



Collecting More The 9th Tokyo Fiscal Forum

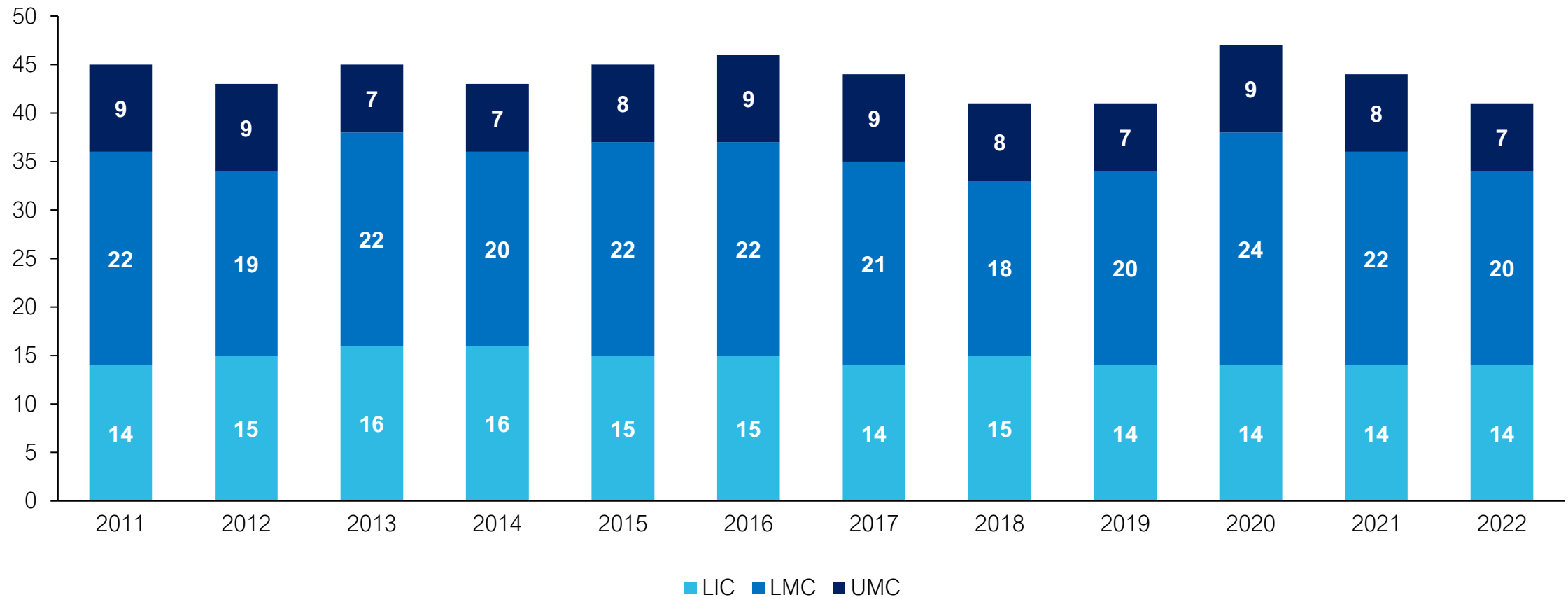
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The number of EMDEs with low tax collection has been mostly stable over time

