**INESC, Brazil**

**United Nations Special Rapporteur on extreme poverty and human rights**

**Consultation**

**The human rights impact of fiscal and tax policy**

**Deadline – 2 December 2013**

Dear all,

In preparation for a forthcoming thematic report to the 26th session of the Human Rights Council (June, 2014), the Special Rapporteur on extreme poverty and human rights, Magdalena Sepúlveda Carmona, invites civil society organizations and National Human Rights Institutions to submit contributions on **the human rights impact of fiscal and tax policy**.

The report will apply human rights principles and standards to different practices for revenue-raising, taxation and expenditure, with the objective to: (1) identify current trends in fiscal and tax policy and their impact on human rights, especially those of persons living in poverty; (2) highlight concerns raised by particular policies on taxation and spending, as well as good practices; (3) make concrete recommendations to States on how to ensure fiscal and tax policy is in accordance with human rights obligations.

The report will consider issues such as tax revenue and distribution, taxation of corporations and the financial sector, intergovernmental tax cooperation, tax evasion and illicit financial flows, austerity measures, and distribution of public expenditure.

The Special Rapporteur welcomes the submission of research studies or reports on this topic, particularly those examining how fiscal and tax policies impact the human rights of persons living in poverty. In particular, answers to the questions below are sought in order to collect views of civil society on policies and practices in various countries. Please note that **it is not necessary to reply in full to all the questions; partial responses are also welcome.**

**Taxation**

1. Is your government’s tax policy compatible with the obligation to use maximum available resources to realize economic and social rights? If not, why? Do obstacles of a national or international nature impinge on your government’s ability to mobilize the maximum available resources through taxation?

No. The tax system in Brazil is regressive. Poor people pay, in average, almost twice the proportion that rich people pay. The responsibility to change the system is national, needing an urgent tax reform.

2. In general, would you say that the tax regime is regressive or progressive? Why? Please provide examples (for instance: proportions of wealth, income, and consumption taxes in total revenue; distributional impacts of tax schemes between and within households, including deduction and exemptions for women, people living in poverty, single household heads, or based on marital status). What are the shares of tax revenue paid by different groups and the rate of taxation on different social groups?

As stressed before, the system is regressive, mostly because of indirect taxation which accounts for almost half of the tax burden. As a consequence, poor people pay much more, as a proportion of their income, than rich people.

Inesc has produced some research in this field, but it is in Portuguese. A recent publication in English from the International Policy Center for Inclusive Growth details the unfairness of Brazilian tax system (<http://www.ipc-undp.org/pub/IPCWorkingPaper115.pdf>)

3. What is the tax/GDP ratio of your country? Would you say that the tax regime allows the State to:

a) raise adequate resources to ensure the realization of human rights, including sustainable

financing of social protection systems; b) mitigate poverty and inequalities; and c) ensure that rights of disadvantaged and marginalized individuals and groups are not disproportionately affected?

Please explain. If the answer was negative, why are different rates or other types of taxes not in

place?

Brazil’s tax/GDP ratio is around 35%. Besides showing a regressive tax system, the country was able in the last decade to tackle poverty and reduce inequalities. Studies show that the increase in the tax burden was followed by a decrease in poverty rates and Gini Index. Nevertheless, inequalities are still very high (between poor and rich, between black people and white people, between women and man). That is why: (1) it is necessary to increase the tax/GDP ratio, but (2) also to implement a tax reform, otherwise poor people will still be paying more taxes and the inequalities will remain.

4. How does the government guarantee that the design and implementation of taxation measures, as well as monitoring of their impacts, are carried out in accordance with principles of public participation, transparency, non-discrimination and accountability? Are there special mechanisms to protect these guarantees, in particular for marginalized and vulnerable groups?

There are no guaranties and no transparence. The decrease in inequality and poverty in Brazil is a result of public spending and not from fair taxation measures.

5. If the government has recently introduced tax cuts, which sectors of society have benefited most?

Government introduced recently tax reduction to try to tackle the economic crisis – to stimulate production and consumption. Private sector had benefited from these measures and results concerning the impact on growth are not satisfactory. Middle class benefited especially concerning car acquisition and what is called the “white products” (refrigerator, washing machine etc.).

How has your government justified any reduction in revenue, which may result from these tax cuts?

The argument is that it will stimulate growth.

What is your country’s corporate tax rate?

6. What is the fiscal pressure on the financial sector? Would you characterize the financial sector as paying a fair share of taxes? On what basis?

7. Are there any particular industries that receive tax subsidies (for example, agriculture, housing)?

Are these subsidies related to government’s commitments to specific human rights (for example, right to adequate housing or food), or do they follow other human rights-based rationale?

Yes, automobile and “white products” industries, among others.

This decision has nothing to do with human rights rationale. It bets that it will stimulate private investment and consumption and that it will result in a increase of economic growth.

