Domestic Revenue Mobilization: Main Research Findings & Policy Messages

UNU
WIDER

Pia Rattenhuber

Research Fellow, UNU-WIDER

Background

- Domestic Revenue Mobilization (DRM) has become an **integral part of UNU-WIDER's work** over the last 10 years, and continuously expanded

- Supported by Norad 2019-23 (Phase I) and renewed for 2024-27 (Phase II)

- DRM theme creates **important synergies** with **UNU-WIDER's portfolio overall**, most notably the country programs in Mozambique and South Africa

- UNU-WIDER's activities in the DRM area shaped by

  - Policy relevance,

  - Capacity development, and

  - In-country engagements.

- In 2018, MFA funding on DRM enabled us to start a **collaboration with Uganda Revenue Authority (URA):**

  - Use of URA's administrative data for policy-relevant research

  - Construction of a tax-benefit microsimulation model for Uganda, UGAMOD, under the SOUTHMOD project

UNU
WIDER

Outline of presentation

- Case 1: Taxation of small firms in Uganda

- Case 2: Evaluation of risk-based tax examinations in Tanzania

- Excursus: Data lab at Uganda Revenue Authority

- Case 3: Cash Plus

- Key messages and takeaway

UNU
WIDER

Case 1. Taxation of small firms in Uganda

Background, motivation and approach

- Topic of much debate in the developing world, tax is usually levied on turnover

- Uganda's tax policy for small firms was reformed in July 2020: Slightly simplified system with lower rates

- New policy suffered from **limited compliance, low revenue potential and complexity**

- As requested by URA and in collaboration with Ministry of Finance:
  - Estimate the distributional and revenue impacts of the **July 2020 reform**, and
  - Propose **alternative reforms** that would address the remaining challenges

Outcomes

- Dissemination event (online) with over 80 participants incl key stakeholders

- [WIDER Working Paper](#) and [Policy Brief](#)

- **Selected reform proposals submitted to government** in yearly budget cycle

UNU
WIDER

Case 1. Taxation of small firms in Uganda - ctd

Findings

- Based on **modelling (UGAMOD), administrative tax data, and interviews** with URA compliance officers

- An estimated 48–72% reduction in revenue potential due to the 2020 reform

- Criterion of 'record-keeping' determines presumptive tax rates – but does not have a clear definition in practice

- **Ineffective enforcement** due to COVID-19 and limited resources exacerbate compliance issues

- Rates considered "unfair" incl by URA officers

- **Alternative (low flat) rate tax proposals** would bring more revenue, represent entry point to tax system without overburdening small firms

Case 2: Evaluation of risk-based tax examinations in Tanzania

Background and motivation

- Audits and examinations are part of tax authorities' enforcement strategies
- **Risk based approaches** and machine learning in these processes are limited
- But they hold great promises for improving detection probabilities of non-compliant taxpayers
- Limited systematic evidence on the impact of these risk-based strategies
- **Tanzania Revenue Authority (TRA), Vero and UNU-WIDER** implemented a pilot to evaluate data-driven risk assessment as part of a larger TRA-Vero collaboration

Outcomes

- Various stakeholder meetings incl internal meetings at TRA
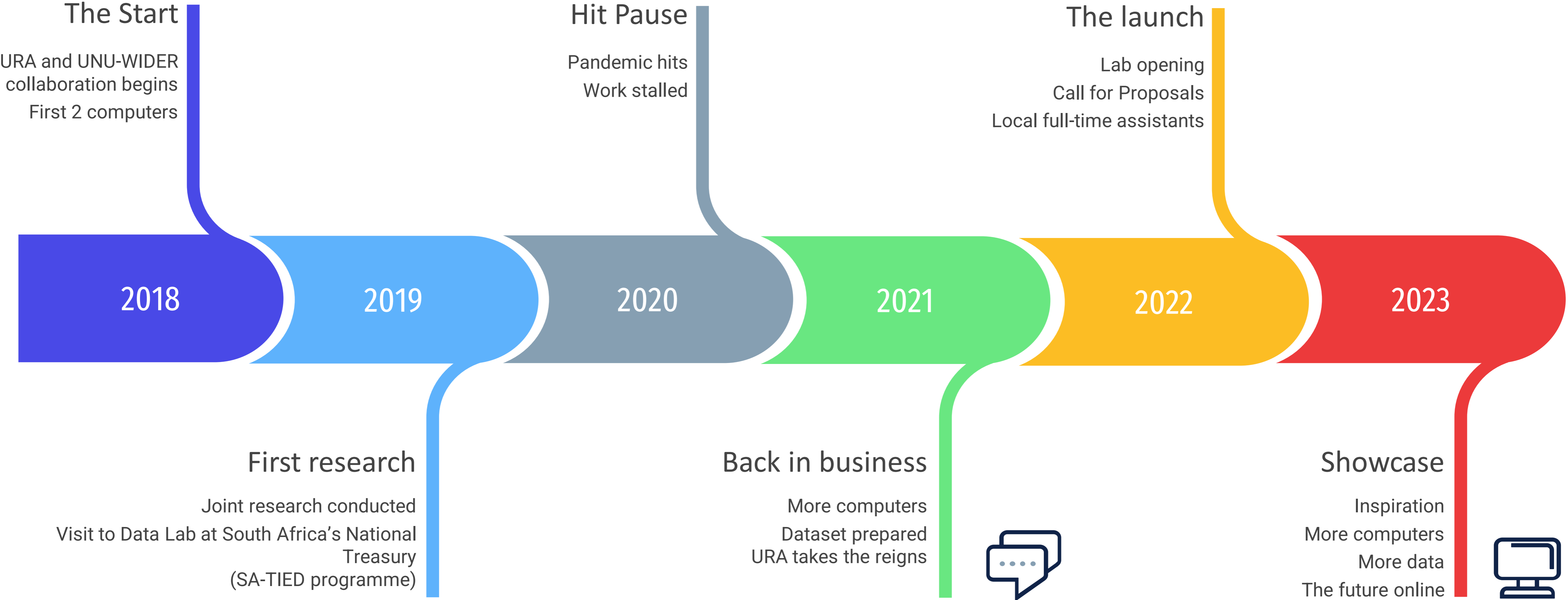- **WIDER Working Paper** and **research brief**