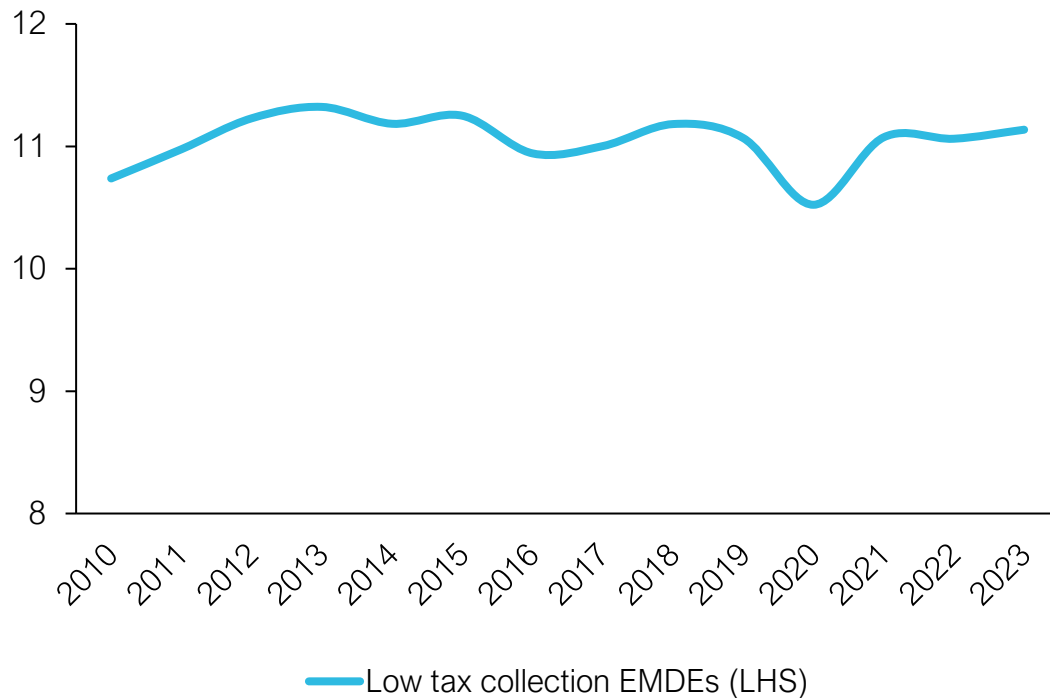
Number of low tax collection countries over time (tax-to-GDP ratio below 15%), by income group



Source: World Bank staff calculations using data from WEO 2024.

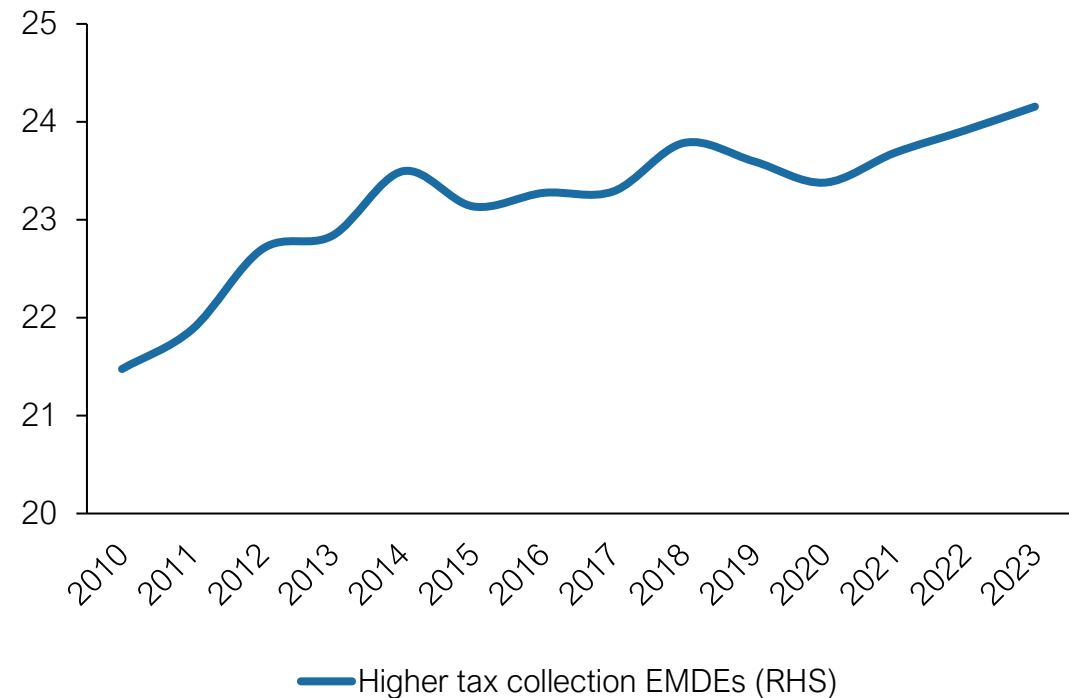
In EMDEs with low tax collection, tax take has been stagnant, whereas other EMDEs saw an increase

Tax revenue (% of GDP)



Source: World Bank staff calculations using data from WEO 2024.

