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## Policy Brief - #2.24 Case study – Nepal

The impact of tax abuses on Determinants of Health  
and Mortality rates in Nepal



GRADE  
Government Revenue and  
Development Estimation

### The consequences of tax abuse

Tax abuse (evasion and avoidance) is increasingly being recognised as a significant barrier to development. Government revenue in low and middle -income-countries relies more heavily on corporate tax than in high-income-countries, and tax abuses by international players can have a much more significant impact on their ability to accrue government revenue and invest in healthcare and education ([Moore, 2015](#)). African countries particularly suffer from the consequences of tax abuse. Many countries have signed unfavourable double tax agreements, which deprive the countries of their rights to accrue revenue from taxes ([Tax Justice Network Africa, 2020](#)). Our [peer-reviewed research on Government Revenue and Development \(GRADE\)](#) has demonstrated that an increase in government revenue in low-income-countries (e.g. through curtailing losses to tax abuse) can have a significant impact on their ability to provide Determinants of Health (e.g. sanitation and drinking water) and reduce under-5 (U5) and maternal survival rates.

### The impact of tax abuses on Nepal

In 2020, the Tax Justice Network released [a report on the State of Tax Justice \(SOTJ\)](#). For the first time, the report revealed an account of how much each country loses annually to tax abuses. From the SOTJ report, we know that Nepal suffers annual tax losses of \$9.2 US Million. We deflated this value into 2010 US Dollars (\$7.8 US Million), as the GRADE uses 2010 constant US. We then ran this figure through our visualization tool as an increase of annual government revenue to estimate the impact that curtailing these losses would have on Nepal's ability to provide health determinants and increase survival rates. The figures we provided are analysed from 2003-2017, with the assumption that effects on health determinants and survival rates are not accrued for the first 5 years following an increase in revenue. This means that the results are projected over a ten-year period from 2008-2017.

## Impact on drinking water in Nepal

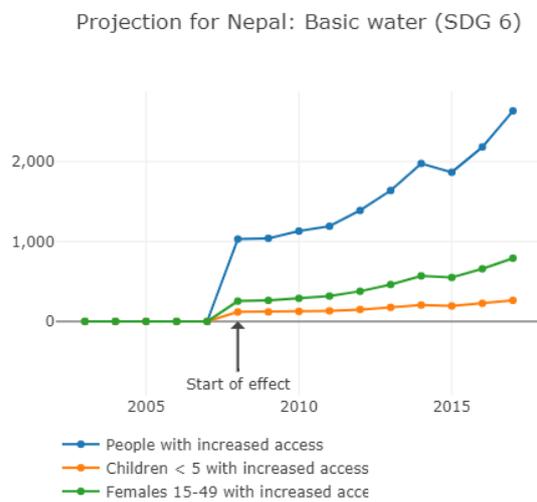


Figure 1 Projection for Nepal: Basic drinking water

Using our GRADE tool, we can demonstrate that over a ten-year period, on average 5,532 people (of which 588 are children and 1,559 are women of reproductive age) would have access to basic drinking water if the revenue lost to tax abuses in Nepal were curtailed.

## Impact on sanitation in Nepal

Using our GRADE tool, we can demonstrate that over a ten-year period, on average 7,452 people (796 of which are children and 2,096 are women of reproductive age) would have access to basic sanitation if the revenue lost to tax abuses in Nepal were curtailed.

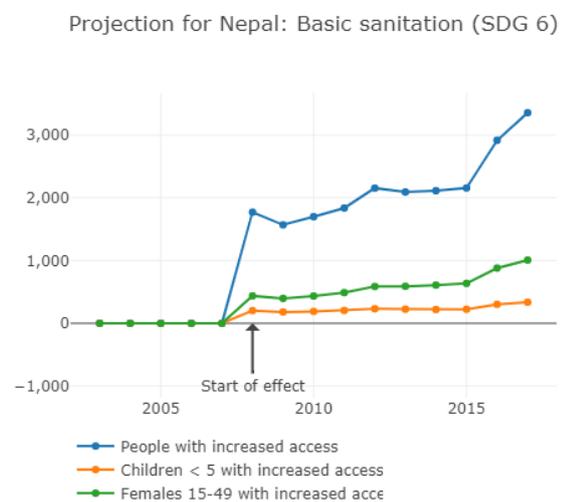


Figure 2 Projection for Nepal: Basic sanitation

## Impact on additional school years in Nepal

Using our GRADE tool, we can demonstrate that over a ten-year period, 437 children would attend school for an additional year if the revenue lost to tax abuses in Nepal were curtailed.

