



FINANCING FOR
DEVELOPMENT
13-16 JULY 2015 • ADDIS ABABA • ETHIOPIA
TIME FOR GLOBAL ACTION



Politics of
Domestic Resource Mobilization
for Social Development

Research Note

Obstacles to Increasing Tax Revenues in Low Income Countries

Mick Moore

Based on a paper prepared for the UNRISD project [Politics of Domestic Resource Mobilization for Social Development](#)

Published as part of the UNRISD [Road to Addis and Beyond Series](#) which engages with the Third International Conference on Financing for Development

Why do the governments of low income countries not raise more tax revenues?

The sticky nature of taxation

This paper emphasises the “sticky” nature of taxation, showing that revenue collection changes little in short periods of time. This can be explained in part by the difficulty involved in improving tax collection and administration, which requires substantial administrative capacity and coordination as well as cooperation between revenue agencies and other organizations, both within and beyond the public sector.

Economic and political obstacles to increasing tax take in low-income countries

The author identifies a set of fundamental economic and political factors that seem to explain both the stickiness of tax takes within individual countries and the long-term variation in tax takes in different countries:

It is difficult to rapidly improve the effectiveness of a complex organizational network, as effective taxation systems require a great deal of coordination and cooperation between revenue agencies and other organizations, while the proportion of GDP raised as public revenue is to a significant degree determined by the structure of national economies.

Important political constraints relate to the capacity of wealthy people and companies to influence processes of tax policy formulation and administration to their own benefit.

The organizations that collect taxes often engage in a considerable amount of rent-taking. They take money illegally for their own staff, often handing over some of it to their political masters. In the process of taking money illegally, they often cut deals with specific taxpayers or groups of taxpayers, to the double detriment of the public treasury. This brings the whole tax system into disrepute and decreases overall willingness to pay taxes.

Governments typically grant too many tax exemptions to investors. This is defended and partly motivated by the desire to attract investment, especially foreign investment. But it is also a means for governments to attract (illicit) political financing and the support of influential groups.

Finally, the design of a country's political and government institutions can sometimes have a significant effect on its capacity to tax. This is especially the case if the authority which raises taxes is institutionally and politically very separate from the authority which spends public money.

To analyse why low-income countries do not raise more tax revenues the author employs two complementary approaches. The first approach is comparisons between countries today, and within countries over time. The second is to examine the potential effects on revenue raising of reforms in tax policy and administration in low-income countries.

Scope for positive policy change

The paper discusses three general challenges to increasing tax revenues in low income countries. Firstly, it is organizationally and politically difficult for the tax administrations of (smaller) low income countries effectively to tax the transnational economic transactions that comprise a steadily growing proportion of their potential revenue base. Secondly, low income countries do not fully exploit the wide range of 'advanced' tax administration practices available to them. And, thirdly, property taxes are underused in low income countries, even more so than in other countries.

Addressing the revenue gaps

If we look for specific 'revenue gaps' in low income countries, the most evident are:

- the large amounts of potential revenues lost in the form of unjustified 'tax incentives';
- the under-taxation of land and property;
- evasion by transnational corporations;
- the under-taxation of the profits of mining companies;
- and the under-taxation of the wealth and incomes of very rich individuals.

These issues need to be addressed if revenue gaps are to be closed.

Combining technical knowledge and politics

Effective tax reform typically requires large doses of political cunning. Raising more revenue will require identifying how best to combine technical knowledge and politics within each specific context, and may best be wrapped in the soothing language of 'tax administration improvements'.

The paper on which this Research Note is based is available at <http://www.ictd.ac/index.php/ju-download/2-working-papers/84-obstacles-to-increasing-tax-revenues-in-low-income-countries>

The **United Nations Research Institute for Social Development (UNRISD)** is an autonomous research institute within the UN system that undertakes multidisciplinary research and policy analysis on the social dimensions of contemporary development issues. Through our work, we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

The UNRISD research project **Politics of Domestic Resource Mobilization for Social Development** seeks to inform global debates on the political and institutional contexts that enable poor countries to mobilize domestic resources for social development. It examines the processes and mechanisms that connect the politics of resource mobilization and demands for social provision; changes in state-citizen and donor-recipient relations associated with resource mobilization and allocation; and governance reforms that can lead to improved and sustainable revenue yields and services. Visit www.unrisd.org/pdrm

我们的产品



大数据平台

国内宏观经济数据库

国际经济合作数据库

行业分析数据库

条约法规平台

国际条约数据库

国外法规数据库

即时信息平台

新闻媒体即时分析

社交媒体即时分析

云报告平台

国内研究报告

国际研究报告

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_20819

