

Can Mozambique's Tax System Tackle Millionaire Proliferation?

- Mozambique occupies the 16th position in the ranking of African countries with the highest number of millionaires, with a total of 1,100 individuals who own more than one million dollars in assets. Instead of “persecuting” small vendors in the informal sector and the many poor and “ordinary” Mozambicans, the Tax Authority should redirect its attention to the “super-rich” on the rise in the country.



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With 1,500 millionaires, 400 more than those in Mozambique, Uganda ranks 15th in the Africa Wealth Ranking Report 2023. The country gains prominence because it implemented a very successful initiative to broaden the tax base by taxing the richest, challenging the erroneous assumption that attempts to tax super-rich individuals do not work because they tend to find more and more creative ways to avoid paying taxes.

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The proliferation of millionaires in the context of poverty is increasingly gaining ground in the Mozambican economy. While many Mozambicans continue to live below the poverty line and struggle to meet their basic needs, a handful of individuals from the political and economic elite of the country are accumulating more and more resources, perpetuating the cycle of inequalities.

The number of “super-rich” in the country is increasing rapidly. According to “Africa Wealth Report 2023”, recently published by the consultancy Henley & Partners, Mozambique currently occupies the 16th position in the ranking of African countries with the highest number of millionaires, with a total of 1,100 national citizens who own more than one million dollars in assets². In the last 10 years, there has been an 18% increase in the number of millionaires in the country.

The high growth rates in the country have benefited a privileged minority, leaving a good part of the population behind³. With a Gini index of 54%⁴, Mozambique is among the 10 countries with the highest levels of wealth inequality on the African continent⁵. A minority of Mozambicans own most of the country’s wealth, while the majority live in poverty and vulnerability, without access to minimal resources to maintain a decent life, such as adequate food, housing, education and health.

Even more worrying is the perception that the minority that concentrates a large part of the wealth in Mozambique does not pay its “fair” share of taxes, further penalizing the low-income layer. Incidentally, at the level of the Revenue Authority (AT), there are more common initiatives that target the taxation of low-income sectors, including the informal sector, instead of taxing those who

can effectively contribute to the domestic mobilization of resources: the segment of the country’s millionaires⁶.

The most recent upward trend of the so-called High Net Worth Individuals (HNWI) segment should

be taken seriously and with due concern by AT. It must be remembered that in addition to meeting the financial needs of the State and promoting social justice, and equal opportunities, the national tax system aims at redistributing wealth and income among Mozambicans⁷.

Who are the HNWI who concentrate the wealth in the country? More importantly, are they meeting their tax obligations? These are the issues that should receive greater attention from the AT in its work. Ignoring these issues, in the context of rising millionaires in the country, implies distorting the tax system in favor of the richest, making it regressive. That is, the tax system will continue to concentrate on taxing poor and ‘ordinary’ citizens, instead of ensuring that the richest also pay their fair share.

Currently, HNWI has received little attention in the tax system. The country does not have a dedicated HNWI unit nor a specific strategy to monitor and evaluate this segment of taxpayers at the national level. A worrying situation considering that this segment includes individuals who often represent persistent challenges for tax administrations due to the complexity of their transactions and their tendency to employ aggressive tax planning schemes to avoid paying their “fair” share of taxes⁸. These are individuals with significant financial and political power that facilitate non-compliance with tax legislation.

As the number of millionaires grows in the country, it becomes urgent for the Mozambican Government to seek inspiration from other countries that have successfully implemented strategies to tax this special and complex segment of taxpayers. Taxation of the richest individuals should be taken with the same seriousness that is attributed to taxation of poor and ‘ordinary’ citizens.

Higher taxation of the country’s wealthy segment could substantially contribute to TA’s efforts

¹ Henley & Partners. (2023). Africa Wealth Report 2023. Available from https://cdn.henleyglobal.com/storage/app/media/Africa_Wealth_Report_2023_Digital_FINAL_4.pdf

² The country has only two billionaires, that is, individuals with more than 100 million dollars in assets.

³ <https://www.worldbank.org/pt/news/press-release/2016/12/21/mozambique-report-discusses-poverty-trends-and-recommends-way-forward>

⁴ The GINI index is a statistical measure used to measure income inequality. The index varies between 0 and 1, with 0 indicating a perfectly equal distribution of income and 1 indicating a completely unequal distribution of income.

