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Tax reforms in the Arab Region:

Assessing equity, efficiency and progressivity toward mobilizing domestic resources

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Table of Contents

Acknowledgement 3

Abstract 6

Introduction 7

I. Public revenues: Key trends and patterns 7

1.1 Total revenues: Arab region vs other regions 7

1.2 Sources of revenues: hydrocarbon vs taxation 8

1.3 Tax revenues, as a share of GDP 9

1.4 Composition of taxes 10

1.5 Economic growth, revenues, and tax buoyancy 11

1.6. Determinants of tax collection: Does social contract matter? 13

II. Tax regimes: How efficient are recent tax reforms? 15

2.1. Major tax reforms in the MICs: Assessing equity, efficiency and progressivity 16

2.1.1. Personal income tax (PIT) reforms 2010-2022 16

2.1.2. Corporate income tax (CIT) reforms 2010-2022 18

2.1.3. Goods and services tax (GST/VAT) reforms 2010-2022 19

2.1.4. Efficiency of the VAT and revenue mobilization potential 21

2.1.5. Customs duties and excise tax reforms 2010-2022 23

2.2. Major tax reforms in HICs (GCC): Diversification of tax revenues 23

2.2.1. Corporate Income Tax (CIT) reforms 2010-2022 23

2.2.2. VAT and excise taxes reforms 24

III. Key findings 25

IV. Policy Discussions 26

Annex 29

References 33

List of Figures, Boxes and Tables

Figure 1. Trends in total revenues (Percentage of GDP) 8
Figure 2. Composition of revenues in the Arab Region (percentage of total revenues) 9
Figure 3. Trends in tax revenue within the Arab Region (Percentage of GDP) 10
Figure 4. Composition of tax revenues in MICs (percent share) 11
Figure 5. Growth of GDP and public revenues in the Arab region 12
Figure 6. Long run tax buoyancy of Arab countries 13
Figure 7. Tax rates across the Arab region, 2022 16
Figure 8. Personal income tax thresholds as a ratio of per capita income 17
Figure 9. Corporate Income Tax (CIT) rates across the MICs 19
Figure 10. Corporate income tax revenues (Percentage of total tax revenues) 19
Figure 11. Increase in the VAT rate for several MICs 20
Figure 12. Goods and services tax revenues (Percentage of total tax revenues) 20
Figure 13. Mobilization of general goods and services tax: Goods and services tax revenues as a share of total consumption 21
Figure 14. Higher VAT rates are not enough to improve tax efficiency. 22
Figure 15. Potential VAT revenues gains from improved efficiency. (Percentage increase from actual collections) 22
Figure 16. CIT rates in the GCC countries have remained largely unchanged during 2010-2022 23

Table 1. Fixed effect estimates: Determinants of tax revenues mobilization (N=49; i=29) 14

Box 1. Tax leakages undermine revenues mobilization and effectiveness of fiscal equity 24

Abstract

Tax reforms in the Arab region: Assessing equity, efficiency and progressivity toward mobilizing domestic resources.

Taxation is central to public finance as an essential resource to provide public goods and services and financing the sustainable development goals (SDGs). In the Arab region, fiscal capacities to optimize potential of taxation are faced with several challenges, which is manifested by the low tax mobilization relative to the size of economies and the quality of taxation system that has not been effective in bridging the inequality gaps, which undermines desired developmental objectives of taxation and risks achieving the SDGs. Over the last decade, needs to finance deficits has compelled countries in the Arab region to introduce tax reforms. This paper delves into understanding the landscape of taxation reforms across the region by building a database of tax reforms across Arab States since 2010, assess the equity and efficiency of taxation and analyses the underlying determinants that contribute to performance of taxes. The paper employs a comprehensive review of tax laws for documenting and assessing the tax policy reforms by various tax structures across the region; it employs quantitative techniques for estimating tax efficiency and the performance of taxes. The paper offers policy recommendations, guiding the way toward rethinking taxation in the Arab region for improving equity, fairness, efficiency, and effectiveness to finance the SDGs.

Introduction

Taxation is central to public finance and domestic resource mobilization, which are essential to providing public goods and services and financing the sustainable development goals (SDGs), as well as it is central to increasing equity and the social compact. Over the last decade, needs to finance deficits has compelled countries in the Arab region to introduce tax reforms. Although most of these reforms are a step forward in right direction, they have not yielded enough in terms of improving performance in raising tax revenues, nor in terms of improving equity and progressivity.[1] To further examine the challenges and opportunities of tax reforms in the region, this chapter presents the analysis of tax reforms undertaken between 2010 and 2020, including the policy measures implemented by governments to mitigate the impact of the COVID-19. Furthermore, the chapter analyses some of the major underlying challenges that contribute to under performance of taxes, such as the large informal economic activities, widespread tax evasion and tax avoidance, corruption and illicit cross-border transactions.

