Surmounting Challenges in Tax Revenue Collection in West Africa: A Precedential Insight

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December 15, 2021

The IMF Government Finance Statistics shows that many of the countries in sub-Saharan Africa collect taxes amounting to less than 13% of their GDP. According to the Economic Commission for Latin America and the Caribbean – an organisation of the United Nations, revenue statistics in the Caribbean and Latin America is bound to increase by 0.3% on an annual basis from its current 22.9%. Evidently, the less than 13% tax-to-GDP ratio, which is obtainable in the sub-Saharan African countries, is low when compared to the status quo in other parts of the world. Looking at the abyss of fiscal deficits and the ever-growing public expenditure needs, coupled with the disturbing reports of severe inefficacies in their ministries of finance, the various governments of the West African countries are greatly unsated by their revenue collection performances. Conjointly, the incidences of rampant corruption and tax evasion that bedevil the tax collection systems of these countries are immense. Worthy of observation is the high rate of taxpayers' non-compliance with the taxation policies, the occurrence of which has made these governments incur overbearing costs. These challenges, amongst others, facing tax revenue collection in West Africa seemingly appear to be deeply ingrained and as virtually formidable as the biblical Rock of Gibraltar. If there is an appropriate time for addressing these problems, more than ever, it is now. Unclear governments' mandates and policies on tax collection, excessive tax incentives, inadequate integration of the informal economies into the national tax bases, corruption and mismanagement, uncapacious and ineffective tax agencies and under-optimization of tax collection enhancement technology are the major factors which the author of this article considers to be responsible for the inefficiency and underperformance in the tax revenue collection in West Africa. The kernel of this article is aimed at proffering solutions to the extant challenges in tax revenue collection in the West African countries by drawing experiences of other (but alike) countries outside the sub-continent.

Firstly, the governments of the respective West African countries need to reform their mandates and policies on tax collection. The essence of this approach is not far-fetched. Georgia is an example of the success of this approach. After witnessing the collapse of the Soviet Union, Georgia wrangled in its collection of revenue through taxes. This was because of the rampant occurrence of corruption, tax evasion, illegal tax credits and devastated public finances. However, by making thorough mandate through sweeping tax reforms and adopting zero-tolerance for corruption, the Georgian tax collection system took a positive turnaround. Although some West African countries such as Nigeria and Ghana have National Tax Policies (NTPs), the efficacy of these policies are stymied by their obscure provisions. For instance, the National Tax Policy in Nigeria does not provide for a body to implement it, address multiple taxation and complicate the tax system. Big lessons can be learnt by West African countries from Georgia's phenomenal tax revolution. Reiteratively, sub-Saharan African countries, through dedicated and thorough reform efforts, can overcome the challenges faced in their tax collections. This can be achieved by similarly making strict measures towards curbing corruption. Although some of these countries such as Nigeria, Ghana, Guinea-Bissau and Chad have been making stringent measures towards combatting corruption, it appears that these measures are not sufficient, as corruption persists in these countries. These countries should, in addition to their already-made anti-graft policies, reform their public administration and finance management, promote transparency, improve social dialogue towards implementation of the mandate and establish accountability through entrenchment of oversight systems. By taking this 'mandate' approach, the difficulties faced in their tax collection systems will be significantly succumbed.

Furthermore, tax exemptions should be meticulously curbed so as to bolster their tax collections. Tax exemptions and tax holidays are prominent features of most of the West African countries' tax systems. Rolling out tax exemptions, on the long run, prove to be costly to the tax collection of these countries. Also, it eventually fails to attract the desired foreign investment which it was made to incentivize. A vivid example of the tremendous effects of the reduction in tax exemptions in bolstering tax collection is Guyana – a country which adopted an absolute reform on its tax exemption by limiting tax holidays, revoking the power of its finance minister to grant tax exemption amongst other allied measures. Guyana, today, experiences great improvement in its rate of tax collection. By totally reducing tax exemptions, the complexities experienced by West African countries in the tax collection system will reduce, and this will effectually broaden the tax base and increase revenue collection.

Also, the importance of incorporating the informal economies of these countries into the national tax bases cannot be overemphasized. Businesses in the informal sector predominates the economic sphere of West African countries. Although efforts are being made by their revenue commissions to tax the informal sector, notwithstanding, these informal economies have not been sufficiently penetrated and integrated for taxation. This appears to be one of the factors responsible for the low tax-to-GDP ratio of the sub-continent. What then can be done? The integration of Government Enterprise and Empowerment Programs (GEEPs) platforms into the taxation system is recommended so that MSMEs – who are the major beneficiaries of GEEPs – can be effectively taxed. Use of digital technology, adoption of shared enumeration and consolidation of taxes levied on these businesses are also recommended.

Similarly, these countries should take measures towards reforming the governance, management and human resources of their tax revenue agencies. These countries, as a means to reduce corruption as a challenge to their tax collection, can recruit new revenue officers in order to ensure transparency and efficiency in the tax collection system. This does not suggest that their present tax workforce should be retrenched, rather, it is recommended that more innovative and efficient personnel should be integrated into some principal offices of these agencies so as to act as oversight and also to promote efficiency. This measure has worked successfully in Georgia. Alternatively, these countries can establish more taxpayer offices so as to allow more focus to be given to big taxpayers. This was adopted by Cambodia, leading to its renowned and successful tax administration. These offices will also be saddled with the responsibilities of analyzing new tax payment and collection procedures. In the overall, this will boost tax collection and surmount the challenges faced in the tax collection.

Furthermore, the smart use of information and technological management systems is essential to the improvement of tax collection amongst the West African countries. To some extent, it can be rightly posited that the tax collection systems in most of the West African countries have become digitalized.

Nonetheless, there is still a present under-optimization of technology in their tax collections. The use of ultra-technological systems in tax collection has proved successful in the first world countries. West African countries can as well leverage the power of technology and big data power to advance their revenue mobilization. Taking advantage of digital technology and automated tax collection technique will significantly solve the challenges faced in tax collection by these countries. This technique has proved to be facilitatory in the registration, filing, collection and payment processes.

In conclusion, the ability of a country to collect taxes is directly proportional to its capacity to facilitate the provision of essential services and amenities for the benefit and welfare of its populace. Based on the foregoing, West African countries are clearly below average in their tax collection. This greatly puts the economic development of these countries at stake. In other words, the existing tax administration in the West Africa is in need of wholesale reforms. Against this backdrop, this paper has adopted a precedential approach by illustrating the approaches used by some developing countries in selected but similar regions with West Africa in solving their tax collection problems. This paper has also recommended some pathways to be walked by West African countries in order to considerably succumb the gravid challenges faced in the collection of taxes and mobilization of revenues. By adopting the recommended techniques, the immense efforts made by the governments of these countries in addressing the practical challenges facing their tax revenue collection can be duly compensated.

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