UNU
WIDER

Case 2: Evaluation of risk-based tax examinations in Tanzania - ctd

Findings

- **Intervention increased tax revenues** in the pilot region by 15%

- Impacts are found in **corporate income taxes** and arise predominantly from the services sector

- Growth in tax revenue in the pilot area mainly stems from increases in the amount of tax paid

- Focusing on improving the efficiency of tax examinations is more beneficial for the TRA than conducting more tax examinations

- **Highly cost-effective** intervention

UNU
WIDER

Data lab at Uganda Revenue Authority: Access to data

The Start

URA and UNU-WIDER collaboration begins
First 2 computers

Hit Pause

Pandemic hits
Work stalled

The launch

Lab opening
Call for Proposals
Local full-time assistants

2018   2019   2020   2021   2022   2023

First research

Joint research conducted
Visit to Data Lab at South Africa's National Treasury
(SA-TIED programme)

Back in business

More computers
Dataset prepared
URA takes the reigns

Showcase

Inspiration
More computers
More data
The future online

Data lab at Uganda Revenue Authority: some highlights

The Uganda Revenue Authority firm panel

This technical note describes the Uganda Revenue Authority (URA) firm panel, which is constructed from administrative corporate income tax (CIT) returns and firm registration data for the financial years 2013/14–2019/20...

TAX DATA

CORPORATE INCOME TAX   UGAI

Uganda Revenue Authority ✔ @URAuganda · May 21

Quick facts about the newly launched #URAResearchLab

A thread!

The Lab is the result of collaboration between @URAuganda and @UNUWIDER aimed at informing tax policy and administration reforms.

Introducing the URA Research Lab!

The URA with support from the United Nations University World Institute of Development Economic Research (UNU-WIDER) have established a Secure Research Lab to avail tax data to individual researchers, academia, national and international agencies for research purposes in order to inform

Request for research proposals
Analysis on firms and taxation using micro data from Uganda

UNU-WIDER and Uganda Revenue Authority (URA) are requesting research proposals, taking advantage of the URA firm panel, that will improve the understanding of the impacts of taxation on firms in the Global South. Researchers with successful proposals will gain access to the anonymized data in the secure research lab located in URA, Kampala, Uganda, premises. Proposals from individuals (or groups of individuals) as well as non-profit organizations are welcome. Submission deadline: 27 June 2022, 23:59 UTC+3.

This research lab is only the second of its kind on the African continent

UNU WIDER

Case 3: Costing of reform options for the Zambian Social Protection System

Background and motivation

- In-depth analysis of the **Zambian social protection system**

- As per request of our local partners, carried out in partnership with ZIPAR.

- Various stakeholder engagement meetings to collect information and views on current policies and policy reform, guide the analysis.

Outcomes

- Most complete poverty assessment done in the last 10 years

- Dissemination at launch event with Minister widely covered in the **media**, **policy brief**, **working paper**

UNU
WIDER

Case 3: Costing of reform options for the Zambian Social Protection System

Findings

- Current **programmes do reach** extremely poor households

- But **not (large) enough** to meet the country's poverty reduction goals, regardless of configuration

- Some rather small social protection programmes yield important poverty reduction amongst most vulnerable population

- Notable poverty alleviation requires substantial increases in social spending

- Key to consider **reforms to farm input subsidies** + cash transfers on **agricultural** production

UNU
WIDER

Key messages and take-away

- **Administrative reforms** have important, often underrated potential to increase tax revenues

- **Transparent**, easy-to-understand tax policies are key for compliance

- **Inclusivity**: Tax policies cannot be looked at in isolation. Not paying taxes does not equate to non-compliance and tax policy cannot do it alone.

- **In practical terms**:
  - **Technical assistance and research** make each other more meaningful and better.
  - **South-South** learning and **country-level peer-to-peer** collaborations are fundamental for capacity development.
  - **Long-run engagements** necessary to build trust and knowledge.

UNU WIDER

More information available online

wider.unu.edu

Follow us on LinkedIn, Facebook, and Twitter @UNUWIDER