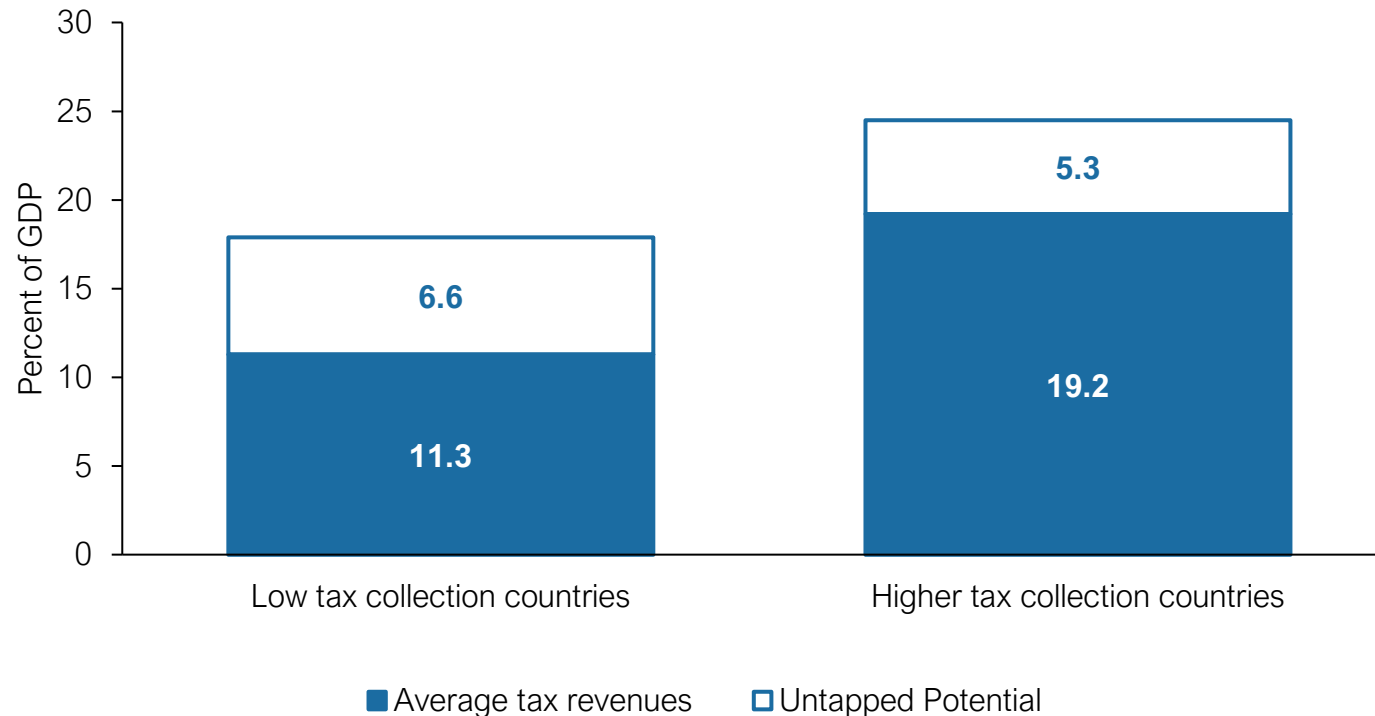
Tax revenue (% of GDP)



Source: World Bank staff calculations using data from WEO 2024.

Countries with low tax collection have untapped tax potential above 6% of GDP and rising

Actual taxes and untapped tax potential, 2019–2021 (% of GDP)



Source: World Bank staff calculations using data from WEO 2024.

