



Typical Tax Challenges in Developing Countries

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*Presentation for Taxation & Developing Countries
(a PEAKS training course)*

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Issues to be addressed in this training course (1)

- **Level** of tax revenues is low.
 - Low tax-GDP ratio (20% in SSA), lower in many LICs (whose ave. increased from 9.75 in 2002 to 11.5 in 2010). Holds back development? Can and do changes in tax revenue ratios occur?
 - **Composition / type** of taxes. What implications?
 - corporate tax, income tax, VAT, import duties, others. Which combinations, how have these changed over time, what effects on overall objectives of tax (growth, distribution, efficiency, governance)?
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Issues to be addressed in this training course (2)

- **Equality** – What tax systems are progressive, how do we measure, what data? How to enhance redistributive role of fiscal policy whilst promoting growth and fiscal sustainability.
- **Investment and growth** – What incentives are available, what is revenue foregone of incentives (e.g. 5-10% of GDP in OECS), (when) do they work? Special Economic Zones?
- **Extractives** – How to maximise tax revenues from extractive industries? What are instruments & constraints? Direct (Royalties and corporate income tax) and indirect taxation
- **International tax issues** (G8/G20) incl. transfer pricing. Zambia loses out 2 billion in revenues due to misvoicing.
- **HOW to do tax reform** – Can anything be done? What are the constraints? Tax-based, administrative capacity, PE,.....



PEAKS SPD Notes and PPTs on Tax

- A series of notes contributed by:
 - Oliver, Deb, Francesca and Dirk Willem (training facilitators);
 - Summaries of past PEAKS contributions by Dan Haglund (OPM) and Hazel Granger (ex ODI fellow, now in Uganda);
 - Summary of IMF policy papers;
 - Other materials (e.g. OECD) distributed separately.
- Presentations by above training personnel, DFID officials, OECD and IMF.
- Interactive break-out groups on reading data and establishing policy issues.