8. Has your government proposed or supported increased intergovernmental tax cooperation? What is its official position on tax havens? What is its official position on illicit flows of capital, e.g. measures to stop transfer pricing, proposals on country-by-country reporting, automatic exchange of information, disclosure of beneficiary ownership?

In Brazil the “super rich” have the equivalent of one third of the GDP in tax havens (see The Price of Offshore Revisited: <http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf>)

And more: tax havens are the destiny of important amounts of Brazilian foreign investments.

Brazil has signed several Exchange of Information Agreements (EOI) with different countries and is working to fight tax evasions through the G20. But it is going very slowly and beyond needed.

9. Has your government proposed or supported international tax policies such as a financial

transactions tax? If so, please specify in which form. If not, please explain the nature of its

objection. Do revenues from such taxes (if in place) go into general revenue or are they earmarked for specific sectors or programmes? If the latter, which programmes?

Brazil’s position regarding ITT is ambiguous: the government says it is in favor of the measure, but don’t introduce the issue in the G20’s agenda, for instance.

In the past, government implemented a tax that is similar to ITT, called CPMF. It is over now because of society pressure regarding increasing tax burden. The resources from CPMF were destined to public health policies.

10. Is your government party to international investment or trade agreements that curtail your country’s capacity to levy taxes, or the capacity of your partner country/ies to levy taxes? Is your government party to investment contracts or concessions that restrict your government’s ability to levy taxes on certain companies or sectors? What measures (if any) were taken to mitigate impacts of these limitations on your country’s (or other countries’) ability to raise adequate resources in order to fulfill human rights obligations?

**Spending**

1. Are gender equality and economic and social rights criteria considered in budget planning and execution? If so, how are they integrated and monitored? Since when? Have you or your

government been able to track the effect of these criteria? If so, what results have you obtained by applying these criteria?

Yes and no.

Yes, because federal government has a Ministry for gender issues that helps to highlight and fight gender inequality. Yes because social spending has increased the last decades. Evidence, official data, show that inequalities in general have decreased in the country. Inesc, for human rights in general, and Cfemea, for gender issues, are two national NGOs that monitor national budget.

No, because inequalities are still huge, the resources for social policies are still not enough and the power of government bodies regarding HR and gender issues (Ministers of Human Rights and Policies for Women) are weak within federal administration not allowing effective mainstream of these dimension in the national budget.

2. Has your government engaged, or is it planning to engage, in fiscal austerity measures, such as cutting spending on social services? If so, what safeguards did, or will, it put in place to ensure that such measures are consistent with human rights obligations? Are the cuts temporary or permanent? Are they necessary in the sense that their absence would have meant greater harm to economic and social rights of the population? Has the government identified the minimum content of rights that should not be affected? Have the cuts been accompanied by mitigating measures to ensure that vulnerable and marginalized populations are not disproportionately affected? If yes, please provide examples of some of those measures.

Government is not cutting resources for social policies. But it is not increasing them either. For instance, we, civil society, defend that education sector needs at least 10% of the GDP (today is around 6%). For the health sector 10% of national gross revenue (today is around 7%).

3. What measures were put in place to ensure public participation, transparency, non-discrimination and accountability in the design and implementation of spending cuts and in the monitoring of their impacts? To what extent do these rely on disaggregated data by sex, age, income and place and up-to-date information on poverty?

Social spending in Brazil is increasing and this increase contributes to poverty alleviation and inequality reduction. In the 80s it was around 14% of the GDP. Nowadays it is around 23%. But this is not enough to eliminate the enormous social gap that still exists.

4. What is the distribution of expenditure between different social groups (e.g. women-men, ruralurban,different age groups)? What percentages of the national budget does your government allocate and spend on health services, public education, and social welfare compared to military expenditure?

5. What percentage of the national budget goes to service debt? Is that level of payments consistent with the spending needed to comply with your government’s human rights obligations?

Brazil pays around 7% of its GDP for debt interests: This is four times more than the international average – around 2%. This amount of money could go to fulfill HR. Instead they are turning rich people more rich.

6. What is your assessment of the Government's capacity in terms of tax collection, treasury

management, budget execution, accounting and auditing?

In Brazil, federal government is relatively transparent concerning budget issues (Brazil occupies the 12 position on International Budget Partnership – IBP OBI – Open Budget Index). It is has good capacities to collect, execute and audit the budget.

But it still has a lot to improve regarding transparency and social spending as well as implementing a tax reform. It has also to improve in implementing an HR framework to monitor tax collection and budget spending. Otherwise it will be impossible to continue presenting good results concerning poverty and inequality, remembering that the country is still one of the most unequal in the world.

Should you need more information, please check the website of the mandate of the Special Rapporteur on extreme poverty and human rights

<http://www.ohchr.org/EN/Issues/Poverty/Pages/Fiscalandtaxpolicy2014.aspx>

Please send your contributions, in English, Spanish or French, in MS Word document, PDF or compatible format no later than **2 December 2013** to: srextremepoverty@ohchr.org