

Revenue Mobilization in Sub-Saharan Africa: Challenges from Globalization

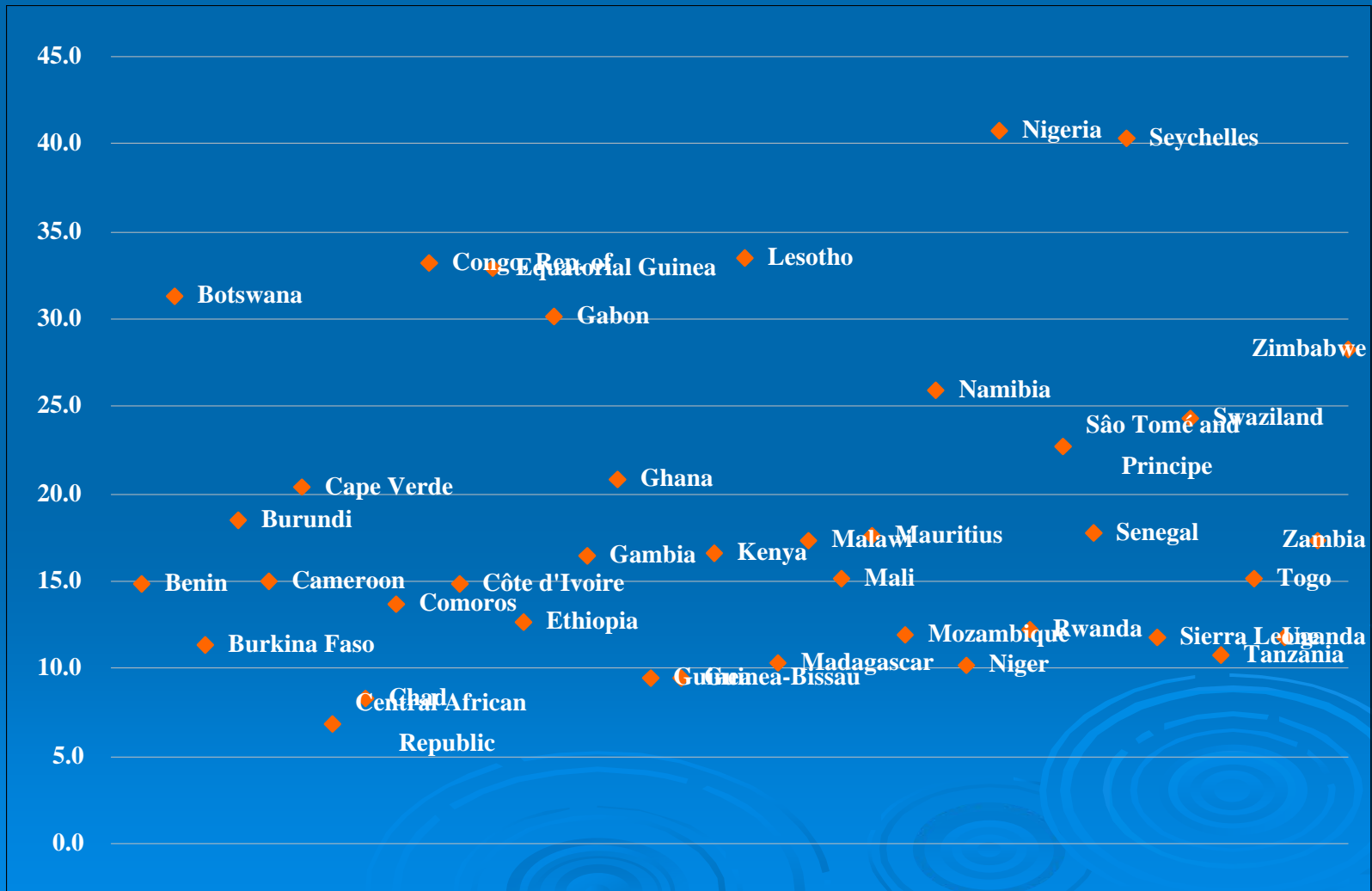
Mario Mansour
International Monetary Fund
October 15, 2007