Focus areas for DRM in EMDEs with low tax collection_____

1

Reforming major taxes to broaden bases and increase efficiency

2

Improving the progressivity of the tax system holistically

3

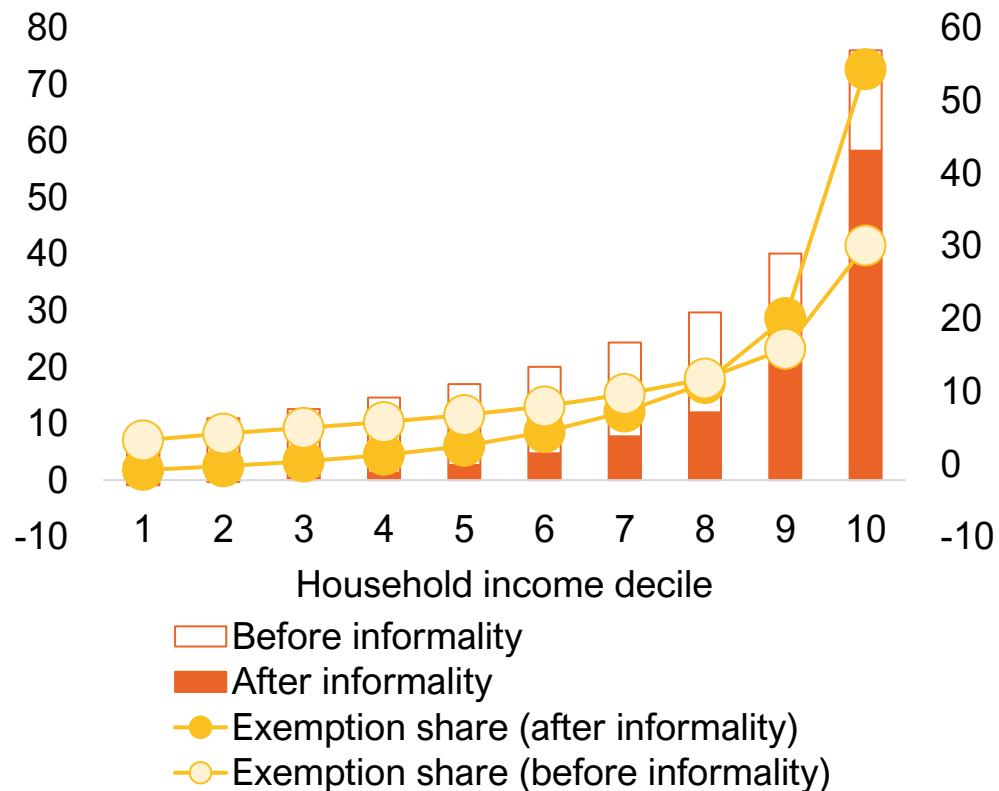
Tap under-utilized tax instruments

4

Digitalizing tax systems for improved efficiency and compliance

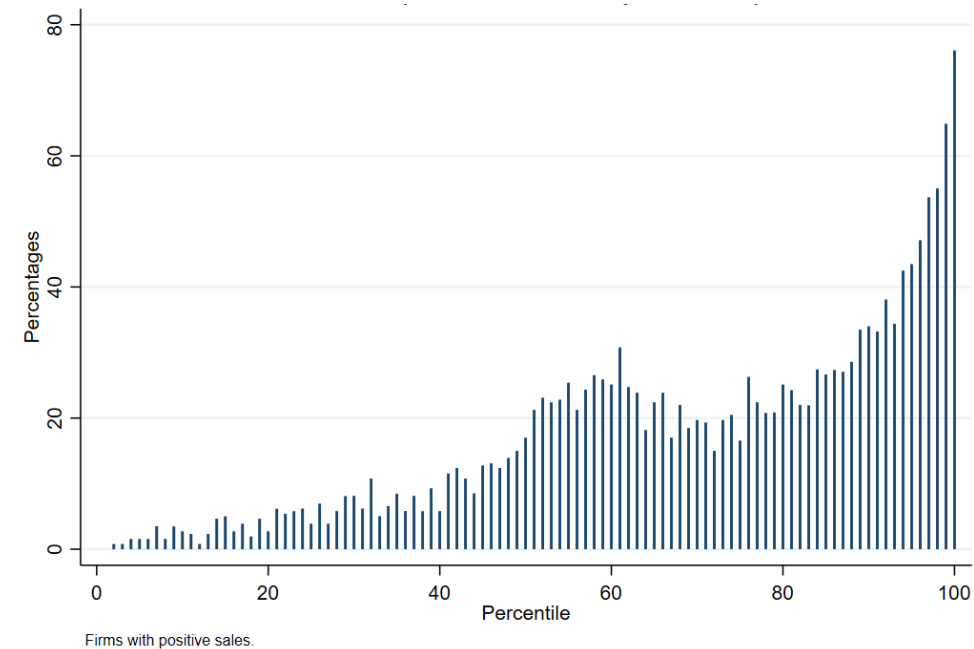
EXAMPLE 1/4: Eliminate inefficient and inequitable tax expenditures

