ICTD

Working Paper 111

What is Wrong with African Tax Administration?

Mick Moore

September 2020

BILL & MELINDA GATES foundation

UKaid
from the British people

institute of development studies

ICTD Working Paper 111

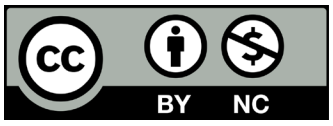
What is Wrong with African Tax Administration?[1]

Mick Moore

September 2020

[1] This paper is based in part on the ideas and information I received in conversation with a wide range of tax administrators and other tax specialists over the decade 2010-20 when I was CEO of the International Centre for Tax and Development (ICTD). I am equally indebted to my excellent ICTD colleagues with whom I worked over this period. I owe a special thanks to Giulia Mascagni and Fabrizio Santoro, whose research on the arcane topic of 'nil-filing' (Sections 9 and 10) has revealed a great deal about how taxes are administered in practice.

What is Wrong with African Tax Administration?
Mick Moore
ICTD Working Paper 111
First published by the Institute of Development Studies in September 2020
© Institute of Development Studies 2020
ISBN: 978-1-78118-688-6



This is an Open Access paper distributed under the terms of the Creative Commons Attribution Non Commercial 4.0 International license, which permits downloading and sharing provided the original authors and source are credited – but the work is not used for commercial purposes. http://creativecommons.org/licenses/by-nc/4.0/legalcode

Available from:
The International Centre for Tax and Development at the Institute of Development Studies, Brighton BN1 9RE, UK
Tel: +44 (0) 1273 606261
Email: info@ictd.ac
Web: www.ictd.ac/publication
Twitter: @ICTDTax
Facebook: www.facebook.com/ICTDtax

IDS is a charitable company limited by guarantee and registered in England
Charity Registration Number 306371
Charitable Company Number 877338

What is Wrong with African Tax Administration?

Mick Moore

Summary

National tax administrations in sub-Saharan Africa have undergone considerable reform in recent decades. In a number of respects, they are, on average, more reformed and more efficient than tax administrations in other low income regions of the world. They have responded effectively to a number of major challenges. However, we now have evidence from benchmarking evaluations organised by the International Monetary Fund (IMF) that overall tax administration performance in the region is unimpressive. This paper assembles a wide range of evidence from recent research on two inter-connected policy issues in African tax administration: the use (under-use, misuse) of digital technologies and a set of questions of who should be taxing small scale business, how, and how much. The first conclusion is that digital technologies are generally under-used and mis-used relative to their potential. They tend to be deployed in a rather fragmented way and for 'taxpayer facing' activities, rather than for internal control purposes. They have much under-exploited potential to support additional revenue collection, to make the collection process less unpleasant and fairer and to address the problem of weak oversight and accountability of tax administrations. The second conclusion is that there is a high potential for improving the organisational arrangements for taxing small business in sub-Saharan Africa. The current practice reflects a confluence of several factors. For a number of reasons, tax administration is relatively centralised; nearly all revenues are collected by central government tax agencies, leaving very little for sub-national revenue collectors. In consequence, central government tax agencies have to organise themselves internally to undertake very different types of tasks: to collect revenue both from small numbers of big companies, that typically provide nearly all revenues, and from very large numbers of very small scale businesses. The latter collectively provide a small proportion of total revenue. Further, many if not most national tax administrations have on their books large proportions of *inactive taxpayers* – people and companies who are registered with the tax administration, but who do not actually pay tax. Taxpayer registers are often inaccurate. A major reason for both the large numbers of *inactive taxpayers* and the inaccuracy of the registers is that considerable efforts are continually made to register new taxpayers, even though experience indicates that few will actually end up paying tax. I label this the *registration obsession.* It is closely associated with the idea that the major source of uncollected revenues in sub-Saharan Africa is the so-called *informal sector* – implicitly, small scale businesses and relatively poor people. This narrative is diversionary. The major sources of uncollected revenues lie elsewhere, including the incomes and assets of the wealthy and the unjustified tax exemptions granted to companies. The *informal sector* narrative serves the purpose of distracting attention from these real sources of uncollected revenues.

Keywords: Tax administration, Africa, informal sector, digital technology, information technology, taxpayer registration, tax reform

Mick Moore is a political economist. His broad research interests are in the domestic and international dimensions of good and bad governance in poor countries, focusing specifically on taxation. He has done extensive field research in Africa and Asia, especially in Sri Lanka, Taiwan and India. He was the founding CEO of the ICTD 2010-2020 and is now Senior Fellow, and is co-author of *Taxing Africa* with Wilson Prichard and Odd-Helge Fjeldstad, published by Zed Press London and HSRC Press Pretoria in 2018.

Contents

	Summary		3
	Acknowledgements		5
	Introduction		**6**
1	**Organisation**		**7**
2	**Tax Administration Challenges in sub-Saharan Africa**		**7**
3	**Assessing the Performance of National Tax Administrations in sub-Saharan Africa**		**10**
4	**The Drivers of Tax Administration Reform**		**12**
5	**The Nature of Tax Administration Reform**		**13**
6	**The TADAT Performance Numbers**		**16**
7	**The Use of Digital Technologies**		**17**
	7.1	The cost of tax collection	18
	7.2	Country case: Malawi	18
	7.3	Country case: Sierra Leone	19
	7.4	Country case: Rwanda	19
	7.5	The inaccuracy of taxpayer registers	19
8	**Inactive Taxpayers**		**20**
9	**Why So Many Inactive Taxpayers?**		**22**
	9.1	Technical explanations	23
	9.2	Organisational sociology explanations	23
	9.3	Political explanations	24
10	**The Registration Obsession and the Ambiguous 'Informal Sector'**		**24**
11	**Policy Implications**		**26**
	References		**29**

Tables

Table 8.1	Non-filers and nil-filers, eSwatini, Rwanda and Uganda	22

Acknowledgements

For very helpful comments on earlier drafts, I am grateful to Richard Bird, Graham Burnett, Roel Dom, Odd-Helge Fjeldstad, Max Gallien, Jalia Kangave, Susan Nakato, Giulia Mascagni, Giovanni Occhiali, Will Prichard, Gael Rabelland, Eileen Rafferty, Fabrizio Santoro, Berni Smith, Seth Terkper, Vanessa van den Boogaard, and Ronald Waiswa.

Introduction

What is wrong with tax administrations in sub-Saharan Africa? The question invites a flood of answers. African taxpayers have plenty of complaints reflecting their personal experiences. Long lists of problems can be found in numerous consultancy, advisory and aid donor reports. At a more technical level, the Tax administration Diagnostic Assessment Tool (TADAT) Secretariat, located in the International Monetary Fund (IMF), has, since 2012, undertaken reviews and assigned numerical scores for the quality of the performance of 28 key functions for 28 national tax administrations in sub-Saharan Africa. Those scores are generally low (Section 3).

The purpose of this paper is not to accumulate lists of actual or alleged deficiencies. Such lists are not, in themselves, very useful and may indeed be misleading. The formal and informal evaluations that underpin the standard inventories of problems do not always take into account how intrinsically difficult it is to collect taxes in African conditions, to avoid upsetting taxpayers, and to come up smelling of roses (Section 2). More broadly, there is no standard model of good revenue administration that is valid across a diversity of circumstances. Notions of internationally-transferable 'best practice' are poorly grounded. Appraisals of tax administrations tend to focus on organisational architecture, rather than systemic functioning and to evaluate them piecemeal, rather than take a more wholistic perspective on how the parts fit together within a specific context. The effectiveness of any tax administration depends in part on its relationship to other actors in its immediate environment, including politicians, the courts, the legal system, other government agencies and banks. It may be difficult to make sensible performance judgements without detailed knowledge of the immediate organisational ecosystem (Vázquez-Caro and Bird 2011).

The objective here is to stimulate discussion on two big, related policy issues in African tax administration: the use (under-use, misuse) of digital technologies and a set of questions of who should be taxing small scale business, how, and how much. My conclusions on those issues are as follows:

- Digital technologies are generally under-used and mis-used relative to their potential and relative to the current urgent need, in light of the COVID-19 epidemic, to collect taxes with reduced person-to-person contacts. Digital technologies tend to be used in a rather fragmented way and for 'taxpayer facing' activities rather than for internal control purposes. They have much under-exploited potential to support additional revenue collection; to make the collection process less unpleasant and fairer and to address the problem of weak oversight and accountability of tax administrations.
- There is a great deal of potential for improving the organisational arrangements for taxing small business in sub-Saharan Africa. The current situation reflects a confluence of several factors. For a number of reasons, tax administration is relatively centralised; nearly all revenues are collected by central government tax agencies, leaving very little for sub-national revenue collectors. In consequence, central government tax agencies have to organise themselves internally to undertake quite divergent tasks: to collect revenue both from small numbers of big companies that typically provide nearly all revenues and from very large numbers of very small scale operators. The latter collectively provide a small proportion of total revenue, for which collection costs are high. Further, many if not most national tax administrations have on their books large proportions of *inactive taxpayers* – people and companies who are registered with the tax administration, but who do not actually pay tax. Taxpayer registers are often inaccurate. A major reason for both the large numbers of *inactive taxpayers* and the inaccuracy of the registers is that considerable efforts are continually made to register new taxpayers, even though experience indicates that few will actually end up paying tax. I label this the *registration obsession.* It is closely

associated with the idea that the major source of uncollected revenues is the so-called *informal sector* – implicitly, small scale businesses and relatively poor people. This narrative is diversionary. The major sources of uncollected revenues lie elsewhere, including the incomes and assets of the wealthy and the unjustified tax exemptions granted to companies. The *informal sector* narrative serves the purpose of distracting attention from these real sources of uncollected revenues. African tax administrations have been extensively modernised and are relatively well resourced and effective. They could raise more revenue if they were to focus more on these real sources of uncollected revenues.

1 Organisation

Those conclusions emerge from a complex set of inter-related empirical observations. The material is organised as follows:

Section 2 outlines key aspects of the context of tax administration in contemporary sub-Saharan Africa, including the high degree of centralisation. In Section 3, I summarise information suggesting that, in some respects, the quality of tax administration in sub-Saharan Africa is relatively good when compared to other low income regions of the world. This is the result of a series of reforms in tax administration and tax policy, most of them originally sparked by international organisations, that began in the 1990s (Section 4). African tax administrations are generally being reformed in a positive way. They are adopting structures and practices characteristic of higher income countries that are conducive to greater efficiency and less vulnerable to coercion and corruption (Section 5). The most objective and comprehensive evidence we have on tax administration comes from the IMF-associated Tax Administration Diagnostic Assessment Tool (TADAT - https://www.tadat.org/home). TADAT data indicate that African tax administrations are more eager to use digital technology for client-facing activities like online filing and payment facilities than for internal financial and accounting controls (Section 6). In Section 7, I assemble of a range of evidence that suggests that tax administrations do not employ digital technologies very effectively. One aspect of this is the existence of very large numbers of *inactive taxpayers*, i.e. people and companies that are registered for tax, but are not taxpayers in practice (Section 8). The main reason for the large numbers of *inactive taxpayers* is that tax administrations engage in recurrent drives to increase the number of new registered 'taxpayers', despite all the evidence that few will in practice become *active taxpayers* (Section 9). Why this *registration obsession*? I argue in Section 10 that it fits neatly with a powerful narrative, woven around the concept of the *informal sector*, that serves (a) to put responsibility for inadequate revenues on the alleged failure of Africa's poor to pay taxes and (b) to divert attention from the actual failure of the rich to pay their share. The policy implications are summarised in Section 11.