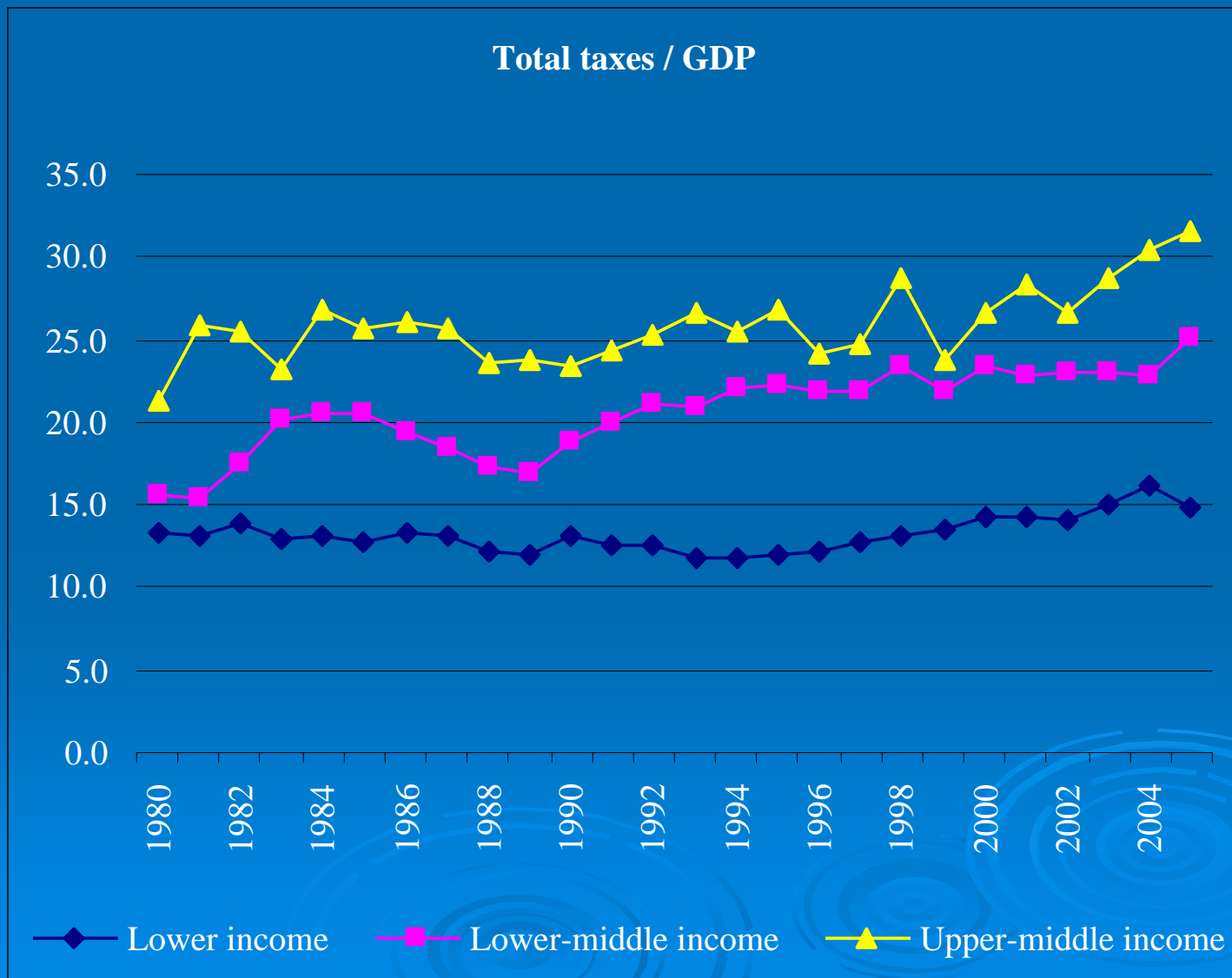
The Issues

- Trends in tax revenues in SSA
- Corporate tax competition
- Trade liberalization
- Will not discuss:
 - Excise taxes and regional directives
 - Taxes on natural resources (upstream activities)

