

Workshop on TAX, POVERTY AND FINANCE FOR DEVELOPMENT

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Abstract

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Tax reform is today central to economic reform in developing countries, with the key goals of strengthening public finance and long-term growth. Moreover, the international context is central to tax reform in developing countries, as issues such as tax competition and free trade obligations become more important. Tax policy is also increasingly addressed at a global level and tax policy transfer is mediated through international institutions, such as the IMF and the World Bank, and forums for inter-country coordination such as the OECD or ASEAN.

Yet it must be remembered that tax reform is a political process *within* a country, involving complex negotiations concerning the impact of reform and the distribution of benefits and burdens among taxpayers. At the least, successful tax reform requires sufficient “ownership” by key elements of a country government, revenue agencies and taxpayers, so that the reform is properly implemented and compliance is achieved. More generally, successful tax reform may require the negotiation of a new “fiscal bargain” within a country, involving acceptance by taxpayers that the tax system is fundamentally fair. Yet, in recent years experts have argued that in a globalised world, the tax system cannot deliver distributive justice and the tax policy goal of fairness has become increasingly irrelevant.

This Workshop Paper will address these tensions between the international and the national and between tax policy for growth and for distributive justice. How do international policy and other developments affect the politics of tax reform in developing countries? Can the politics of tax reform within developing countries, including important issues of fairness and compliance, be recognized and addressed at an international level?