



Informal Taxation in Post-Conflict Sierra Leone: Taxpayers' Experiences and Perceptions

Summary of Working Paper 66 by Samuel Jibao, Wilson Prichard and Vanessa van den Boogaard

The reality of informal taxation

In low-income and post-conflict countries, and particularly in rural areas, citizens often pay a range of 'taxes' that differ substantially from statutory policies. These 'informal taxes', paid to a variety of state and non-state actors, are frequently overlooked in analyses of local systems of taxation. This is problematic, as it leads to misunderstandings of individual and household tax burdens, as well as of systems of local governance.

We define informal taxes and levies as all non-statutory payments made to state or non-state actors as a result of the exercise of political, coercive or social power. We distinguish between illegal state levies, informal chiefdom taxes and user fees, and non-state levies and user fees for collective services. Illegal state levies include a range of bribes, extortions and goodwill payments, while non-state and chiefdom levies and user fees may take a variety of forms, including various types of community levies, with payments made

to community groups providing publicly available services or goods.

While there is a growing recognition that these informal taxes and levies are a critical aspect of local governance, research has yet to systematically capture what informal taxes people pay, how these taxes are collected, how they are perceived, and how these things vary across different groups of individuals and different locations. Using a mixed methods approach, including both a large-scale taxpayer survey and qualitative data, we examine how both formal and informal taxes are distributed, collected and perceived by citizens in rural areas of low-income, post-conflict countries in order to capture 'real' rather than 'idealised' systems of tax and governance.

Prevalence of informal taxation

We find a wide range of actors engaged in revenue mobilisation and service provision, with widespread prevalence of informal revenue collection and informal tax practices, including a high degree of institutionalisation of non-state service delivery and governance mechanisms.

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- While informal revenues may be relatively small in absolute terms, they represent a significant proportion of taxpayer income, with rural citizens often paying a greater number of informal levies than formal taxes.
- More than a fifth of respondents (21 per cent) report paying at least one informal tax to the central or local government, with the most prevalent payments being made to army or police officers, often at roadblocks or checkpoints.
- 43 per cent of respondents report having made informal payments to local chiefs within the previous year, outside of the local government taxes collected by chiefs on behalf of district councils, including, commonly, local and market taxes. These informal chiefdom taxes include labour 'taxes' and the provision of local materials for community projects initiated by NGOs or other groups, a common requirement of externally-funded projects, or for labour for community maintenance, such as road brushing.
- Payments to non-state actors, including community groups, secret societies, and religious organisations, are substantial, with 79 per cent of household heads reporting having paid at least one type of levy to a non-state actor within the previous year.

Perceptions of informal taxation

We find positive perceptions of payments levied by non-state actors relative to those levied by local and central governments

in terms of fairness, transparency, accountability, and service provision.

- Taxpayers were more likely to perceive the rate of taxation to be too high for taxes levied by the government, while respondents were more likely to find levies by chiefs or non-state actors to be reasonable, with some taxpayers even willing to pay a higher rate for these payments.
- Respondents were more likely to report receiving a specific good or service in exchange for paying informal non-state or chiefdom taxes and levies, relative to formal state taxes.
- Informal non-state levies are perceived by taxpayers to be the most transparent of taxes, with informal chiefdom taxes viewed more positively than formal state taxes.

Implications for tax morale and future research

Qualitative evidence suggests tentatively that taxpayers may see any type of payment, including direct payments for services, as obviating their duty to pay general taxes to the government. Indeed, the lack of a clear link between government taxes, services or development has led to resistance to the local/poll tax payment in some areas.

Given the significance of informal levies at the local level, widening the analytical lens to capture the full range of payments made by citizens is necessary to for understanding 'real' tax and governance systems in areas of weak formal statehood.

Further reading

Jibao, Samuel, Prichard, Wilson and Vanessa van den Boogaard, Vanessa (2017) *Informal Taxation in Post-Conflict Sierra Leone: Taxpayers' Experiences and Perception*, ICTD Working Paper 66, Brighton: March

Mallett, Richard (2016) 'Informal taxation in ungoverned spaces', *SAIS Review of International Affairs* 36(1): 39-46

Credits

This paper was written by **Samuel Jibao**, Director and CEO, Centre for Economic Research and Capacity Building; **Wilson Prichard**, Assistant Professor, University of Toronto, and Research Director, International Centre for Tax and Development; and **Vanessa van den Boogaard**, a doctoral candidate at the University of Toronto.



ICTD is based at the Institute of Development Studies, Brighton BN1 9RE UK.

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