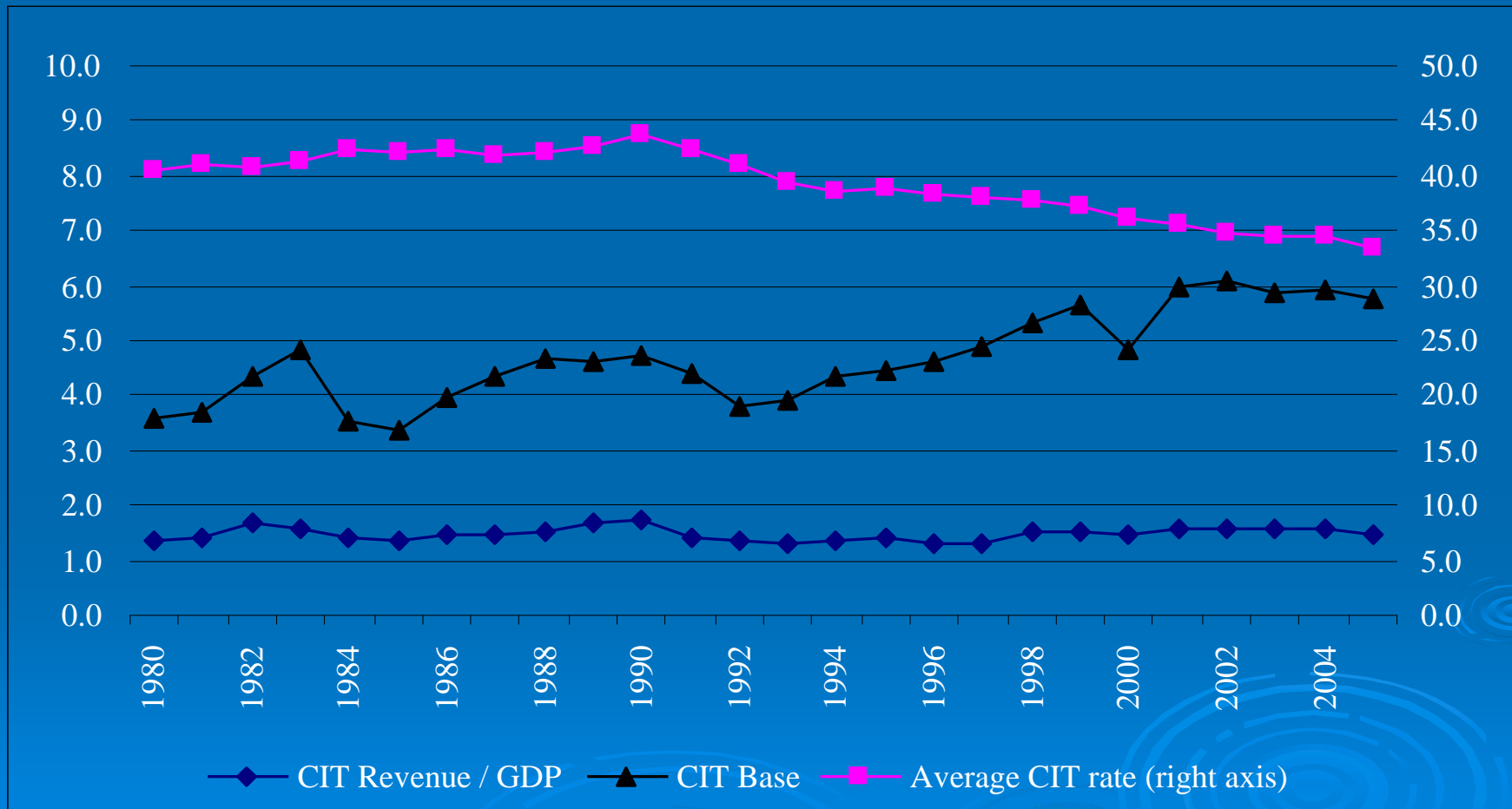
Tax/GDP ratios in SSA countries



Trends in tax revenues



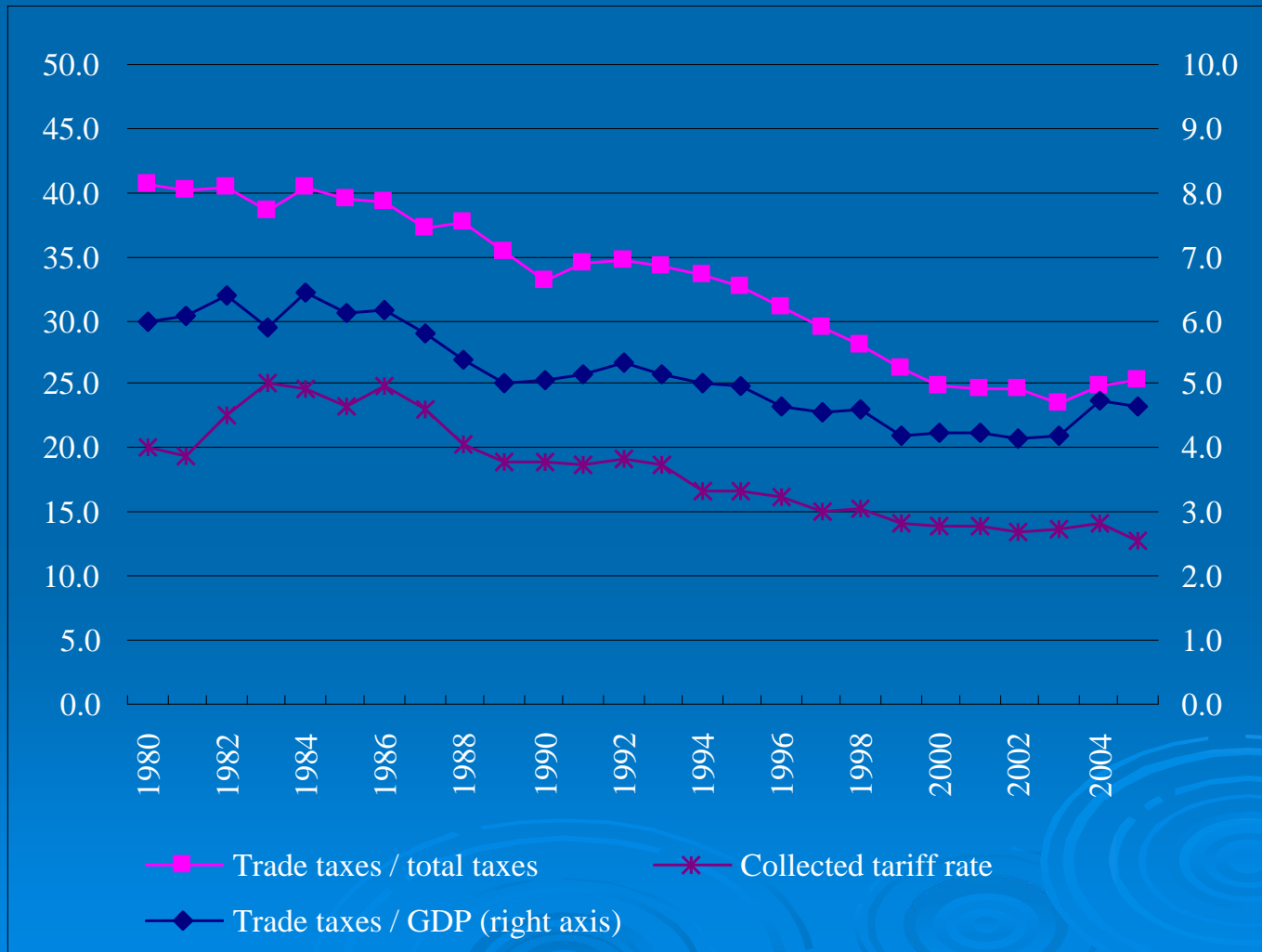
Corporate tax competition



Corporate tax competition: Intensity and types of tax incentives

	1980			2005		
	Yes	Total	Yes / Total (%)	Yes	Total	Yes / Total (%)
Tax holidays	13	29	45	27	38	71
Reduced CIT rates	3	29	10	20	38	53
Investment allowances	17	29	59	22	38	58
Incentives for exports	3	29	10	11	38	29
Free zones	1	29	3	17	38	45
Investment code	9	29	31	29	38	76