VAT expenditure incidence – EAP 1
(LHS, LCU billion; RHS, Percent of exemptions)



Source: World Bank staff calculations using household survey and tax admin data in EAP Country 1

Firms with some special type of tax treatment, by turnover percentile – EAP 2

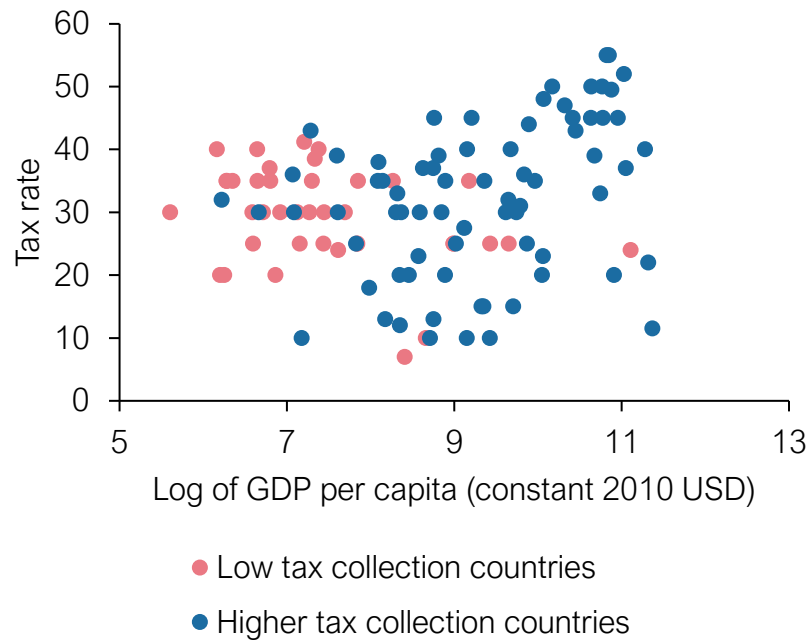


Source: World Bank staff calculations using administrative data in EAP Country 2

EXAMPLE 2/4: Increase tax base that will boost PIT revenues and lower regressivity

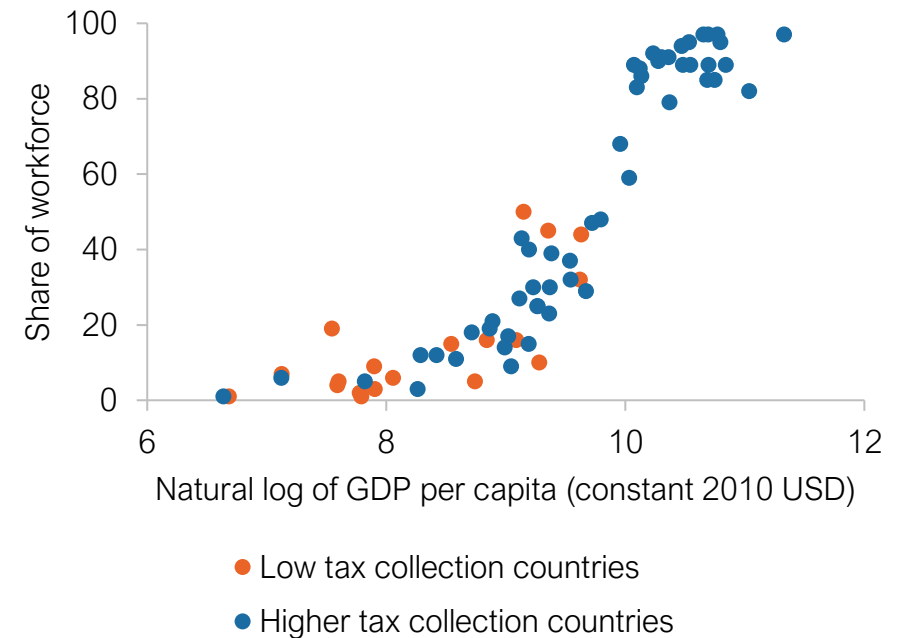
Low PIT revenue in EMDEs with low tax collection is not driven by low tax rate—but by a narrow tax base

Top statutory tax rate of personal income tax



Source: Bachas et al. 2024.