2 Tax Administration Challenges in sub-Saharan Africa

While national tax systems in sub-Saharan Africa have been substantially reformed in recent decades (Sections 4 and 5), they have rarely been reconstructed from scratch.[2] Colonial regimes were relatively successful in extracting revenue. Even in countries that have experienced major internal conflict since decolonisation, like Rwanda and Uganda, current tax

[2] Contemporary Somaliland is one of the obvious exceptions. The current revenue system evolved from a wide series of ad hoc practices developed during the internal conflicts of the 1990s.

systems have demonstrably evolved from what was there before. There are, of course, significant differences between countries in how the tax function is organised. But the commonalities are more striking. The imprints of colonial structures are still visible. To the extent that they are being erased, they are being gradually replaced by a loosely defined model of good practice that is accepted almost globally (Section 5). Provided we remain sensitive to national and sub-national diversity, it is realistic and practical to talk of patterns and trends in sub-Saharan Africa generally.

Taking the region as a whole, development aid only briefly – from the mid-1980s to the mid-1990s (Moore, Prichard and Fjeldstad 2018: 28-30) – surpassed domestic revenue mobilisation as a source of government income. African governments have been playing the revenue extraction game for a long time. In some respects, and despite some significant handicaps, they play it better than governments in other low income regions of the world (Section 3).

One of those handicaps is the difficulty African governments face in effectively taxing large transnational corporations in Africa, especially in their large mining and energy sectors (Moore, Prichard and Fjeldstad 2018: Chapters 3-5). Another is that African tax collectors have been trying to extract revenue from economies characterised, to a greater extent than most of the world, by low incomes, small scale enterprise, rurality, subsistence agricultural production, and the dominance of cash transactions. There is to some extent a 'natural' historical evolution of tax systems toward greater efficiency, as economies become more commercial, more monetised, more organised into large scale formal economic organisations, more dependent on banks and other financial intermediaries, better recorded on paper and more digitised (Mansfield 1987; Moore 2013). Before economies reach that happy state, taxing is difficult;

- It is challenging and costly. Tax collectors need to visit taxpayers personally at their homes or businesses, or to call taxpayers to their offices. In these circumstances, administration costs can eat up much of the money collected.[3]
- Those unsupervised, unrecorded personal interactions between individual taxpayers and individual tax collectors who are simultaneously making the assessment and collecting the cash, constitute the classic locus for corrupt collusion. The government loses twice over. Some of the revenue to which it is legally entitled goes into the pockets of the tax collector and taxpayer. And the taxpayers' experience of corruption undermines their respect for and trust in the state more generally. Generalised tax resistance is reinforced.[4]
- Such records, as are maintained, are expensively entered onto paper and then laboriously transferred or aggregated onto more paper. Monitoring for efficiency, honesty of fairness within tax collection organisations is also difficult and expensive. Records are easily manipulated at any level in the system.[5]

It is this historical trajectory that largely explains the fact that the ratio of tax to GDP in sub-Saharan Africa is low when compared to richer regions of the world (Moore, Prichard and Fjeldstad 2018: 32). It is hard to raise revenue from economies in which agriculture, small scale enterprise and personalistic forms of business are prominent. Although African economies are growing and becoming more commercialised – and tax collection practices similarly are becoming more 'modern' (Section 5) – most of the economic growth in Africa in this millennium has taken place within small scale enterprises and in the service sector (Jayne, Chamberlin and Benfica 2018). The fact that the recent overall performance of African tax

[3] Beach (2018: Chapters 7-11) has recently provided great insights into the prevalence and costs of this practice on the basis of ethnographic research with tax collectors in Benin and Togo.
[4] Indeed, a rather large proportion of Africans do perceive tax collection as corrupt (Aiko and Logan 2014).
[5] The only published analysis we have of this process of manipulating written records within tax administrations relates to Pakistan (Piracha and Moore 2015).

administrations has been modestly satisfactory, if not better (Section 3), is then all the more notable.

A further handicap faced by African tax administrations results from recent policy choices. The client profile of the typical African tax administration is strikingly diverse. On the one side, revenue administrations need to organise themselves, in terms of personnel skills, procedures and organisational ethos, to tax large companies, many of them very large and transnational. This requires appreciable accounting, auditing, investigatory and legal skills and knowledge, and international connections of various kinds. It is the norm in sub-Saharan Africa that the great bulk of the revenues collected by the national tax administration come from a tiny proportion of its taxpayers (ATAF 2017: 87). At the same time, most organisational energy and staff time goes into a very different type of task: trying to tax legions of small enterprises – auto mechanics, carpenters, caterers, electricians, food preparers, graphic designers, hairdressers, healers, liquor brewers, motorcycle taxis, photographers, plumbers, porters, street vendors, watch repairers and welders – who are hard to track down, often move in and out of different activities, and are rarely high earners. This is a labour intensive set of tasks requiring a staff cadre who are street smart and mobile and who require close monitoring if they are not to abuse the power that naturally accrues to them in their face-to-face dealing with clients. Inevitably, the amount of tax they raise per head is much lower than that generated by the relatively small number of their colleagues who focus on taxing big businesses. But differences in revenue productivity are only weakly reflected in salaries and salaries and other personnel costs account for most collection costs. African tax collectors are generally well paid, especially those employed in Semi-Autonomous Revenue Authorities (Section 4).

Some degree of diversity among the clientele of a tax administration is inevitable. It is particularly high in sub-Saharan Africa because, for two related reasons, national tax administrations are responsible for managing a large 'tail' of these small and often-mobile taxpayers. The first reason is a high degree of political and fiscal centralisation historically found in the region, from the colonial period. Revenue is dominantly raised and spent by the central government (Moore, Prichard and Fjeldstad 2018: 151), to the extent that (reliable) data on the incomes and expenditures of sub-national governments are often not available.[6] Sub-national governments do not tax – or do not tax effectively – many of the activities and enterprises that seem naturally to belong to them. They are very reliant for income on fiscal transfers from central governments.

The second reason for the concentration of taxing capacity in the hands of the central government is that almost all of the external aid and technical assistance to revenue-raising in sub-Saharan Africa in recent decades been channelled to the central level.[7] Central revenue collection agencies have become relatively more effective and have been better placed than sub-national governments to collect new sources of income.[8] Historical inequalities between

[6] Ghana, Kenya and South Africa are among the countries that have well-established systems of sub-national government with good fiscal data. Nigeria is the only significant exception to the rule that nearly all revenue is collected by central governments. But this reflects the fact that, until the recent drops in oil and gas prices, the central government was largely dependent on the energy sector for revenues. In some Francophone countries, even property taxes that are, in most of the world, reserved for sub-national governments are collected by central government agencies.

[7] One reason, no doubt, is that improving national tax systems appeared to be a priority, and perhaps a pre-condition, for addressing the much deeper problems at sub-national level. Another is that the international organisations involved in designing and delivering this aid, including the IMF, the World Bank and the OECD, who know a great deal about national level taxes like VAT, Customs, excises and corporate and personal income tax, have little expertise on the taxes on which sub-national governments mostly depend, notably property taxes and business licences.

[8] For example, as is explained in Section 4, VAT has been introduced to the region in the last two to three decades. It has now become almost universal and is the biggest single sources of government revenue. It is collected almost entirely by central governments. The only exception is that there are both central and regional VATs in Ethiopia. By contrast, property taxes – recurrent taxes on the ownership or occupation of residential, commercial and industrial – that are a classic revenue source for sub-national governments, have been neglected and provide very little revenue almost throughout the region (https://www.ictd.ac/network/apti/). The contrasts in capacity between central and sub-national tax administrations have generated an increasing number of suggestions and initiatives for central tax administrations to collect taxes on behalf of sub-national governments. This has gone furthest in Rwanda. Since 2016, the Rwanda Revenue Authority has gradually taken over

national and sub-national government have been exacerbated. This is especially true where donors have encouraged the establishment of Semi-Autonomous Revenue Authorities (Section 4). The implications of the fact that central tax administrations bear responsibility for taxing so many small enterprises are treated in the later part of the paper. I first explain that, despite the challenges listed above, the overall performance of African (central) tax administrations is, in many ways, encouraging.

3 Assessing the Performance of National Tax Administrations in sub-Saharan Africa

If we are to evaluate the performance of African tax administrations, we should make the comparisons with those countries that face similar challenges, above all the challenges of taxing low income and rural populations, and small scale enterprises. To evaluate performance confidently, we would first need a great deal of reliable basic operational data – of the kind we have for OECD tax administrations (OECD 2019), but not for Africa or most low income regions. There are, however, sufficient sets of data to enable us to conclude that tax administrations in sub-Saharan Africa perform fairly well compared to those in other low income regions.

If we measure tax administrations by their results – i.e. the amount of taxes raised relative to GDP, tax effort, and success in levying direct income taxes – then sub-Saharan Africa does well compared to South Asia and Latin America (Moore, Prichard and Fjeldstad 2018: 31-33). Those figures might however reflect tax policy choices, as well as the quality of tax administration.[9] If we focus more precisely on measures of the tax administration process, we find similar results:

- The World Bank publishes annual estimates by country of two indicators of the efficiency of national tax administrations. One is a measure of the compliance burden: the number of staff hours consumed in the typical medium-sized company in dealing with taxes. On average, in 2018, African tax collectors required 285 hours of company staff time. This is a little above the world average figure of 234 hours, but much lower than the 519 hours required in South America. The other statistic is a more direct measure of the efficiency of

collecting all revenues previously collected at the district level. This has been possible, in large part, because the Revenue Authority is very accomplished in the use of digital technologies and because, since the electricity supply is good throughout the country, these technologies function reliably in the Authority's district offices.

[9] Within any large scale organisation, the distinction between 'administration' and 'policy' is to some extent blurred and dependent on the specific context and on how those terms are defined for practical purposes. Tax is no different. Indeed, specialists have for some decades been asserting that it is particularly difficult to make the policy v. administration distinction in the tax realm. They are fond of the phrases 'tax policy is tax administration' and 'tax administration is tax policy'. For present purposes, there is no need to explore this issue in detail. I use the term 'tax administration' to refer first to the execution of the core activities around what is often popularly termed 'tax collection': the identification of taxable subjects (individuals or business enterprises); the allocation to them of identifiers that will make it possible to recognise them in future (normally today called Tax Identification Numbers, or TINs); the creation of a system of records on taxable subjects; the establishment of procedures through which taxable subjects can themselves present to the tax agency (some of) the information needed to assess their tax liabilities ('filing'); the regular assessment of tax liabilities; billing taxpayers accordingly; collecting payments; dealing with non-payments, arrears and refunds; auditing (i.e. examining in more detail) the tax assessments of samples of taxpayers; and dealing with disputes between taxpayers and tax collectors. The successful execution of those core functions depends, in turn, on the effective performance by the tax agency of a number of supporting tax administration tasks, including: human resource management (recruitment, training, posting, promotion etc.); 'internal vigilance' (i.e. trying to identify, control and punish staff misbehaviour, especially corruption); treasury activities (i.e. managing and accounting for the revenues collected); IT support; research and planning; and, increasingly, taxpayer education and outreach activities. Tax policy, by contrast is the process of making decisions about what taxes to levy and how. More concretely, tax policymakers deal with such issues as: setting rates, bands and thresholds for different taxes, deciding whether to use simplified taxation regimes for small businesses, determining how businesses can allocate the costs of large new investments in their tax returns, revenue forecasting, and assessing the microeconomic and the macroeconomic impacts of different tax regimes.

tax administration. Labelled the *post-filing index*, it is a composite measure of efficiency in (a) dealing with Valued Added Tax (VAT) refunds and (b) correcting errors in Corporate Income Tax (CIT) returns. For 2018, the Africa region scored better than South America, the Middle East, and Central America and the Caribbean (World Bank Group and pwc 2020: 9-11).