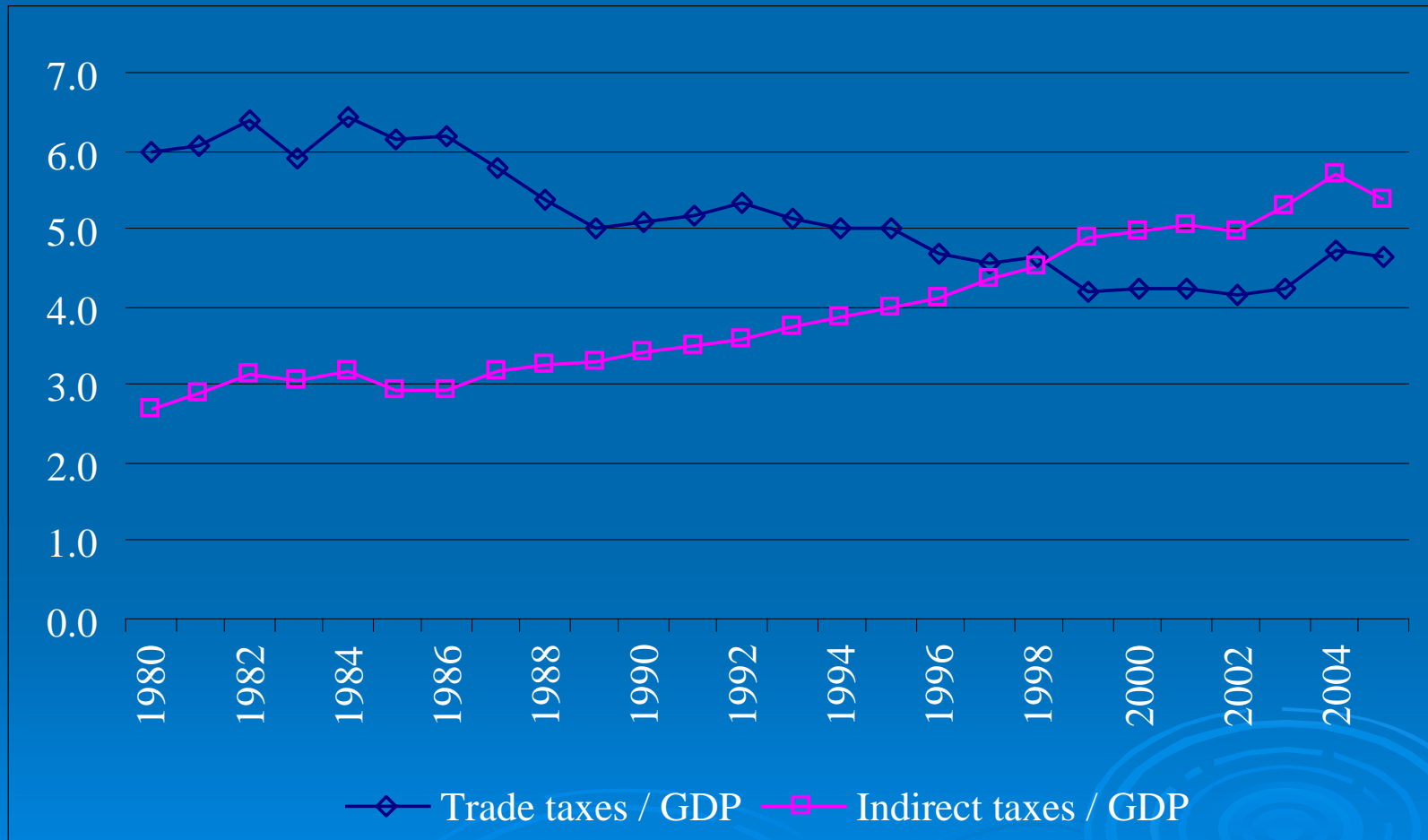
Trade liberalization



Trade liberalization in LICs: Changes in total and trade taxes



Trade liberalization: The role of domestic indirect taxes



Concluding remarks

- Tax ratios very low in a number of countries
- CIT revenues have remained constant despite decrease in CIT rates, but:
 - Revenues may not hold in the face of further reductions – which is likely since rates are high relative to other regions
 - This suggests that future policies should focus on the tax base

Concluding remarks

- Some LICs have not managed to replace revenue loss from trade liberalization
- Further revenue losses remain sizeable
- Policy options to offset revenue loss:
 - VAT: almost all countries have it; rates are not low, and constrained by directives (CEMAC, WAEMU)
 - But revenue efficiency tends to be low so base broadening and tax administration are potentially important elements of solution
 - Overall tax mix.