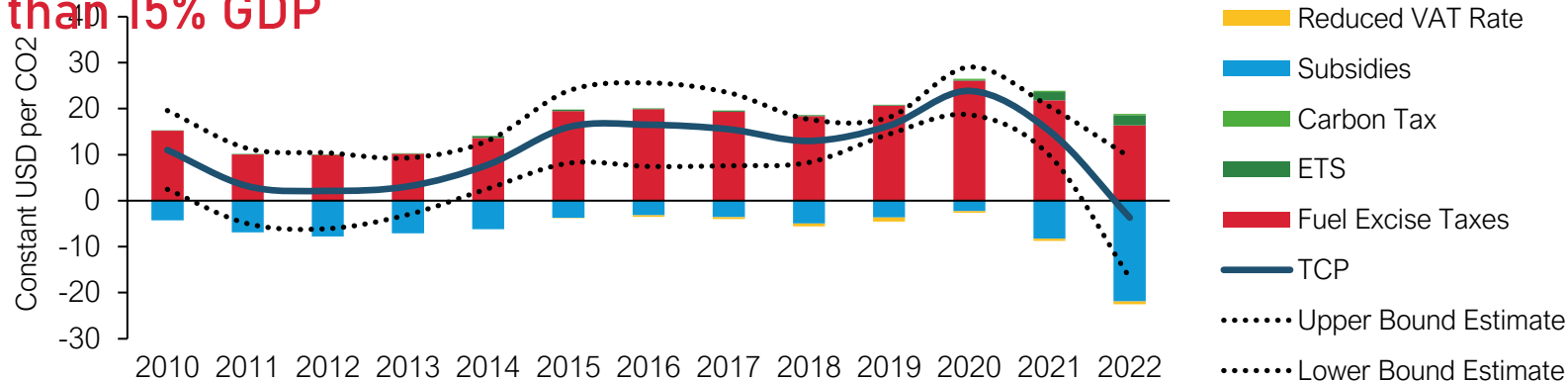
Share of workforce legally subject to personal income tax



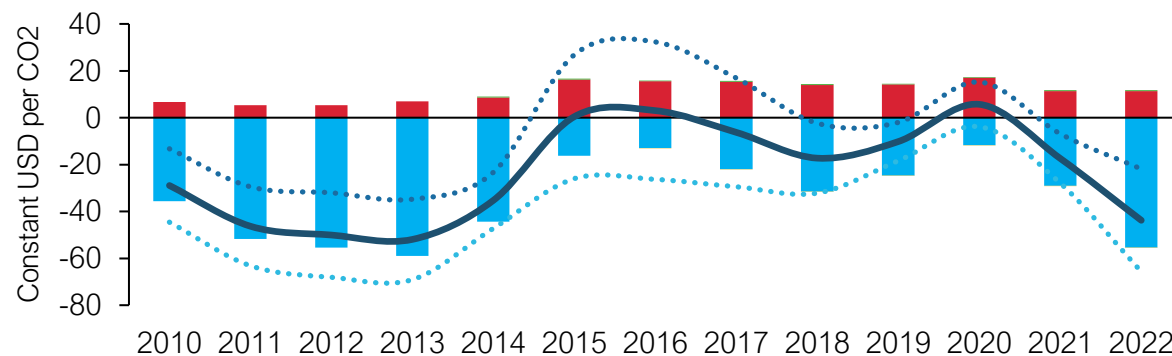
Source: Bachas et al. 2024.