- The TADAT Secretariat, associated with the IMF, has, since 2012, undertaken reviews and assigned numerical scores for the quality of the performance of key functions for 28 national tax administrations in sub-Saharan Africa (Introduction and Section 3). Tax administrations are assigned scores on 28 separate indicators. The average overall score was 2.4 points (per indicator, per country), out of a possible maximum of 7 points. The average score for 33 other countries on which we have the data, which are widely scattered throughout North Africa, Latin America, the Caribbean, Oceania, the Balkans, Eastern Europe, the Caucasus and Central, West, South and Southeast Asia, was somewhat higher, at 3.3. Once we take into account the facts that average incomes are much higher in this latter group of countries – and that higher incomes ease the task of creating a good tax administration (Section 2) – the sub-Saharan African scores appear respectable.[10]
- Using data from the World Bank's regular Enterprise Surveys, Awashti and Bayraktar (2014) produced national level estimates, for the period 2002-12, of the proportion of visits to firms by tax staff that were reported, by the firms, to be associated with a demand for a bribe. For 39 countries in sub-Saharan Africa, such a request was reported in 19% of cases. The incidence of reported demands for bribes was higher, or much higher, in all other regions covered, except Latin America and the Caribbean.

Not all the statistics show Africa in such a relatively positive light. Although VAT generates quite a lot of revenue in Africa, it is so poorly designed and implemented that the average overall yield, relative to potential, is exceptionally low (Keen 2013). There remains a significant corruption problem.[11] Although average revenue collection levels relative to GDP are high, before the impact of the Covid-19 pandemic in early 2020, the proportion of GDP collected in taxes is somewhere between stagnant and very slightly increasing. Economic growth is not generating an increase in the ratio of taxes to GDP (Gupta and Liu 2020). Overall, the glass measuring tax administration performance in Africa seems to be half-full – or half-empty. But that is something of an accomplishment for a continent whose recent history is marked by widespread problems in establishing stable, legitimate and effective governance institutions.

How have so many African governments established themselves as relatively effective tax collectors? The short answer is that many have embraced substantial tax administration reform. This is especially evident in comparison with South Asia. I summarise the origins of this reform in Section 4, and the content in Section 5 – and simply note here that there has

[10] I am extremely grateful for Justin Zake of the TADAT Secretariat for giving me access to the data, which are in most cases not publicly available, and for confirming the validity of my interpretation of them. Note: I have used only the assessments conducted according to the TADAT Field Guide 2015 (FG15). There are data for another 5 countries in sub-Saharan Africa for which the assessments were conducted under FG19. The two sets are not 100% comparable. Nevertheless, the inclusion of the FG19 set in the analysis reported in the main text generates virtually identical results to the FG15 set alone.

[11] Customs administrations have traditionally been more corrupt than internal revenue organisations, both globally and in Africa (Fjeldstad, Filho and Rabelland 2020). This is essentially because Customs agents enjoy high levels of bargaining power in their relations to cross-border traders, notably through their power to detain goods for long periods of time. There is evidence that tax administrations, especially Customs, often act as funnels to collect and channel money to governing elites (Cantens 2012). Public opinion surveys indicate that most Africans perceive that tax collectors are to some degree corrupt (Aiko and Logan 2014). Those findings are however hard to interpret. Most surveys, including the most extensive Afrobarometer series, do not distinguish between payments made to national tax administrations and those made to subnational governments. Local governments often collect tax from more people than do national tax administrations; and they sometimes use particularly coercive methods (Moore, Prichard and Fjeldstad 2018: Chapter 7). Surveys by Transparency International, that capture actual experiences of bribe requests and payments rather than broad perceptions, are more useful. A survey done in 17 countries in 2013 suggested that interactions with the police were on average twice as likely to involve bribery as interactions with revenue collectors (Moore, Prichard and Fjeldstad 2018: 140).

been less tax administration reform in the Francophone countries of the region and that this is reflected in comparative performance measures.[12]

4 The Drivers of Tax Administration Reform

Tax administration reform was not forced on Africa by aid donors and international organisations. Mainly from the 1990s onwards, as part of the process of economic recovery, African governments were willing to make changes in tax administration (and tax policy). However, the international organisations and aid donors that were most involved, notably the IMF, the World Bank and the British aid programme, played a major role not only in strongly encouraging the reforms, but also in shaping them. The story has been told elsewhere (Fjeldstad and Moore 2009; Fossat and Bua 2013; Kloeden 2011; Moore 2014; Dom and Miller 2018). The major components are as follows:

- The tax reforms have their roots in what are often term 'structural adjustment' or the 'Washington Consensus' policies, first introduced in Africa in the 1980s. They were more successful than most components of the 'Washington Consensus' programme. Because the reforms held out the promise of more revenue and did not involve significant privatisation or marketisation, African governments showed some enthusiasm and commitment in adopting them.
- Initially, the reforms were very much shaped by a consensus that began to emerge among international tax specialists, especially around the IMF, in the 1970s. That consensus has three main components. The first was that tax administration was really important, and governments should pay far more attention to getting that right than to continually fiddling with tax rates, tax bands, tax thresholds etc. (i.e. tax policy). The second was that the international trade taxes – mainly on imports but still to some extent on exports – on which African governments were quite heavily dependent for revenue should be drastically cut back, to promote international trade and economic specialisation. The third was that governments should introduce the relatively new and complex VAT (value-added tax) on consumption to replace the revenues lost by cutting international trade taxes and reduce the economic distortions associated with the sales taxes that most governments were already collecting.
- With more varying degrees of ambiguity, scepticism and resistance than one can do justice to here, these policies were generally implemented. International trade taxes shrivelled, in terms of the rates charged and the amount of revenue raised. Most governments in sub-Saharan Africa have adopted VAT; it is probably now their largest single revenue source. Considerable attention has been paid to improving tax administration.
- In addition, and largely at the instance of the World Bank and the British aid programme – but not the IMF – the creation of Semi-Autonomous Revenue Authorities (SARAs), outside of ministries of finance, became an important component of the overall reform package – albeit almost entirely in the Anglophone countries.[13] Because this involves a clear discontinuity in organisational and legal terms and because SARAs were promoted from overseas on ideological as much as on pragmatic grounds, the experience has generated

[12] For example, the data assembled by Awashti and Bayraktar (2014) indicate that, in the average Francophone country in sub-Saharan Africa, 25% of visits to firms by tax collectors were associated with a request for a bribe, while the equivalent figure for other countries in the region was 15%. Similarly, Francophone tax administrations receive lower performance evaluations than other in the region from TADAT (Section 3): the average score for the nine Francophone countries (including Rwanda) was 2.1, while the average for the other 17 countries was 2.6. Fossat and Bua (2013) suggest that Francophone Africa has been relatively slow in digitising tax administration functions. The Francophone tradition of retaining dense networks of local tax offices to maintain close direct and personal contact with taxpayers has not given way to the kinds of organisational reforms, discussed in the main text, that in Anglophone countries have led to a shift of personnel and functions to head offices. We have figures on the ratio of taxpayers to tax administration staff in a sample of African countries in 2015. That ratio was generally lower in the Francophone countries (ATAF 2017: 154).

[13] And also, Burundi, Mozambique, Rwanda and Togo.

much debate and a large research literature (Crandall 2010; Dom 2019; Fjeldstad and Moore 2009; Mann 2004; Prichard and Leonard 2010; Sarr 2016; Taliercio 2004; Therkildsen 2004; von Soest 2007; Fjeldstad, Kolstad and Lange 2003). While there is no detectable evidence that the creation of SARAs contributed to higher national revenue collections in the long term (Dom 2019), they have generally been conducive to tax administration reform, both directly and indirectly. In particular, SARAs combine all tax collection functions within the same organisation and thus increase the opportunities and incentives for Customs and Domestic Tax departments to cooperate rather than compete. Although their formal remit is limited to tax administration, they can sometimes exercise significant influence over tax policy, because their organisational capacities generally greatly exceed those of the small tax policy units in ministries of finance. SARAs also have played a significant role in the creation of a regional-cum-international professional community of tax administrations specialists – as manifested most visibly in the creation in 2009 of the African Tax Administration Forum (ATAF).[14]

Tax administration reform is a continuous process. While international organisations and actors are still significantly involved in the process in contemporary sub-Saharan Africa, the relationship is no longer as one-sided as it was in the 1990s. African tax administrations now have a stronger professional voice, and African tax administrators are more likely to occupy senior positions in the IMF and other international organisations with revenue-related roles.

5 The Nature of Tax Administration Reform

Thirty years ago, tax administration staff in Africa were generally male, with relatively low educational qualifications and few professional credentials. While most worked in an organisation within a ministry of finance devoted to collecting just one type of tax – for example, trade taxes (Customs), direct domestic taxes (income taxes etc.), indirect domestic taxes (sales taxes etc.), excise taxes (notably on alcohol), or stamp duties (fees payable of official transactions) – they did much the same kind of work as people with whom they shared an office. There was little professional specialisation. They were likely based in a relatively small local office, close to the taxpayers for whom they were responsible. They tried to keep close tabs on those taxpayers and know them individually. They made written tax assessments and prepared tax bills, ensured that those bills were paid, and sometimes themselves collected the payments. They had considerable personal control over the written records that they maintained.

Tax administration jobs today are more diverse, specialised and professionalised. One can best illustrate that by looking at three characteristic changes that have been introduced in the organisational structure of African tax administrations, independently of the question of whether domestic taxes and Customs have been brought together under a SARA.

First, internal units are today defined mainly by function, rather than the type of tax they are tasked to collect. With the exception of Customs, which continues to have a distinct character

[14] This professional community arose principally from interactions between (a) the heads and senior staff of SARAs, who enjoyed more continuity in post and many more opportunities to attend professional meetings than did their peers, who still managed tax collection from within ministries of finance and (b) tax administration specialists working for or otherwise associated with the main international tax organisations – especially the IMF and the OECD, but also the World Bank and a number of bilateral national aid agencies. Leading positions in the African segment of this international network are increasingly held by Africans who have recent experience in tax administration, rather than the expatriates who played a big role in initiating reforms in the 1990s. When SARAs were established in Africa in the 1990s, a number of governments employed expatriates from outside Africa to head them. Those expatriates have all gone home. The only contemporary expatriate head of a revenue authority is from another African country. Unlike twenty years ago, many of the international tax experts employed in Africa are African. So too are an increasing proportion of the tax specialists recruited by organisations like the IMF.

in every African country[15], organisational units identified in terms of 'Stamp Duty' or 'Income Tax' have largely disappeared. In their place are units with names like Taxpayer Registration, Tax Returns, Payments Processing, Debt Collection, Audit and Investigations, Finance, Information Technology, Human Resources, Legal Affairs, Dispute Resolution, Taxpayer Services, Research and Planning, and Internal Compliance (i.e. anti-corruption).

Second, because (a) fewer staff need to be in local offices to facilitate face-to-face contact with taxpayers and (b) specialist support functions like human resource management, taxpayer services, IT, debt collection and planning have become relatively more important, there is typically a relative shift in staff numbers from local to headquarters offices.

Third, there is greater use of what is termed 'segmentation', i.e. allocating different categories of taxpayers – in practice, mainly different business sizes – to separate units within the tax administration. At a minimum, the tax returns, assessments and auditing of large businesses is undertaken in a special unit, typically labelled the Large Taxpayer Unit in the Anglophone countries. The ways in which African national tax administrations organise themselves around the segmentation principle vary widely. Some simply have two separate units: one for large taxpayers and one for the rest. The South African Revenue Services has six different units, including ones dealing with, respectively, embassies, tax-exempt organisations and tax practitioners.[16] The fundamental point behind segmentation is that different types of taxpayer require different treatment and tax collectors with different skills and abilities. Most important, the legal and auditing competencies needed to deal effectively with – and if necessary to challenge – tax returns from large (transnational) companies are very different from those needed to identify and collect taxes from, for example, small retailers or motorcycle taxis (Section 2).