⁵ Wealth Inequality by Country 2023 – <https://worldpopulationreview.com/country-rankings/wealth-inequality-by-country>

⁶ Manguela, G. (2022, July 19th). Modern cooperativism: solution for formalizing and broadening the tax base. Available from <https://cddmoz.org/cooperativismo-moderno-solucao-para-a-formalizacao-e-alargamento-da-base-tributaria-2/>

⁷ Basic Law of the Tax System (Law No. 15/2002, of 26 June)

⁸ OECD (2009), Engaging with High-Net-Worth Individuals on Tax Compliance, OECD Publishing, Paris, <https://doi.org/10.1787/9789264068872-en>

to broaden the tax base, mobilize vital additional funding to reduce the growing fiscal deficit, and unlock resources for public expenditures that contribute to the fight against poverty and the improvement of the living conditions of Mozambicans. Mozambicans belonging to the low-income class would benefit the most: firstly, with the reduction of pressure from regressive taxation (in the case of indirect taxes that steal a large part of their budgets) and, secondly, with the improvement in spending public.

For this, Mozambique does not need to invent the wheel. Several countries have demonstrated that it is both politically and practically feasible to raise taxes on the wealthiest individuals to support social development. This is the case in Uganda, a low-income country in Africa that has successfully created an HNWI unit and dramatically expanded tax compliance for wealthier Ugandans while raising substantial additional revenues⁹.

With 1,500 millionaires, 400 more than those in Mozambique, Uganda ranks 15th in the *Africa Wealth Ranking Report 2023*. The country gains prominence because it implemented a very successful initiative to broaden the tax base by taxing the richest, challenging the erroneous assumption that attempts to tax super-rich individuals do not work because they tend to find more and more creative ways to avoid paying taxes.

Faced with the need to increase domestic resource collection and under pressure from a growing fiscal deficit (which is, in fact, the case in Mozambique), in 2015, the Uganda Revenue Authority (URA) set up a new team with the aim of locating and engaging citizens to comply with their tax obligations in the payment of income tax, VAT, among others.

The HNWI unit embarked on a thorough and proactive process of face-to-face meetings with potential contributors (mostly leaders of large corporations and politicians, including some government ministers) to educate them on their rights and obligations and, most importantly, to signal that its tax affairs were under scrutiny by the institution.

Additionally, recognizing the fact that there were several politicians among the country's HNWI, the URA also approached the Uganda Election Commission ahead of the 2016 presidential and parliamentary elections, requesting that it make it mandatory for all candidates to carry certificates attesting that they had their tax situation regularized. Although the Electoral Commission did not have the legal authority to implement this measure, the URA exerted pressure on political candidates by introducing this idea into the public debate, leading many of them to file tax returns and make tax payments¹⁰.

The efforts paid off. With the initiative, the Ugandan government identified and registered 117 HNWI and 239 VIPs¹¹, with whom it engaged directly. Likewise, the tax compliance of these wealthy individuals has increased significantly, with 78% of HNWIs and 65% of VIPs filing personal income tax returns in the 2015/16 tax year.

This is just one example that proves it's possible. It is both practical and politically feasible to increase government revenues through greater tax compliance by the wealthiest individuals in society, who are the ones who can afford to pay the most. And because this millionaire minority is beginning to rise in the country, it is legitimate that these individuals begin to be "tightened" in the same way that other less fortunate Mozambicans are pressured to comply with their tax obligations.

⁹ Oxfam . (2019). Broadening the tax base of low-income countries: taxing high-net-worth individuals. Oxfam Policy Paper . Available from <https://policy-practice.oxfam.org/resources/widening-the-tax-base-of-low-income-countries-taxing-high-net-worth-individuals-621078/>

¹⁰ Kangave , J. et al. (2018). Taxing High Net Worth Individuals: Lessons from the Uganda Revenue Authority's Experience. ICTD Summary Brief 14. https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/13543/ICTD_14_Summary_%20Brief_HNWI.pdf


¹¹ The term VIP is used to refer to any person considered very important in a given context, such as a political leader, celebrity, businessman, religious leader, among others. These people may or may not have high financial wealth.



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