

# What Does 'State-building' Imply for Taxation Policy and Practice?

Mick Moore, 29<sup>th</sup> April 2010, Wilton Park

(State-building = constructing governmental authority that is more legitimate, inclusive, accountable, responsive, capable and law-regulated)

Objectives of tax policy	Is this a conventional objective?	What is the state -building view (for Africa)?
To motivate economic growth	Yes	Agreed
To increase public spending	Yes Š if public goods are under - supplied and t he government uses money well.	Agreed
To reduce the inequality/inequity of tax burdens	Yes Š because it is likely to increase taxpayer compl iance.	Agreed Š but also b ecause perceived fairness in taxation will increase the legitimacy of the political system.
To assess a nd collect taxes fairly, reasonably and with minimum inconvenience and cost to taxpayer	Yes	Agreed Š but we n eed to look more - closely at local taxation, which is often coercive.
To keep coll ection costs low for tax administrations	Yes	Partia lly disagr ee. In the long term, it is importa nt to tax more widely, espec ially to insert reven ue agents into (a) the inform al urban sector and (b) Ōungo - verned Ōrural and urban spaces, for Ōsecu rity Ōreasons. High collection costs may then be justifi ed, especially if there is a clear strategy to expand the tax net further into areas where coll ection costs curre ntly are high.
To encourage informed, transparent public/politic al debate around tax issues	Not normally	Definit ely disagr ee. This kind of debate is likely to incr ease the legitimacy of the tax system Š and therefo re of the political system Š and will probably result in a more efficient and effecti ve tax system in the longer term.