



De-Tax

What is it?

De-Tax is a new mechanism that has been proposed by Giulio Tremonti, Minister of Economy and Finance of Italy, one of the members of the Taskforce.

De-Tax would combine two elements:

- governments would waive a certain share of VAT on goods and services sold by businesses that choose to participate in the initiative; and
- businesses would provide voluntary contributions.

International revenues from the “tax reduction” are estimated to be about US\$ 2 billion annually if 26 countries participate and if 5% of the businesses in each country join the initiative.

Under the assumption of 1% waiver of VAT, if the De-Tax had been implemented in 2008, that year it could have collected revenues amounting to \$628 million in Japan, \$344 million in Germany, \$233 million in France, and \$138 million in Italy.

Voluntary contributions by businesses are expected to create an additional 10% of revenues. In 2008, this would have amounted to a total of about US\$ 200 million from the 26 countries, including \$63 million in Japan, \$34 million in Germany, \$23 million in France, and \$14 million in Italy.

The costs for tax reduction part of the proposal are estimated to be about 1 to 2% of revenues, although the transaction costs of convincing businesses to participate and to donate a percent of their profit may be significant.

It would take about 12 months to implement this proposal. In some countries, the tax would need to be rolled out at the state or province level rather than federally, adding an extra level of complexity to implementation.

Why is the Taskforce supporting it?

De-Tax has the potential to raise substantial funds for strengthening health systems in poor countries and contribute to the Taskforce’s target of raising \$10 billion per year by 2015.

The underlying source, VAT income, is highly sustainable and predictable, assuming continued support by participating governments.

De-Tax could raise awareness of the importance of health systems if businesses used it as a tool to demonstrate to consumers their support for the cause.

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