Projection for Nepal: Child school years (SDG 4)

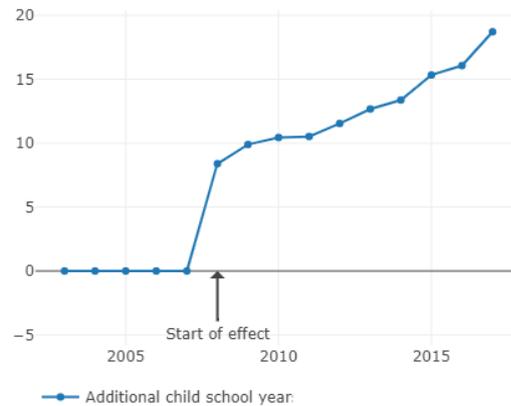
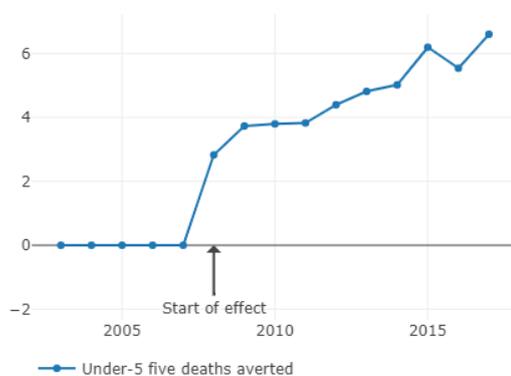


Figure 3 Projection for Nepal: Child school years

## Impact on child survival in Nepal

Projection for Nepal: Under-5 survival (SDG 3)



Using our GRADE tool, we can demonstrate that over a ten-year period, 161 child deaths could be averted if the revenue lost to tax abuses in Nepal were curtailed.

Figure 4 Projection for Nepal: Under-5 survival

## Impact on maternal survival in Nepal

Using our GRADE tool, we can demonstrate that over a ten-year period, 25 maternal deaths could be averted if the revenue lost to tax abuses in Nepal were curtailed.

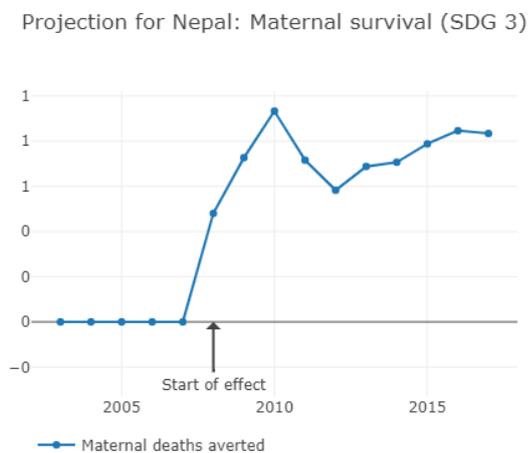


Figure 5 Projection for Nepal: Maternal survival

## Total harm caused to Nepal through tax abuses

To summarise, we estimate that over a ten-year period, 161 Under-5 deaths and 25 maternal deaths would be averted, 437 children would attend school for an extra year, 5,532 people (of which 588 are children and 1,559 are women of reproductive age) would access basic drinking water and 7,452 people (796 of which are children and 2,096 are women of reproductive age) would have access to basic sanitation. These figures demonstrate that tax abuses have significant human consequences for people in Nepal and must be carefully reconsidered and validate the huge potential for children if these policies are reviewed.

The impact of curtailing these losses could make a great difference in Nepal's ability to provide healthcare and education and reduce mortality rates. A minor increase in government revenue within low-and middle-income-countries will assist in the promotion of fundamental human rights, a condition of treaties such as the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child, it is vital that the impact of tax abuses is recognised.

## Call for Action

These figures demonstrate that tax abuses come with a serious human cost and impact the right to health for many children in Nepal. It is essential that governments worldwide recognise the impact tax abuses have on the Determinants of Health and mortality rates, particularly within low-income-countries. Allowing tax abuses to continue actively undermines fundamental human rights, which stands in direct opposition to the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child. We are calling for action from leaders worldwide to take measures to prevent policies which allow tax abuses to continue.

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