In addition to these relatively tangible changes in organisational structure, senior African tax administrators have increasingly come to define their central goal in much the same terms as their colleagues in most of the rest of the world: the promotion of 'cooperative compliance'.[17] This is an encompassing term subject to varying interpretations. It is typically linked to broad values like trust, transparency and customer orientation, and contrasted with the older notion that the relationship between tax administrators and taxpayers is inherently adversarial (Vázquez-Caro and Bird 2011). Some of the more tangible bases of the doctrine are:

- Tax administrations should work hard at: (a) educating taxpayers about the tax system and (b) making it easy and low-cost for them to comply with their reporting, filing and payment obligations.[18]
- Tax administrations should then assume that most taxpayers will be adequately honest in their declarations.

[15] Even within the framework of SARAs, Customs remains organisationally distinct. This is almost unavoidable, because of the large – and generally growing – focus of Customs on non-revenue activities, notably trade facilitation and national security. Common management nevertheless facilitates cooperation between Customs and domestic tax units, the sharing of common services and, perhaps most important, the interfacing of their software systems such that data on taxpayers can easily be shared. Even where Customs and other tax collection units have not been placed under the same operational management, there has been some emphasis on improving coordination between them.

[16] For a summary of information on some African tax administrations, see (ATAF 2017: 79).

[17] See Crandall, Gavin, and Masters (2019: 77) for evidence on the extent to which tax administrations globally have adopted the narrative of cooperative compliance.

[18] In the case of Customs collection, the equivalent of self-assessment is what are generally known as 'preferred trader' arrangements. Importers and exporters who enjoy this status on the basis of a clean record use the electronic transfer of their documentation to give Customs authorities prior notice of specific shipments, to obtain advanced clearance and thus to obviate the delays – and threat of delays – embedded in the traditional system of physical verification of every cross-border consignment. Electronic tagging and sensing of goods will reinforce this trend. Within Africa at present, arrangements of this nature are still rudimentary and scarce (Geourjon, Laporte, Coundoul and Gadiaga 2013), but very much on the agenda of the East African Community.

- They should focus their auditing and enforcement activities on the taxpayers who are most likely to be non-compliant, by virtue of the business sectors in which they are involved or their individual compliance records.[19]
- Digital technologies make it easier (a) to undertake statistical risk analysis to identify categories of taxpayers most likely to be non-compliant (and in need of audit) and (b) to access 'third party data' (see above) to support audit.
- Disputes between taxpayers and tax administrations should be settled as quickly, cheaply and independently as possible, particularly though using independent tax tribunals, which are not controlled by the tax administration itself.
- Tax administrations, supported by legislators, should work harder at informing (high income and corporate) taxpayers in advance about what kinds of complex schemes intended to reduce tax bills will be considered acceptable and legal ('tax avoidance') and which will be considered illegal ('tax evasion').

Finally, as African tax administrations increasingly (a) replace Customs with VAT as a revenue source (b) assess tax liabilities through analysis of records and accounts rather than physical inspections (c) collect dues indirectly rather than directly (d) recruit specialist professionals rather than generalists with low level educational qualifications and (e) re-calibrate their attitudes from pure enforcement toward cooperative compliance, the historical male monopoly of jobs tends to diminish. In the national tax administrations of OECD countries, women now typically account for about 60% of the total workforce (OECD 2017: Table 7.11).[20] Globally, the proportion of women among the employees of the national tax administration is higher in countries with per capita income levels (Crandall et al. 2019: 110). We do not have comprehensive figures for Africa. The average proportion of female employees is probably around 25-30%, with considerable variation from country to country[21], and lower figures in countries where governments depend more on Customs revenues.[22] The proportion of female employees is, however, growing. This is probably, in part, due to broader changes in access to education, labour markets and gender relations. But it also reflects the changing character of tax administration jobs discussed above:

- A higher proportion of tax administration jobs are attractive to women because they are office- and city-based.
- The shift from face-to-face interactions with taxpayers, with the attendant risk of corruption and occasional threat of violence, increases the incentives for women to consider working in tax administrations and for tax administrations to hire them.
- The growing need for staff trained or experienced in a variety of specialisms – psychology, communication, human resources, IT, research, customer relations, as well as accounting and law – increases the incentives for management to broaden recruitment to include more women.

[19] They should also conduct genuinely random audits of a small proportion of taxpayers, in order to keep the others on their toes. Currently, audits and audit units are still sometimes used to squeeze taxpayers suspected of having the capacity to pay more or as a last minute means of helping the tax agency meets its revenue collection targets at the end of the financial year. Risk-based auditing involves targeting auditing resources on those taxpaying units that are identified, on the basis of statistical risk analysis that takes into account such factors as business type and individuals' records, as being especially likely to attempt significant levels of tax evasion. The immediate objective of risk-based auditing is not revenue collection itself, but preserving the integrity of the revenue system by deterring the most egregious tax evasion.

[20] As in most large organisations globally, women tend to be concentrated in the lower ranks and account for a small proportion of senior management.

[21] Few tax administrations make this information publicly available. The only central source of data is the study of 20 African national tax administrations reported in the *African Tax Outlook 2017* (ATAF 2017Figure 8.1). Those figures suggest that, on average, women accounted for 36% of employees in the national tax administrations of those 20 countries. That is certainly an over-estimate for Africa as a whole. The sample over-represents the kinds of countries that have a higher proportion of women among tax collectors: Anglophones and those located in East and Southern Africa and in the Indian Ocean (Mauritius and Seychelles). The proportion of women employees is generally lower in West Africa. It is less than 20% in Togo.

[22] *African Tax Outlook 2017* includes, for 19 African countries in 2015, information on (a) the percentage of total government tax revenue that comes from import duties and (b) the ratio of males to females in tax administration (ATAF 2017, 41 and 145). The two sets of figures are significantly correlated in a statistical sense. The greater the proportion of revenue that comes from import duties, the higher the proportion of males in the tax administration work force. In statistical terms, 38% of the variance in the staff gender ratio is 'explained' by variations in the importance of import duties.

It is highly likely that the proportion of women in African tax administrations will continue to increase, probably with beneficial effects on the quality of the service they provide.[23]

The overall trajectory of tax administration in sub-Saharan African is undoubtedly positive. It is however not quite as positive as is suggested in the many annual reports and conference presentations. They are rich in statements of commitment to the principles of cooperative compliance and summaries of organisational reforms underway and new IT systems being commissioned. It is almost inevitable that these self-reports should be over-optimistic. We now have data that not only confirm suspicions of over-optimism, but, more important, supports a more substantive concern about the purposes for which African tax administrations use digital technologies.

6 The TADAT Performance Numbers

The new TADAT system for scoring the quality of tax administration was introduced in Section 3. The assessment of each tax administration generates numerical scores from 1 to 7 (highest) for performance in relation to each of the 28 tax administration functions – *high level indicators* in TADAT parlance. As of March 2020, assessments had been completed for 28 national tax administrations in sub-Saharan Africa. As explained in Section 3, the overall average score for those 28 indicators in 28 African countries was 2.4 points (per indicator, per country), out of a possible maximum of 7. In this section, I focus on differences in the average scores for groups of these tax administration functions within these 28 African countries.

I classify the 28 *high level indicators* into three groups:

- *Electronic interface indicators*. This group comprises two indicators of the extent to which taxpayers file tax returns and pay their taxes electronically - *use of electronic filing facilities* and *use of electronic payment systems*. These indicators can be scored quantitatively.[24]
- *Hard performance indicators.* This group comprises five other indicators that (a) are scored principally or wholly on the basis of quantitative information on a small number of variables and (b) refer directly to observable tax administration outcomes. They are: *accurate and reliable taxpayer information*, *on-time filing rate*, *timeliness of (tax) payments*, *stock and flow of tax arrears* and *time taken to resolve (tax) disputes*.
- *Soft performance indicators.* The remaining 21 *high level indicators* refer more to the tax administration **processes** than to outcomes. They are scored (a) largely or entirely subjectively and/or (b) with reference to such a long list of more or less measurable operational indicators that a high degree of subjectivity seems almost unavoidable.[25] In

[23] Only one research study has ever been conducted on the relative performance of women and men in tax administrations in Africa (Mwondha, Kaidu Baraugahar, Nakku Mbiru, Kanaabi and Isingoma Nalukwago 2018). The study was conducted on the Uganda Revenue Authority, where women have accounted for almost 40% of employees for almost a decade. On the indicators available, women appeared to perform slightly better than men. Apart from fleet drivers, the only part of the organisation where women are consistently much under-represented is in Customs posts on remote borders. Women generally choose not to be posted there. Not coincidentally, male employees face disciplinary actions – mostly for corruption of some kind – at more than twice the rate of women.

[24] The extent to which any tax administration has the opportunity to receive high scores depends in part on factors that are well beyond its control, notably the reliability of the electricity supply.

[25] They include, for example, *knowledge of the potential taxpayer base* (P1-2), for which the operational indicator is 'The extent of initiatives to detect business and individuals who are required to register but fail to do so"(TADAT: 22), and *scope of initiatives to reduce taxpayer compliance costs* (P3-8), for which the operational indicator is simply 'The extent of initiatives to reduce taxpayer compliance costs' (TADAT: 53). By contrast, *adequacy of the tax administration's tax revenue accounting system* (P8-27) is assessed according to the following long list of operational indicators: "Does the tax administration have an automated accounting system that meets government accounting standards? Does the tax administration's accounting system interface with the Ministry of Finance revenue accounting system? How long, on average, does it take the tax administration to post a payment to a taxpayer's account? Do documented procedures exist to routinely and systematically review the taxpayer ledger (especially in respect of accounts of taxpayers that contribute the bulk of core tax revenue) to correct accounting errors and omissions? (Specifically: What account reconciliations are performed? How often is the suspense account reviewed? Is a report of credit balances produced periodically and reviewed?) For the core taxes, do taxpayers receive or have e-access to a monthly statement

scoring the *soft performance indicators*, TADAT assessors may be over-influenced by the claims made by tax administration managers about the efforts they have made and the initiatives they have taken (TADAT 2019).

For the 28 African countries, the average score for the *soft performance indicators* was 2.8, while the average score for the *hard performance indicators* was 1.6. This difference is consistent with the suggestion above that tax administration managers have a wider scope to 'talk up', without serious challenge, their organisations' performance in relation to the intangible *soft performance indicators.*

Two other comparisons seem more consequential. The average score for the *electronic interface indicators* was a relatively high 3.2 – compared to 2.4 for all indicators. This in itself was not remarkable. These kinds of highly visible customer-facing innovations are undoubtedly valued by taxpayers. They also provide useful public relations ammunition for heads of tax administrations and ministers of finance, most concretely because they help generate high scores for the nation in the World Bank's annual *Doing Business* report (https://www.doingbusiness.org/). Filing and paying taxes online seems very cutting-edge and modern. But is it any less modern to employ digital technologies internally within tax administrations to efficiently manage and account for the very large sums of money that flow through them daily? The evidence from TADAT suggest that less effort is put into improving performance in this function. For our 28 countries, the average score for P8-23 (*adequacy of the tax revenue accounting system*) – a *soft* indicator that is scored subjectively and thus vulnerable to 'talk up' – was only 1.6, compared to the more objective 3.2 for the *electronic interface indicators*.

In the next section I delve a little deeper into the question of how digital technologies are actually used in African tax administration.

7 The Use of Digital Technologies

Tax administration is a numbers game. For purposes of both internal management control and external reporting, tax administration, more than many complex public sector activities, can easily and usefully be condensed into summary statistics. It follows that tax administration is ripe for digitalisation (Bird and Zolt 2008). Digital technologies can greatly reduce operational costs, increase collection efficiency by making it possible to cross-check information in tax returns from a wide variety of sources, further reduce personal interaction between tax collectors and taxpayers and so further diminish the opportunities and incentives for corrupt collusion, provide management information much more cheaply and rapidly, and enable the use of advanced analytics so that the data that accrues in the course of normal operations can be employed to obtain insights into the effectiveness of the ways in which those operations are organised, and to test the effects of process reforms (OECD 2017: Chapter 8).

