

Economic Governance and National Development Planning

Challenges in Mobilizing Tax Revenues

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Beirut, Lebanon
June 12-13, 2014

Revenue Mobilization

- Why is this an important challenge in the Middle East?
- How can it be addressed?
- How has it been addressed?
- What measures have been successful?
- The limits of Revenue Administration
- Non-administrative issues

Tax:GDP Ratios (%), 2012

Selected Countries – Middle East, GCC and Europe

Middle East		GCC		Europe	
Egypt	15.8	Kuwait	1.5	Austria	43.4
Jordan	21.1	Oman	2.0	Belgium	46.8
Lebanon	14.4	Qatar	2.2	France	44.6
Sudan	6.3	Saudi Arabia	5.3	Germany	40.6
Yemen	7.1	UAE	1.4	UK	39.0
<i>Unweighted average</i>	12.9		2.5		42.9

Source: The Heritage Foundation

Gross Government Debt:GDP Ratios (%) 2012

Middle East		GCC		Europe	
Egypt	80.2	Kuwait	7.29	Austria	73.7
Jordan	79.6	Oman	6.12	Belgium	99.6
Lebanon	139.5	Qatar	37.8	France	90.3
Sudan	97.6	Saudi Arabia	3.6	Germany	82.0
Yemen	46.7	UAE	17.6	UK	90.3
<i>Unweighted average</i>	88.7		14.5		87.2

Source: The Heritage Foundation

Debt Sustainability and Tax Revenue

- For the Middle East countries selected, gross Government debt is 6.9 times greater than annual tax revenues
- For the GCC and European countries selected, this ratio is 5.8 and 2.0 respectively
- If we consider net Government debt, the comparison becomes 6.3 to 1.7 for the Middle East and Europe, while the GCC is negative
- In brief, debt stands at a significantly less affordable level in the non-GCC Middle East

Fiscal Stability and Development

- Increased revenue collection is essential to meet current account requirements and to finance development expenditure
- This situation can be improved through:
 - Increased economic growth – virtuous circle, or Catch 22?
 - Effective tax policy
 - Efficient tax administration, resulting in higher levels of compliance
 - Other factors, such as expenditure policy, governance and accountability, the taxpaying culture

Improving Tax Collection – policy and regime structure

- Introducing VAT
 - Eliminate exemptions
- Introducing simplified Small Business Regimes
- Introducing unified Tax Procedures Codes
 - Strengthen collection and enforcement procedures and eliminate negotiability

Impact on the Tax Ratio

Introducing VAT

Lebanon				
2000	2001	2002	2003	2004
11.9	11.9	14.1	15.4	16.0
Jordan				
1992	1993	1994	1995	1996
23.0	20.9	20.0	20.7	21.7

Introducing a Consolidated Tax Procedure Law

Lebanon				
2007	2008	2009	2010	2011
14.8	15.9	17.2	17.4	15.6

Source: World Bank

Improving Tax Collection – administrative structures

- Consolidating the administration of tax types
 - Functions
 - Systems
 - Organization
- Taxpayer segmentation – the 80:20 rule
- Facilitating inter-agency coordination
- Establishing integrated revenue authorities

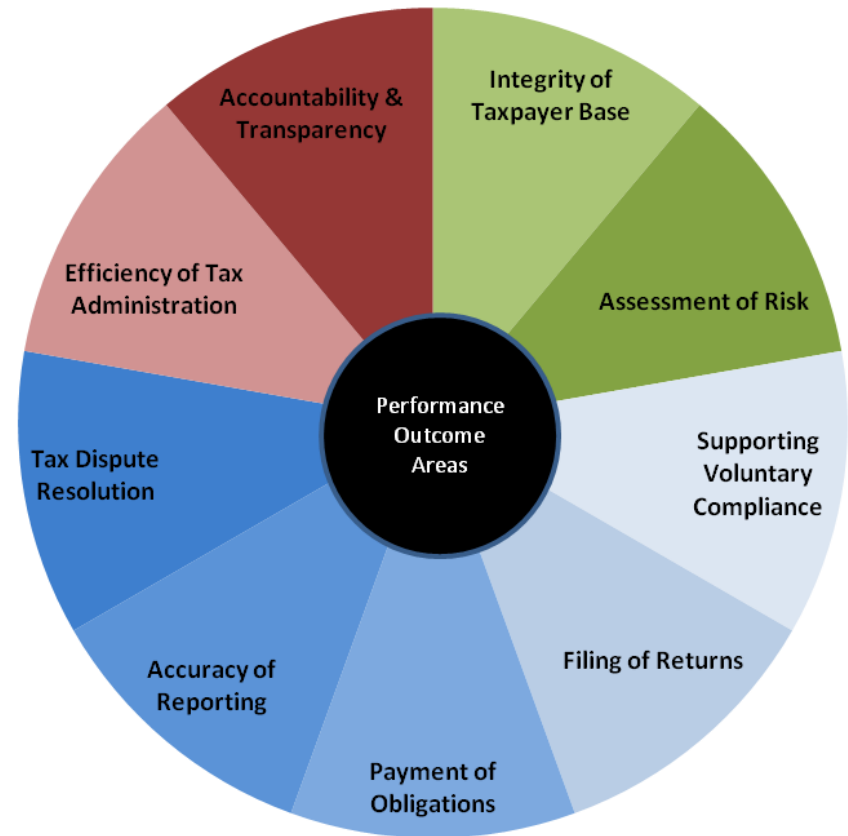
Reorganizing Administrative Structures – impact on the Tax Ratio

Jordan				
2002	2003	2004	2005	2006
17.5	18.2	21.0	24.4	24.6
Zambia				
1992	1993	1994	1995	1996
18.7	15.0	18.8	17.2	17.7

Source: World Bank

Improving Tax Collection: The IMF Tax Administration Diagnostic Assessment Tool

- Registration
- Risk Assessment
- Voluntary Compliance
- Filing
- Payments
- Reporting
- Dispute Resolution
- Efficiency
- Accountability and Transparency



Changing Compliance Behavior

- Poor compliance culture leads to decline in tax collection over time
- Need to address non-policy, non-administrative issues to change taxpayer attitudes – tax to be seen as an investment rather than an expense
- Need to make tax evasion socially unacceptable

Lasting Solutions

- There is no “silver bullet”
- Policy and administrative improvements will not by themselves lead to long-term sustainable improvements
- Increasing democratization to lead to greater governmental accountability – the “Fiscal-Social Contract”

Thank You



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