EXAMPLE 3/4: Tap underutilized environmental taxes

Total Carbon Price in EMDEs that collects more than 15% GDP



Total Carbon Price in EMDEs with low tax collection



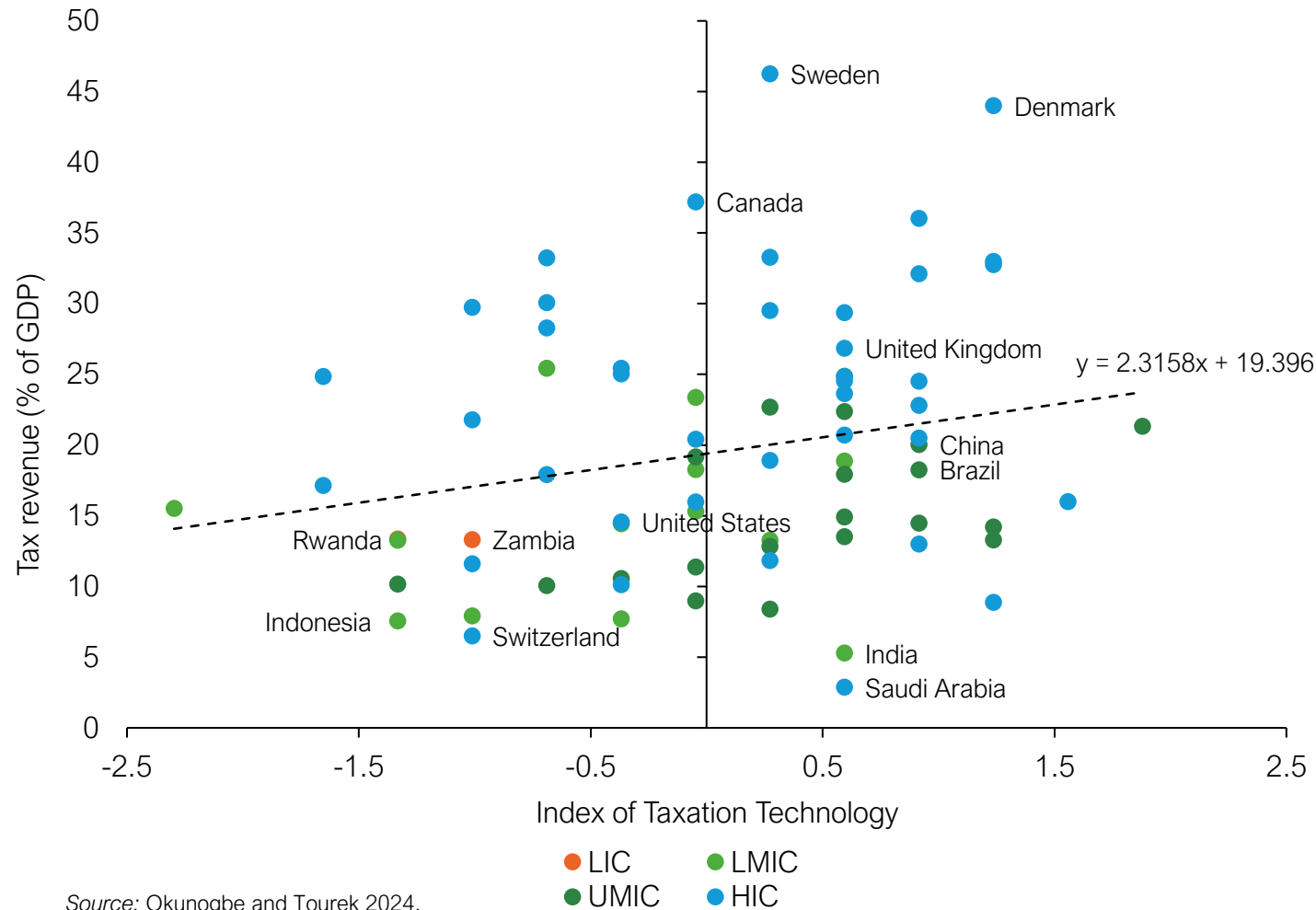
- EMDEs with low tax collection hold **untapped carbon pricing potential**
- **Fossil fuel subsidies** are dragging down carbon pricing efforts
- **Building on existing taxes** such as fuel excises could boost revenue mobilization

Source: World Bank, Total Carbon Pricing, 2023 and World Bank, *PFR Fundamentals: Total Carbon Price 2.0*, forthcoming.

Note: The upper- and lower-bound estimates denote a +/- 1 standard deviation confidence interval that reflects the uncertainty associated with the data collected.

EXAMPLE 4/4: Digitalization is associated with higher tax revenue

Index of taxation technology vs. tax revenue



Let us collaborate on some challenging questions!

1

To what extent is informality a symptom of weaknesses in tax systems in EAP vs. a structural constraint, limiting tax potential and tax collection?

2

Is the lack of tax progressivity in EAP a deliberate choice, or an unintended consequence of tax system gaps?

3

What are the firm-level impacts of increasing the carbon price? How can carbon pricing reform be designed to support productivity growth?

4

How can we effectively harness tax administration data and other third-party data (from banks, digital platforms, etc.) to strengthen tax compliance?

Thank you!

Questions? Email:
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