None of those messages are new to African tax administrations. As in most organisations in the world, discussions and plans for organisational change are increasingly dominated by the perceived possibilities of digital systems. Whereas the reforms of recent decades were initially largely driven by (external) ideas about the character of good tax administration and tended to focus on organisational architecture (Section 4), reforms are now increasingly shaped by

of tax liabilities and credit balances? Is the tax administration's accounting system audited to ensure that it aligns with the tax laws (e.g., to ensure that the system correctly calculates tax liabilities, penalties, and interest) and government accounting standards? If so, how often is the system audited? Who audits the system (e.g., internal audit; government auditor; both)?" (TADAT: 110-11).

more concrete issues around what functions to digitise, what new IT systems to purchase, how to integrate them with existing systems and how to re-design business processes.[26]

We do not yet have deep and comprehensive evidence into how tax administrations in sub-Saharan Africa are employing digital technologies. However, in addition to the TADAT data used in the previous section, there are pieces of concrete evidence that collectively suggest that digital technologies are not being put to best use, particularly from the perspective of managerial and governance oversight of tax administrations. This section summarises some of that evidence.

7.1 The cost of tax collection

The cost of tax collection, presented as a percentage of total collections, is a crude but nevertheless very valuable measure of the performance of a tax administration.[27] It is easily benchmarked against other countries. It can be deployed as a source of continuous pressure to reduce costs and improve operational efficiency. It would be especially useful in much of Africa to highlight the real costs of the use of relatively well paid central government tax staff to collect revenue from very small taxpayers (Section 2).

In the OECD, the average cost of tax collection is 1% (OECD 2015: 181). We would expect the figure to be higher in sub-Saharan Africa.[28] One might reasonably expect that organisations whose principal functions are to collect and transmit money would deploy digitalisation to determine the total costs of their operations and to allocate them between capital and recurrent costs. Some African tax administrations do indeed routinely publish some of this information.[29] But most do not. And attempts to assemble sets of comparable figures are generally disappointing.[30]

7.2 Country case: Malawi

In the course of recent research, Waziona Ligomeka had an unusual degree of access to the functioning of the Malawi Revenue Authority (2019). He found that five different IT systems were in use within the organisation. None of them interfaced with any other. One of them had been officially withdrawn and was being used informally. Two had been first introduced three decades ago in 1989: one for generating Tax Identification Numbers (TINs) and recording payments of CIT, Personal Income Tax (PIT), and Withholding Tax; the other for recording VAT returns. Two different systems were still being used to issue TINs. Different IT systems were controlled by different units within the Revenue Authority and it was not always possible for a staff member in one unit to get access to a system controlled by another unit. In addition, information on the 2% of registered taxpayers managed by the Large Taxpayer Unit (LTU),

[26] This parallels a shift in the UK and some other high income countries whose public sector reforms in recent decades have been heavily shaped by the New Public Management doctrine. Reforms are now shaped less by these abstract ideas and more by the possibilities offered by information technology (Dunleavy, Margetts, Bastow and Tinkler 2006).

[27] Crandall and colleagues (2019: 34-35) provide a useful summary of some of the practical issues around defining and measuring collection costs.

[28] The ratio of the number of 'active core taxpayers' to the number of people employed by tax administrations is generally much lower in low income countries (Crandall et al. 2019: 106).

[29] For example, the Uganda Revenue Authority, which is in some respects one of the most transparent tax authorities in sub-Saharan Africa, gives a figure for the cost of collection in its annual report. It is however a single figure – 2.05% of collections in 2017/18 (Uganda Revenue Authority 2019: 23) – that is not disaggregated in any way. The Rwanda Revenue Authority, which is exemplary in this as in many other respects, publishes a more detailed breakdown of costs (Rwanda Revenue Authority 2019: 76).

[30] The most extensive set of figures available are those reported to the *African Tax Outlook* by 20 African tax administrations for the year 2017 (ATAF 2019: 128-132). They do not appear to be very reliable. In several countries, capital investments were reported as zero or near zero (Ibid: 131). More significantly, in five cases annual operating costs were implausibly low – less than 0.5% of revenue collections (Ibid: 132). Senegal simultaneously reported that its operating costs were only about 0.1% of collections, and capital investments accounted for three quarters of its total costs (Ibid: 131-2). Part of the problem is that tax authorities that remain within ministries of finance seem to face particular problems in accessing data on their operational costs (p130). The average reported cost of collection (operational and capital costs) was about 2.3%. This is likely a considerable underestimate.

which accounted for about 70% of total revenue collections, was stored and managed only on Excel files controlled by the LTU staff. Among other things, this situation meant that: (a) it was difficult for staff to do what should be routine cross-checks of, for example, the VAT and the CIT records for any company; (b) it would be easy for the same taxpayer to be registered under two or more TINs, to reduce tax liabilities; and (c) it was not easy to check on actual tax payments or on the flow of funds within the organisation.[31]

7.3 Country case: Sierra Leone

The Sierra Leone Revenue Authority has recently been undertaking a thorough review of its data management processes. The early findings are broadly similar to those reported above for Malawi.[32] They include:

- The simultaneous use of four different, non-interfacing software systems, including one donated by the British aid programme for tracking VAT when it was introduced in 2010. That remains only a trial version, without full functionality.
- The widespread belief, with supporting evidence, that frontline tax collectors frequently maintain their own records on Excel spreadsheets and upload only some of that data onto the official IT systems.[33]
- Lack of integration of the Revenue Authority software with that of the banks, who actually collect taxes. Reports from the banks on taxes collected are not always consistent in structure and sometimes miss data.
- Widespread use in VAT returns of taxpayer identification numbers that were different from the standard and statutory Taxpayer Identification Number (TIN).

7.4 Country case: Rwanda

The Rwanda Revenue Authority (RRA) is generally believed to be one of the best in Africa. It is remarkable, in particular, for its enthusiastic embrace of digitalisation and for continually upgrading its IT systems. Unlike most African tax authorities, it is subject to regular, published scrutiny from the Auditor General of State Finances. Indeed, this helps to explain its high its high level of performance.[34] While far from damning, the Auditor General's reports regularly comment on a range of basic operational failings of the kind that should be rare in a well-run, IT rich organisation. They include erroneous or absent data on tax arrears, improperly maintained cashbooks, poor record keeping, inability to reconcile revenue collection records with the organisations' bank accounts and failure to conduct compliance follow-up studies of cases flagged as risky by its Risk Management and Modernization Department (Chemouni 2020, forthcoming).

7.5 The inaccuracy of taxpayer registers

One of the basic uses of IT in tax administration is to facilitate the maintenance of an accurate and comprehensive register of actual and potential taxpayers. IT makes it easy for both taxpayers and tax administration staff to verify and amend registration details. A useful register should at a minimum contain details of the person or business concerned, a unique TIN and contact details. It should be regularly updated. The register is the basis on which all other tax collection functions can be undertaken effectively. Without an accurate register, basic verification, reconciliation and reporting procedures become difficult or impossible. The formal

[31] At the point at which this was published, the Malawi Revenue Authority was planning to replace these different data management systems with the standard Integrated Tax Administration System (ITAS) (Ligomeka 2019: 17).
[32] The information here is from a draft report by Graeme Stewart-Wilson kindly released by Philip Kargbo, Director of Research at the Sierra Leone Revenue Authority and shared with me by Giovanni Occhiali.
[33] This behaviour could be viewed as suspicious. Equally, it could represent sincere efforts by staff to do their jobs effectively and maintain useable records where the official IT systems are unreliable.
[34] For more analysis on the place of the Rwanda Revenue Authority within the Rwandan state, see Chemouni (2020, forthcoming).

and legal relationship that the taxpayer should have with the tax administration may then shrivel to a personal, discretionary relationship to an individual tax collector.

Yet, in contrast to the relative enthusiasm of African tax administrations for establishing online filing and online payments systems (Section 6), the maintenance of accurate taxpayer registers does not seem to receive priority. The TADAT assessments suggest this for the region as a whole. As explained in Section 6, the average TADAT score for 28 key indicators for 28 tax administrations in sub-Saharan Africa is 2.4 points (out of a maximum of 7). However, the average score for the key indicator P1-I (*accurate and reliable taxpayer information*) is only 1.6. Only four other TADAT key indicators received a lower average score. We have more detailed information from a study that the Uganda Revenue Authority itself recently conducted on the integrity of its own taxpayer register (Mayega, Ssuma, Mubajje, Nalukwago and Muwonge 2019). The researchers reported that inadequate controls on the online registration process had permitted inaccuracies and allowed duplicate information to remain undetected. They identified a large number of taxpayers who possessed more than one TIN and found that tax agents (intermediaries, advisers) sometimes play a major role in the registration process. The agents often register their own contact details as if they are themselves the taxpayer, in order to control future communications between the tax administration and taxpayers. 'We found that 16,017 individual taxpayers had recorded the same National Identification Number; 6,173 had the same passport number; 3360 shared a single email address, and 1,742 had given the same phone number' (Mayega et al. 2019: 12).

Uganda is not a typical case. The loose controls over registration reflect a major concerted effort by a range of government agencies in recent years to simply increase in the number of registered taxpayers.[35] The results were quite spectacular. Over the period 2009-10 and 2017, the number of registered taxpayers grew from less than 20,000 to 1.3 million, i.e. by a factor of 70. (Mayega et al. 2019: 9). Of course, the number of people and businesses paying tax had changed by nothing like this amount. At the time that the research was done, more than half the registered taxpayers had not communicated or engaged with the Uganda Revenue Authority for at least 2 years – and far fewer had actually paid any tax (Mayega et al. 2019: 13). In other words, the Authority had on its files a very large number of *inactive taxpayers*. In this, Uganda is not unusual. Recent research tells us that the phenomenon of *inactive taxpayers* is very common in sub-Saharan Africa. I explore that issue in more detail in Section 8 before coming in Section 9 to the underlying question: Why are tax administrations apparently obsessed with registering taxpayers when they know that most are likely to be inactive?

8 Inactive Taxpayers

Conceptually, an *inactive taxpayer* is taxable entity – an individual or a business – that is registered with the tax authority for one or more taxes but is not 'actively engaged' in the processes that lead to tax payment. To understand better the various possible operational definitions of 'inactive taxpayer', we need to look more closely at tax administration processes, and interrogate this rather ambiguous word 'taxpayer'. Let us examine what it might mean in relation to the collection of the three main revenue sources of most governments in the world, including sub-Saharan Africa: VAT, CIT and PIT. In order to collect revenue from any of these three taxes, a tax administration needs to take potentially taxable entities through the following basic (simplified) stages:

[35] Most of this expansion resulted from the Taxpayer Registration Expansion Program, that was targeted at the informal sector. It was a joint operation between the Uganda Revenue Authority, the Uganda Registration Services Bureau, the Kampala Capital City Authority and other sub-national governments, such that registration with any one agency resulted in automatic registration with the others. Large numbers of government staff were employed to make physical checks on for potential business enterprises on a locality basis.

- First, they need to be *registered*. If they remain *unregistered*, they should have no substantive dealings with the tax man.
- Once *registered* they are normally required to *file*, i.e. to submit annual (or quarterly etc.) tax returns with information on their income, turnover, costs and profits. Alternatively, and especially in cases where PIT is deducted from salary by the employer and paid directly to the tax administration, the *filing* of the relevant information is effectively done by a third party.
- If they fail to submit tax returns they are labelled *non-filers*.
- Alternatively, although they *file*, their returns may indicate either no economic activity (no income, no profit) or such a small amount of activity that they fall below the threshold of tax liability. They are then labelled *nil-filers*.[36]
- They may file and receive an assessment, but fail to pay – *non-payers*.
- Only if they file and pay what is due do they become *taxpayers* in the strictest sense of the term.

