax justice for at least two reasons. First, informal market traders have a strong role in the economy. For instance, the IMF located the Nigerian

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informal sector as one of the largest in sub-Saharan Africa at 50 to 65 percent of its GDP in 2017.

Second, tax has an enormous relevance for their livelihoods. A manifestation of this relevance is the long history of tax activism by market traders in Nigeria. Women's leadership in particular is well documented since 1929, when thousands of Nigerian women protested against direct taxation as part of the colonial indirect rule. Tax activism continues today.

Tax claims and actions by market traders outside campaigns

A variety of tax challenges and demands made by traders existed outside campaigns.

These included: multiple taxation, sudden and steep increases in tax, flat tax rates irrespective of what is earned, tax corruption and harassment in markets, local tax collection to improve public services, and claims to reduce or end tax for women/widows.

Similarly, tax actions taken up by traders outside the campaign vis-à-vis tax authorities could be categorised in at least three groups. Actions of *petty resistance* included small disagreements over tax receipts by individual traders with tax collectors as well as the arrangement of taxable stock to pay less. *Demands and negotiation* involved letters and visits to the authorities from traders. *Protest* actions included closing-down shops and confronting tax collectors collectively on their arrival to markets.

Integrating market traders' tax struggles – the case of ActionAid's campaign in Nigeria

The INGO ActionAid and its partner JDPC-Ondo, not without challenges, managed to integrate some tax claims of traders into its international tax justice campaign in Nigeria, which started in 2013.

The NGO's decentralised and flexible structure facilitated this. For instance, staff in ActionAid Nigeria and partner JDPC-Ondo were relatively autonomous from the international campaign's overall strategy plan. They led on campaign themes that were not part of the campaign planning initially, such as the challenges of multiple taxation (being taxed more than once for

the same due to a deficient tax collection harmonisation between administrative tiers) raised by traders outside the campaign.

The order in which campaign claims were introduced was also important. Multiple taxation had been discussed with traders in the campaign before international and national corporate campaign claims such as tax avoidance and harmful tax

incentives arrived. The trader-led claims are likely to be the best entry point to mobilise market populations and make the campaign solid, effective and owned by them. Claims with distant targets are likely to work best at a later stage in the campaign – or at least, at the same time – once local mobilisation has consolidated.

The campaign also managed to integrate traders' demands as local campaigning while also bringing these issues before tax authorities at the national level. At the same time, national and international aspects such as tax avoidance and harmful tax incentives were visible locally.

True, more could have possibly been done to include even more demands from traders such as sudden and steep tax increases and tax harassment. Also, the campaign could have supported the traders' actions – not only their claims – such as their visits and letters to the governmental authorities and even their tax strikes if, and when, they aligned with the campaign ethos.

Overall, however, ActionAid's work is a positive example for other tax justice campaigns willing to give a stronger voice to market traders and their own tax struggles.

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Further reading

Sempere, Kas (2018), 'Tax Unrest in the Market Place: the Local Side of ActionAid's International Tax Justice Campaign in Nigeria', ICTD Working Paper 80. Brighton: May.

Credits

This paper was written by **Kas Sempere**. Kas has taught and researched at the *Polytechnic University of Valencia*, Spain (2009-2015) and at IDS during her PhD (2012-2015). Kas is currently collaborating with the ICTD on a study on gender, taxation and market traders in Nigeria (Akpan and Sempere 2018, forthcoming).

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