There is then no unique operational definition of the word *taxpayer*. The same is true of *inactive taxpayer*. The term is normally applied to taxable entities who are *registered* for tax, but either *non-filers, nil-filers* or *non-payers* – or sometimes just *non-filers* and *nil-filers*. But for how many consecutive years should a registered taxpayer 'fail' in one or more of these ways before they are labelled as *inactive*? There is no obvious answer to that question. The definitions of *inactive taxpayers* that are in use are diverse and not always explicit.

Our ultimate concern here is not with definitions, but with the evidence that, using any reasonable definition of *inactive taxpayers*, there seem to be a very large number of them in sub-Saharan Africa.

- More than half of Uganda's registered taxpayers were recently classified as inactive (see Section 7, and Table 8.1).
- The Malawi Revenue Authority defines as inactive those taxpayers who are registered but have filed no tax return and/or made no tax payment over a three year period. In the 2015-6 fiscal year, almost 50% of taxpayers were inactive (Ligomeka 2019: 14).
- In their submission to the International Survey on Revenue Administration (ISORA) for 2016, the Nigerian federal revenue authorities declared the following proportions of inactive taxpayers: 98% for PIT, 94% for CIT and 95% for VAT. Note that these figures were produced after 'successful initiatives' to register new taxpayers, which led to 530,000 new corporate registrations in the first quarter of 2016 – a 67% increase. The source correctly notes that one would not expect these newly registered taxpayers yet to be paying much revenue. If we ignore all these newly registered corporates, we would then find, for CIT, that the proportion of inactive taxpayers was 88%, rather than the figure of 94% quoted above. In other words, the big push to register more CIT taxpayers took place when the CIT register was already full of *inactives* (IMF 2018)
- Mascagni and Mengistu (2016) examined all annual CIT returns filed with Ethiopian Revenue Collection Authority over a seven year period (2006/7-2013/4). For about a third of observations, firms reported some economic activity, but costs that exceeded revenues, and therefore losses that exempted them from CIT liabilities. A further 23% of returns were from what I term *pure nil-filers*: firms that reported zero economic activity for every year in which they filed.[37]
- The only known attempts to carefully measure and explain the incidence of inactive taxpayers in sub-Saharan Africa have been made recently in eSwatini and Rwanda.

[36] In principle, we might distinguish between two categories: *pure nil-filers*, who simply report no economic activity, and *other nil-filers*, who do report some economic activity, but either losses or insufficient profits to have any tax liabilities. Separating the two categories on the basis of company filings with the tax administration can be challenging.
[37] The researchers had no information on the proportion of registered firms that did not file returns (*non-filers*.)

Depending on the specific tax, the year, and whether or not the taxpayers are newly registered, the research generates estimates of *inactives* ranging from 60-80% of registered taxpayers (last two columns of Table 8.1).[38] In the Rwanda case, as with the Uganda and Nigeria cases cited above, there had been a recent 'successful' drive to register new taxpayers.

Table 8.1 Non-filers and nil-filers, eSwatini, Rwanda and Uganda

	Non-filers as a % of registered taxpayers		**Nil-filers as a % of filing taxpayers**		**Non-filers + nil-filers as a % of registered taxpayers**	
	CIT	PIT	CIT	PIT	CIT	PIT
Rwanda (all registered taxpayers) FY 2013-8	-	-	53	19	-	-
Rwanda (all registered taxpayers) FY 2018	48	75	-	-	-	-
Rwanda (newly registered taxpayers) FY 2015	43	64	60	16	77	70
eSwatini (all registered taxpayers) FY 2013-8	43	57	30	26	60	68
eSwatini (newly registered taxpayers) FY 2013-8	44	46	46	29	70	62
Uganda (all registered taxpayers) FY 2014-8	44	86	53	27	74	90
Note 1. Two-thirds of CIT payers in eSwatini and Rwanda who filed 'nil' at least once over the period 2013-8 actually filed 'nil' over the whole period. In eSwatini only, about half of combined CIT and PIT non-filers are actually non-filing over the whole period. 2. In Rwanda, just 5% of combined CIT and PIT taxpayers who failed to file in 2015 filed a return in 2016. And 2.5% of those who failed to file in 2016 filed in 2017.						
Source: These figures were kindly provided by Fabrizio Santoro. The results for eSwatini and Rwanda come from research that he and ICTD colleagues undertook jointly with staff from the Rwanda and eSwatini Revenue Authorities. Ronald Waiswa kindly provided the data for Uganda. I am grateful for permission to use these data. See (Mascagni, Santoro, Mukama, Karangwa and Hazimana 2020; Santoro and Mdluli 2019).						

Inactive taxpayers are not just making occasional appearances on taxpayer registers in sub-Saharan Africa. The phenomenon is clearly widespread, and perhaps even the rule. It seems quite possible that, within the region, most 'taxpayers' registered at national level are not paying taxes at all.[39] The extent to which this undermines the efficiency of tax administration is unclear. The cramming of digital information systems with redundant and inaccurate data surely makes them less effective in terms of day to day operations. Perhaps more importantly, the potential to use them as management information tools is severely diminished.

The case for not having so many inactive taxpayers on registers seems clear. Why are they there?

9 Why So Many Inactive Taxpayers?[40]

[38] Note those figures do not include *non-payers*, who are typically very few in number.

[39] The main potential sources of information on the incidence of inactive taxpayers in Africa do not help. The International Survey on Revenue Administration has not been very successful in attempts to collect accurate data on the ratio of active taxpayers to registered taxpayers (Crandall et al. 2019: 63-4). The statistics on active taxpayers (as a % of registered taxpayers) for 22 African countries in Table 5.3 of the *African Tax Outlook 2019* are seriously misleading (ATAF 2019). Overall, the table indicates that, for VAT, CIT and PIT, active taxpayers represented 76%, 62% and 69% of registered taxpayers respectively. But several countries, including Rwanda (see Table 8.1 in main text) reported figures of 100% for each of the three taxes. The eSwatini figures were close to 100%. In total, 53% of entries to the table were for 90% or above. The experience of the researchers who did the work reported in Table 8.1 suggests that a major reason is probably that many tax administrations do not know the true figures and cannot easily determine them because of the poor state of their tax registers and other records.

[40] The prevalence of *inactive taxpayers* is not just an African phenomenon. In the financial year 2017/18, only 32% of registered Pakistani income taxpayers filed a tax return and only 23% both filed and actually paid income tax. The equivalent figures for VAT registrants were 64% and 20% (World Bank 2019: 8). On the basis of her research in India, Dr Tejaswi Velayudhan reports that about 45% of registered VAT taxpayers file returns that imply zero tax liabilities (private communication, 21 July 2020).

To answer this question adequately, we need more research. We also need to bear in mind that *non-filers* and *nil-filers* may be inactive for different reasons. On the basis of available information, I suggest that there are three broad categories of explanation. I label them *technical, organisational sociology, and political.*

9.1 Technical explanations

There will always be a few legitimate *nil-filing* inactive taxpayers, i.e. business owners who happen to be making losses or tiny profits in any tax period, especially at start-up, but intend to continue in business and become profitable. It is likely, in the cases discussed above, that these legitimate nil-filers account for only a small fraction of all nil-filers – and an even smaller proportion of all inactive taxpayers. Few enterprises will continue to operate if making continuous losses. These legitimate nil-filers are likely greatly outnumbered by people and businesses who are on the taxpayer register for bureaucratic or procedural reasons unconnected with revenue raising. Tax administrations habitually seek to persuade other government agencies not to grant access to valued services – like passports, government contracts, business licences, vehicle or real estate registrations, access to foreign exchange and driving licences – to citizens or businesses who cannot produce a TIN or a tax clearance certificate from the tax administration.[41] People and businesses register as taxpayers because that helps them achieve some other goal. In addition, companies that are formally bankrupt may be remain on registers and in some countries a few businesses are registered purely for the purpose of selling fake VAT documentation to other businesses.[42]

9.2 Organisational sociology explanations

The most thorough investigation to date of the reasons for the prevalence of *nil-filing* was undertaken recently at the Rwanda Revenue Authority (Mascagni et al. 2020). Using the Rwanda tax administration data and experimental nudges, the researchers attempted to understand the reasons for high levels of nil-filing in respect of corporate and personal income tax revealed in Table 8.1. One of the more specific findings was that the process of de-registering a business was so cumbersome that it was often easier for taxpayers simply to continue to file nil returns year after year.[43] More generally, while they partially succeeded in identifying statistically-valid explanations for nil-filing, the researchers also discovered high levels of 'taxpayer confusion, due to unclear administrative practices, which are sometimes inconsistent with the law, complex procedures, and generally low taxpayer knowledge of how the system works. As a result, taxpayers adopt pragmatic strategies to cope with the tax system that allow them to reduce compliance costs, while reducing the probability of being caught evading – or, in the case or taxpayers below the exempt threshold, without evading at all' (Mascagni et al. 2020: 26). The overall conclusion is that nil-filing is not principally a tax evasion device, but instead 'lies at the interaction between aggressive recruitment campaigns by the RRA (Rwanda Revenue Authority) and taxpayer's response to a complex and often confusing tax system' (Mascagni et al. 2020: 1). In some cases, at least, there seems to be an understanding that, if taxpayers *nil-file*, tax collection staff will not pursue them in the way they would for *non-filing*. Indeed, in eSwatini, the tax regulations encourage *nil-filing*; it is a way of avoiding scrutiny and escaping penalties for late filing (Santoro and Mdluli 2019: 20).[44]

In sum, the nil-filing dimension of inactive taxpaying is to some extent a by-product of tactics used, individually and interactively, by both tax collectors and taxpayers to navigate around

[41] Beach (2018: 287-91) provides useful insights into these issues. In a private communication (27 June 2019), Fabrizio Santoro explained that, in eSwatini, taxpayers that ask for a tax clearance certificate are then required to clear all their past filing requirements. Tax officials encourage them to file nil so that the procedural requirements for issuing the certificate are met.
[42] I am grateful to Roel Dom for these points.
[43] In many countries, business de-registration requires the approval of both the business registration agency and the tax administration.
[44] The reasons for these arrangements are unclear. We cannot dismiss the possibility that field level tax collection staff are complicit: they encourage *nil-filing*, ensure that the returns will not be scrutinised or audited and gather some small reward.

the legal and formal procedural complexities surrounding revenue collection – sometimes to cheat, but sometimes just to make the system manageable.

9.3 Political explanations

Collectively, these technical and organisational sociology explanations can only begin to account for the very large numbers of inactive taxpayers on the books of some contemporary African tax administrations. There is an obvious more important factor, mentioned several times above, and taken to absurd lengths in Uganda: deliberate drives to register more taxpayers, with little apparent concern about the effectiveness in terms of revenue collection. But what lies behind this registration obsession?

10 The Registration Obsession and the Ambiguous 'Informal Sector'

Here are three possible explanations for the registration obsession:[45]

- First, government and tax administration leaders might genuinely believe that registering more taxpayers will reduce tax evasion and help raise more revenue. However, senior tax administrators in particular know that this is very unlikely to be true. Aggressive expansion of tax registration numbers is highly likely to result in the registration mainly of small scale enterprises that will in practice pay little or no tax. To the extent that it results in additional new actual taxpayers, the costs of collection are likely be high relative to the additional revenue collected (Section 2). Mass registration is not an efficient way of detecting tax evasion or avoidance on a significant scale. That would require more targeting and greater use of intelligence, in the broad sense of the term, including assessment of where the uncollected potential revenues are actually located (see below). And the experienced staff of tax administrations have a lot of relevant information, both formal and informal, about those uncollected potential revenues. They know that rich Africans generally are grossly under-taxed (Kangave, Nakoto, Waiswa and Zzimbe 2016; Kangave, Nakoto, Waiswa, Nalukwago and Zzimbe 2018; Kangave, Byrne and Karangwa 2020), that digital technologies are rarely devoted to collating the wide range of data, including 'third party' data, that would allow their incomes and wealth to be taxed more effectively (Section 7), that African governments typically forego revenue on a large scale by giving many more tax breaks to investors than could be justified by the amount of investment they actually attract (Akitoby, Hondo, Miyamoto, Primus and Sy 2019; Geourjon and Rota-Graziosi 2014; James 2010; Kinda 2014; Madies and Dethier 2010; Therkildsen and Bak 2018). Further, the routine functioning and management of most tax administrations in sub-Saharan Africa is strongly focused around achieving revenue collection targets. Their managers will tend to lack enthusiasm for an activity like registering unproductive taxpayers that seems diversionary.
- Second, heads of governments and tax administrations, like leaders of almost all public organisations in contemporary states, are under constant pressure to be seen to be solving

[45] I acknowledge a further possible explanation, embodied in the following comment by Vanessa van den Boogaard on an earlier version of this paper: 'I believe this is related […] to donors' distaste for/ discomfort with informality, i.e. the longstanding association of informality with chaos/disorder, contrasting with Weberian ideal type institutional images. Within donor policy documents, the common narrative often centres on the need to rationalize that which is viewed as irrational — whether or not it is, in fact, rational to do so from a revenue perspective/ cost benefit analysis. It should be noted that the epistemic community of tax experts, including African policymakers, largely embraces such a perspective, even if individual policymakers may have better understandings of the realities on the ground. While the pressure may in part be coming from international actors, it may also be seen as a pressure to conform with institutional ideals and norms that are widely accepted/ embedded within globalized networks'.

problems, or at least making a convincing effort to do so (Brunsson 1989). Since registering additional taxpayers is relatively cheap, this could be understood as an easy way to appear to be doing something constructive. Field level tax collectors can report success in increasing registrations to their superiors. Tax administration leaders can report to their ministers. Ministers can report to international organisations and aid donors. This may constitute a small part of the overall explanation. It more plausibly explains the attitudes and behaviour of politicians and government leaders than of senior tax administrators.

- Third, external agencies play some part. The IMF, the World Bank and other international organisations continually advise African governments to 'broaden the tax base'. This is intended in part to be a diplomatic way of saying 'stop giving unjustified tax exemptions and ensure that those who can make a substantial contribution actually do so.' But the messaging is oblique. The recipients are likely to take the words at face value: 'get lots more people to pay tax, and start by getting them onto the tax register'. This is all the more likely because some external agencies use increases in the number of registered taxpayers as performance indicators for the revenue development projects that they fund, in sub-Saharan Africa and elsewhere. A tax administrator with decades of experience in Africa recently told me, in a private communication (21 August 2020): 'Donors are forever looking to make increases in the numbers of registered taxpayers into performance indicators and we always have to keep telling them that it is a meaningless statistic as there is no point in foisting on the tax administration thousands of small taxpayers who cost more to administer than the revenue they bring in'. [46]

But we have no reason to believe that aid donors are more enthusiastic than recipient governments and tax administrations in setting these registration targets. Some tax administrations anyway have their own ambitious targets for new taxpayer registrations. More generally, these three explanations listed above do not seem sufficiently powerful to generate the *registration obsession*. I believe that much of the underlying drive derives from a strong synergy between the *registration obsession* and a narrative about taxation in sub-Saharan Africa that is widely believed and reproduced by African elites because it provides them (a) an alibi for not raising more tax revenue and (b) an interpretation of the revenue problem that diverts attention from their own failures to pay reasonable amounts of tax. The linchpin of that narrative is the phrase *informal sector.*

Like most or all of the taxpayer registration crusades mentioned above, the Uganda campaign was explicitly justified as a means of taxing the allegedly-untaxed *informal sector*. What is the *informal sector*? There are dozens of definitions.[47] Long papers discussing the issue are still being written. Seeking the 'real' meaning of the term would be a wild goose chase. It is more useful to focus on the purposes it is made to serve it. In this context, the power of the phrase lies in part in its ambiguity: it can be used to signal that the revenue problem lies in the failure to collect tax from poorer people, without incurring the political risk that would arise from saying

[46] Thanks principally to the help provided by Farooq Chata, Roel Dom, Odd-Helge Fjeldstad and Eileen Rafferty, I have documentary evidence of the use of increases in the number of registered taxpayers as performance indicators for revenue development projects, both completed and current, funded in sub-Saharan Africa and Pakistan by Norway, Sweden, the UK and the World Bank. Without more detailed contextual knowledge of each project, it is impossible to determine the motivation for the use of these indicators or how seriously they have been taken in practice. There is however evidence of the over-enthusiastic use of figures on registrations as indicators of project success. For example, in the Department for International Development (DFID) Tax Modernisation Programme in Tanzania (2008-13), the target for increasing the number of registered taxpayers was 100% over the 2008 level. The increase achieved was 400%. The Project Completion Report gives no figures on changes in the number of active taxpayers – https://devtracker.dfid.gov.uk/projects/GB-1-105369/documents. Conversely, donors are not consistently naïve on this issue. Some focus on more sensible targets, such as the proportion of registered taxpayers who actually file returns and/or pay.

[47] The Wikipedia entry on the term *informal sector* illustrates the contortions and contradictions rather well. It attributes the origin of the term to the economist Arthur Lewis, who used it to refer to any employment or livelihood generation 'outside of the modern industrial sector'. It identifies it as a development from the notion of 'traditional economy', refers to a range of other definitions, notes the suggestion that 'informal sector' and 'informal economy' should be distinguished from one another, and lists 'small scale' among a number of defining characteristics (https://en.wikipedia.org/wiki/Informal_economy). The publications that show up in a Google Scholar search for the term *informal sector* dominantly focus on small-scale economic activities.

that explicitly. Further, the adoption of a term that is rarely applied to rich countries can signal that there is something about the history of countries that are afflicted with an *informal sector* that makes it particularly difficult for their governments to raise revenue.[48]

How would a tax authority normally be expected to approach the problem that underlies this discussion: the difference between estimated collectable revenues and those actually collected (the *tax gap*)? There are three main steps:

- Produce a broad estimate of the size and characteristics of the *shadow economy*, i.e. those parts of the economy that are not officially recorded and therefore the main sources of the tax gap.
- Decide what organisational resources are worth devoting to attempts to reduce the tax gap and broadly where and how they should be deployed.
- Within any economic sector or domain of economic activity where a significant tax gap seems likely, focus on finding the larger economic operators. These are the people and businesses who are potentially significant taxpayers themselves and whose conversion to tax compliance can increase the tax compliance of smaller operators. Information on non-compliant small operators is useful mainly to the extent that it can help identify the big operators. It is, for example, the financiers and masterminds behind unrecorded large scale gambling that need to be identified and subjected to a compliance process, not the people who collect and carry cash accumulated from large numbers of small bets. Simply registering large numbers of small scale operators may do nothing for compliance or revenue collection unless the information is used to track down large scale operators and sizeable economic transaction.

These procedures are standard regardless of whether a country is rich or poor. The term *shadow economy* is conceptually unambiguous. It refers simply to economic activity that is officially unrecorded. That could be the smuggling activities of large cigarette manufacturing companies or large volume lending by unregistered bankers, as well as to the humble earnings of house painters who work purely for cash. It does not have the implications of small scale enterprise that are indelibly associated with the *informal sector*.

By their very nature, these claims that the informal sector narrative serves diversionary purposes and actually influences tax policy are very hard to prove. My understanding has been shaped by listening to conversations about taxation within government, elite and middle class circles.[49] An additional piece of evidence is that African tax administrations are much more likely to operate special programmes to deal with the perceived problem of the under-taxation of the 'informal sector' than to tackle the problem of the under-taxed rich. Of the 26 tax administrations surveyed for the *2108 African Tax Outlook*, 15 had one or more 'special programs or initiatives to deal with the informal sector', while only 4 had 'special sections for High Net Worth Individuals (HNWIs)' (ATAF 2018, 107).

Finally, if my interpretation here is wrong, how do we then explain the registration obsession? It appears very much like the proverbial smoking gun.

11 Policy Implications

[48] The statistics tell us that the opposite is true: governments of low income countries today raise a higher proportion of GDP in public revenue than did now-rich countries when their incomes were at similar levels (Long and Miller 2017).
[49] The people concerned do seem, genuinely if often mistakenly, to believe that poorer people pay little or no tax. Poor Africans bear much of the burden of taxes like VAT and import duties, as well as large informal levies of many kinds (Moore, Prichard, and Fjeldstad 2018: Chapter 7).

This paper has covered a range of inter-connected issues relating to tax administration in sub-Saharan Africa, with a focus on two topics where there is need and scope for considerable improvement.

The first area is the use of information technology. The central problem seems clear: the IT that is installed is under-used or poorly used in various ways, in a context in which the potential advantages of using IT are very high, especially now that Covid-19 has rendered problematic face-to-face interactions over tax collection. The causes of the problem are less clear. There are at least five benign explanations: (a) all public sector IT projects tend to disappoint; (b) the people who run tax administrations tend to be lawyers, accountants or managers who don't understand IT; (c) it is hard for tax administrations to pay the salaries needed to recruit and retain skilled IT professionals; (d) there is a 'normal' level of staff resistance to being asked to work very differently; and (e) too many IT decisions are made under the influence of offers by aid donors to pay some or all of the costs –often at the cost of using their preferred suppliers, or accepting their definitions of what is needed. Two other explanations are less benign. One is that IT procurement decisions are made corruptly. The other is that tax administration staff at different levels actively oppose the transparency and accountability that generally result from the existence of integrated, well-functioning IT systems. They prefer to manage 'their' taxpayers on a discretionary, individual basis. It is likely that most or all of these explanations are valid to some extent. Only people closely involved can produce more accurate and case-specific diagnoses and determine how best to solve the problem. Insofar as there is a general policy lesson, it applies particularly to aid donors: do not assume that financing additional IT capacity in tax administrations in itself will be productive and worthwhile.

The second topic – the taxation of small business – covers more territory. There are three main policy dimensions. The first and most important is the need for more specialisation of organisational structures and processes around relating to different categories of taxpayers – in effect, an extension of the principle of segmentation (Section 5). On the one side, this implies using more intellectually skilled, more qualified and higher paid staff to close the major revenue gaps arising from the inadequate taxation of high incomes, wealth, and many transnational economic transactions. On the other side, there is a case for radical reconsideration of how small businesses are taxed and by whom. To what extent does it make economic sense for relatively high cost central tax administrations to be responsible for taxing small business? To the extent that central tax administrations continue to be responsible, should they create distinct cadres of staff, with 'street-smart' rather than intellectual skills, and salaries to match? Should income taxes on small business not be integrated with the annual business licences that businesses are often obliged to purchase separately from another government agency? Is it desirable in the long term that so much government revenue should be collected by central government agencies, leaving sub-national governments weak and ineffective from a fiscal perspective? Would it not be a good first step to devolve more responsibility for taxing small business to metropolitan authorities in the fast-growing big cities? Again, the answers to these questions will vary very much from place to place, and cannot be determined externally.[50]

The second policy dimension is in principle much more straightforward: African tax administrations should renounce the *registration obsession*, i.e. stop trying to register large numbers of businesses that they cannot in practice manage and turn into actual taxpayers. The existence of large numbers of *inactive taxpayers* wastes resources on both sides and contributes to undermining tax morale.

[50] It is worth re-emphasising that most countries in sub-Saharan Africa are relatively highly centralised when it comes to revenue raising. The solution is unlikely to be to suddenly give a great deal of taxing authority to sub-national governments, that currently often tax rather badly (Moore et al. 2018: Chapter 7). There is a very wide range of possible arrangements for cooperation between central and sub-national governments in revenue collection (Bird 2019).

However, if my analysis is correct, the *registration obsession* is, in practice, entangled with the third main dimension of the issue of small business taxation: the popularity of the term *informal sector* in the context of a broader narrative that locates the cause of revenue deficiencies in the failure of 'smaller' and poorer people to pay tax – while the most significant tax delinquents populate the other end of the income scale. This is a very political issue on which outsiders have little to contribute. The IMF, the World Bank and other external agencies could help a little by ceasing to encourage taxpayer registration for its own sake, desisting from using the term 'broadening the tax net', and being clear what they really mean: stop giving large scale, unjustified tax exemptions to investors. The bigger battles about how we should understand taxation will have to be fought within Africa.

References

Aiko, R., and Logan, C. (2014) *Africa's Willing Taxpayers Thwarted by Opaque Tax Systems*, *Corruption*, Afrobarometer Policy Paper 7, Accra, Ghana: Afrobarometer

Akitoby, B., Hondo, J., Miyamoto, H., Primus, K. and Sy, M. (2019) *Case Studies in Tax Revenue Mobilization in Low-Income Countries*, IMF Working Paper 19/104, Washington D.C.: International Monetary Fund

ATAF (2017) *African Tax Outlook*, Pretoria: African Tax Administration Forum

ATAF (2018) *African Tax Outlook*, Pretoria: African Tax Administration Forum

ATAF (2019) *African Tax Outlook*, Pretoria: African Tax Administration Forum

Awashti, R. and Bayraktar, N. (2014) *Can Tax Simplification Help Lower Tax Corruption?*, Policy Research Working Papers 6988*,* Washington DC: World Bank

Beach, Rachel (2018) 'The Hunt for Revenues in a Poor State.' PhD, Aarhus, Department of Political Science

Bird, R. M. and Zolt, E. M. (2008) 'Technology and Taxation in Developing Countries: From Hand to Mouse.' *National Tax Journal* 61.4: 791-821

Bird, R.M. (2019) 'Fiscal Decentralisation and Decentralising Tax Administration: Different Questions, Different Answers.' in A. Valdescalici and F. Palermo (eds) *Comparing Fiscal Federalism*, Leiden: Brill

Brunsson, N. (1989) *The Organization of Hypocrisy, Talk, Decisions and Actions in Organizations*. New York: Wiley

Cantens, T. (2012) 'Is it Possible to Reform a Customs Administration? The Role of the Customs Elite on the Reform Process in Cameroon.' in A. H. Amsden, A. Dicaprio and J. A. Robinson (eds) *The Role of Elites in Economic Development*, Oxford: Oxford University Press.

Chemouni, B. (2020, forthcoming) 'Money is not Enough. The Ambiguous Effectiveness of the Rwandan Revenue Authority', Working Paper, Manchester: ESID

Crandall, W. (2010) *Revenue Administration: Autonomy in Tax Administration and the Revenue Authority Model,* Technical Notes and Manuals 10/12, Washington DC: IMF, Fiscal Affairs Department

Crandall, W., Gavin E., and Masters A. (2019) *ISORA 2016 Understanding Revenue Administration,* Working Paper 19/05, Washington DC: IMF

Dom, R. 2019. 'Semi-Autonomous Revenue Authorities in Sub-Saharan Africa: Silver Bullet or White Elephant.' *Journal of Development Studies* 55.7: 1418-35

Dom, R., and Miller, M. (2018) 'Reforming Tax Systems in the Developing World. What Can We Learn from the Past?', *ODI Research reports and papers,* London: ODI.

Dunleavy, P., Margetts, H., Bastow, S. and Tinkler, J. (2006) 'New Public Management is Dead - Long Live Digital-Era Governance.' *Journal of Public Administration Research and Theory* 16.3: 467-494

Fjeldstad, O-H., Kolstad, I. and Lange, S. (2003) 'Autonomy, Incentives and Patronage. A Study of Corruption in the Tanzania and Uganda Revenue Authorities', *CMI Reports* R2003: 9, Bergen: Christian Michelsen Institute

Fjeldstad, O. H., Filho E. C., and Rabelland G. (2020, draft) 'Corruption in Customs: How Can it be Tackled?' In B. Myers and R. Bajpai (eds) 'Enhancing Government Effectiveness: The Fight Against Corruption. Global Report on Anti-Corruption 2020', Washington DC: World Bank

Fjeldstad, O.-H., and Moore M. (2009) 'Revenue Authorities and Public Authority in Sub-Saharan Africa', *Journal of Modern African Studies* 47.1: 1-18.

Fossat, P., and Bua M. (2013) *Tax Administration Reform in the Francophone Countries of Sub-Saharan Africa*, Working Paper 13/173, Washington DC: IMF

Geourjon, A-M. and Rota-Graziosi G. (2014) 'The Illusion of Tax Expenditures in Africa', *Policy Brief* 96, Clermont-Ferrand: FERDI

Gupta, S. and Liu J. (2020) *Can Tax Buoyancy in Sub-Saharan Africa Help Finance the Sustainable Development Goals?*, Working Paper 532, Washington DC: Center for Global Development

IMF (2018)' Nigeria. Selected Issues', *IMF Country Report* 18/64. Washington DC: IMF

James, S. (2010) *Incentives and Investments: Evidence and Policy Implications*, Washington DC: World Bank, Investment Climate Advisory Services

Jayne, T. S., Chamberlin, J. and Benfica, R. (2018) 'Africa's Unfolding Economic Transformation;, *Journal of Development Studies* 54.5: 777-787, doi: 10.1080/00220388.2018.1430774

Kangave, J., Byrne K. and Karangwa, J. (2020) *Tax Compliance of Wealthy Individuals in Rwanda*, ICTD Working Paper 109, Brighton: ICTD.

Kangave, J., Nakoto, S., Waiswa, R. and Zzimbe, P. (2016) *Boosting Revenue Collection through Taxing High Net Worth Individuals: The Case of Uganda*, ICTD Working Paper 45, Brighton: ICTD

Keen, M. (2013) *The Anatomy of the VAT*, Working Paper 13/111, Washington DC: IMF

Kinda, T. (2014) *The Quest for Non-Resource-Based FDI: Do Taxes Matter?*, Working Paper 14/15, Washington DC: IMF

Kloeden, D. (2011) *Revenue Administration Reforms in Anglophone Africa Since the Early 1990s*, Working Paper 11/162, Washington DC: IMF

Ligomeka, W. (2019) *Assessing the Performance of African Tax Administrations: A Malawian Puzzle*, African Tax Administration Paper 14, Brighton: ICTD

Long, C., and Miller, M. (2017) 'Taxation and Sustainable Development Goals. Do Good Things Come to Those Who Tax More?' *Briefing Note*, London: ODI.

Madies, T. and Dethier J-J. (2010), *Fiscal Competition in Developing Countries. A Survey of the Theoretical and Empirical Literature*, Policy Research Working Paper 5311, Washington D.C.: World Bank

Mann, A. J. (2004) *Are Semi-Autonomous Revenue Authorities the Answer to Tax Administration Problems in Developing Countries? A Practical Guide*, Washington DC: Development Alternatives Inc.

Mansfield, C. (1987) *Tax Administration in Developing Countries: An Economic Perspective,* Working Paper 87/42, Washington DC: IMF

Mascagni, G., and Mengistu, A. (2016) *The Corporate Tax Burden in Ethiopia: Evidence from Anonymised Tax Returns,* Working Paper 48, Brighton: ICTD

Mascagni, G., Santoro, F., Mukama, D., Karangwa, J. and Hazimana, N. (2020) *Active Ghosts: Nil Filing in Rwanda*, Working Paper 106, Brighton: ICTD

Mayega, J., Ssuma, R., Mubajje, M., Nalukwago, M. I. and Muwonge, L. (2019) *How Clean is our Taxpayer Register? Data Management in the Uganda Revenue Authority,* African Tax Administration Paper 12, Brighton: ICTD

Moore, M., Prichard, W. and Fjeldstad, O-H. (2018) *Taxing Africa. Coercion, Reform and Development*, London: Zed Press and the International Africa Institute

Moore, M. (2013) *Obstacles to Increasing Tax Revenues in Low Income Countries,* Working Paper 15, Brighton: ICTD

Moore, M. (2014) 'Revenue Reform and Statebuilding in Anglophone Africa, *World Development* 60.8: 99-112, doi: http://dx.doi.org/10.1016/j.worlddev.2014.03.020.

Mwondha, M., Kaidu Barugahara, T., Nakku Mbiru, M., Kanaabi, S. and Isingoma Nalukwago, M. (2018), *Are Women Good Tax Collectors? The Case of the Uganda Revenue Authority*, Working Paper 85, Brighton: ICTD

OECD (2015) *Tax Administration 2015. Comparative Information on OECD and Other Advanced and Emerging Economies*, Paris: OECD Forum on Tax Administration

OECD (2017) *Tax Administration 2017. Comparative Information on OECD and Other Advanced and Emerging Economies*, Paris: OECD Forum on Tax Administration

OECD (2019) Tax Administration 2019. *Comparative Information on OECD and Other Advanced and Emerging Economies*, Paris: OECD Forum on Tax Administration

Prichard, W., and Leonard, D. K. (2010) 'Does Reliance on Tax Revenue Build State Capacity in sub-Saharan Africa?', *International Review of Administrative Sciences* 76.4: 653-675, doi: 10.1177/0020852310381805

Rwanda Revenue Authority (2019) *Annual Activity Report 2018/19*, Kigali: Rwanda Revenue Authority

Santoro, F. and Mdluli, W. (2019) 'Nil-Filing in Eswatini: Should the Revenue Administration be Concerned?' in *African Tax Administration Paper* 6. Brighton: ICTD

Sarr, B. (2016) 'Assessing Revenue Authority Performance in Developing Countries: A Synthetic Control Approach.' *International Journal of Public Administration* 39.2: 146-156, doi: 10.1080/01900692.2014.1003382

TADAT (2019) 'Field Guide', Washington DC, TADAT Secretariat

Taliercio, R. R. (2004) 'Administrative Reform as Credible Commitment: The Impact of Autonomy on Revenue Authority Performance in Latin America', *World Development* 32.2: 213-32.

Therkildsen, O. (2004) 'Autonomous Tax Administration in Sub-Saharan Africa: The Case of the Uganda Revenue Authority', *Forum for Development Studies* 31.1: 59-88

Therkildsen, O. and Bak, A. K. (2018) *Democratisation in Tanzania. No Elections without Exemptions*, Working Paper 98. Brighton: ICTD

Uganda Revenue Authority (2019) *Annual Report 2017/18*, Kampala: Uganda Revenue Authority

Vázquez-Caro, J. and Bird, R. M. (2011) 'Benchmarking Tax Administrations in Developing Countries: A Systemic Approach', *eJournal of Tax Research* 9.1: 5-37.

von Soest, C. (2007) 'How Does Neopatrimonialism Affect the African State's Revenues? The Case of Tax Collection in Zambia', *The Journal of Modern African Studies* 45.4: 621-645.

World Bank (2019), *Project Appraisal Document on a Proposed Credit in the Amount of SDR 288.2 Million (US$400 Million Equivalent) to the Islamic Republic of Pakistan for Pakistan Raises Revenue Project*, Washington DC: World Bank.

World Bank Group, and pwc (2020), *Paying Taxes 2020. The Changing Landscape of Tax Policy and Administration across 190 Economies*, World Bank Group and pwc