The *first* section of the chapter presents an overall view of the performance of government revenues, tax revenues and its composition, and analyses the factors influencing overall tax buoyancy. The *second* section highlights the major tax reforms undertaken by countries across the region over the past decade starting 2010 till 2020. It assesses their performance and impact on equity and efficiency in raising tax revenues, including an assessment of tax leakages. The *third* section presents the key findings, and the *final* section offers policy recommendations at national, regional and international levels, guiding the way forward for rethinking taxation in the Arab region toward improving equity, efficiency, and the effectiveness of tax systems as called for by the Addis Agenda.

I. Public revenues: Key trends and patterns

1.1 Total revenues: Arab region vs other regions

Total revenues of the Arab region, as a share of GDP, were estimated at 32 percent in 2022. Within the region, there are wide variations in revenues to GDP share, largely due to differences in natural resources and income level. The revenues to share of GDP in middle-income countries (MIC)[2] was about 29 percent; in the high-income countries (HICs), which is compromised of the Gulf Cooperation Council (GCC) countries, it was 35 percent and in the low-income countries (LICs)[3] it was 13 percent in 2022.

Public revenues, as a share of GDP, declined from 37 percent in 2010 to 32 percent in 2022 (Figure 1b). The trends in revenues of GCC, which is strongly associated with changes in international oil prices,[4] are a key driver to the decline in aggregate public revenues of the region. The share of revenues to GDP of GCC was 39 percent in 2010, against 35 percent in 2022. For the LICs, the share has declined from 22 percent in 2010 to 13 percent in 2022. Public revenue of the MICs, who rely mainly on taxation, has remained largely unchanged, hovering around 30 percent to their GDP during 2010 and 2022. However, the average for the region is higher than that of the emerging market economies, which was 26 per cent in 2022, mainly

[1] See ESCWA, 2017, 2019.

[2] Middle-income countries (MICs) include Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, the State of Palestine, and Tunisia.

[3] Low-income countries include Somalia, the Syrian Arab Republic, the Sudan and Yemen (LICs).

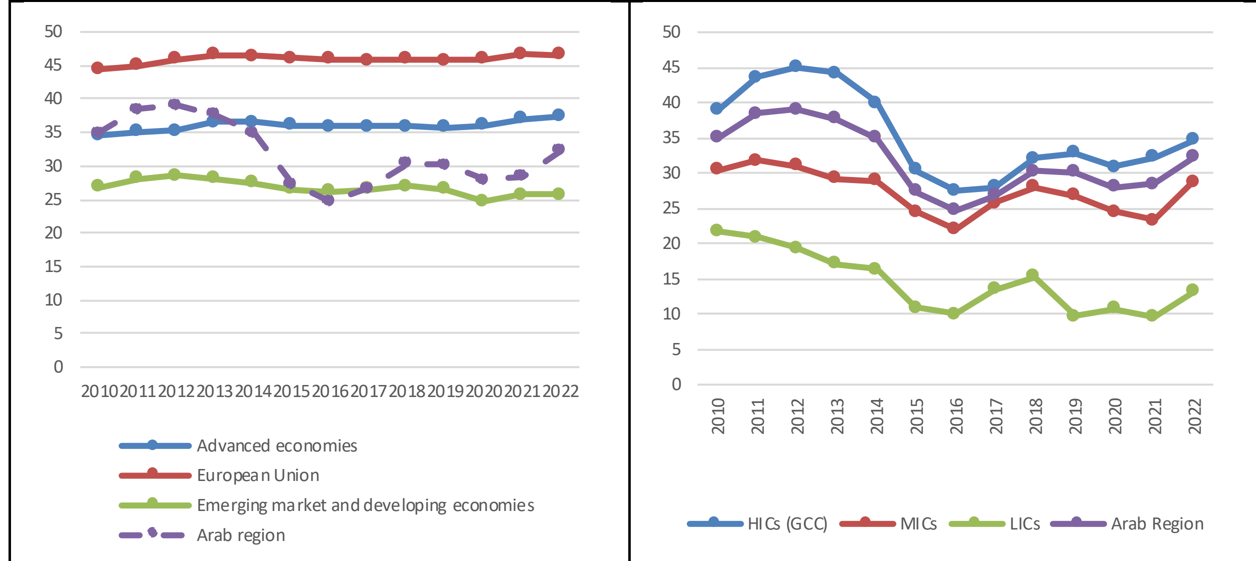
[4] ESCWA, 2019.

led by the revenues of the oil-rich GCC economies. In 2022, the revenues to GDP in advanced economies and European Union were at 37 per cent and 47 per cent respectively (Figure 1a).

Figure 1. Trends in total revenues (Percentage of GDP)

A. *Total revenue across regions in the World (percentage of GDP)*

B. *Total revenue in the Arab region and sub-regions (percentage of GDP)*



Source: Author's calculation, based on IMF data.
Note: Regional and sub-regional aggregates are weighted averages. The averages exclude Somalia, and Syrian Arab Republic due to unavailability of data. The classification of emerging market and developing economies follows that of IMF World Economic Outlook.

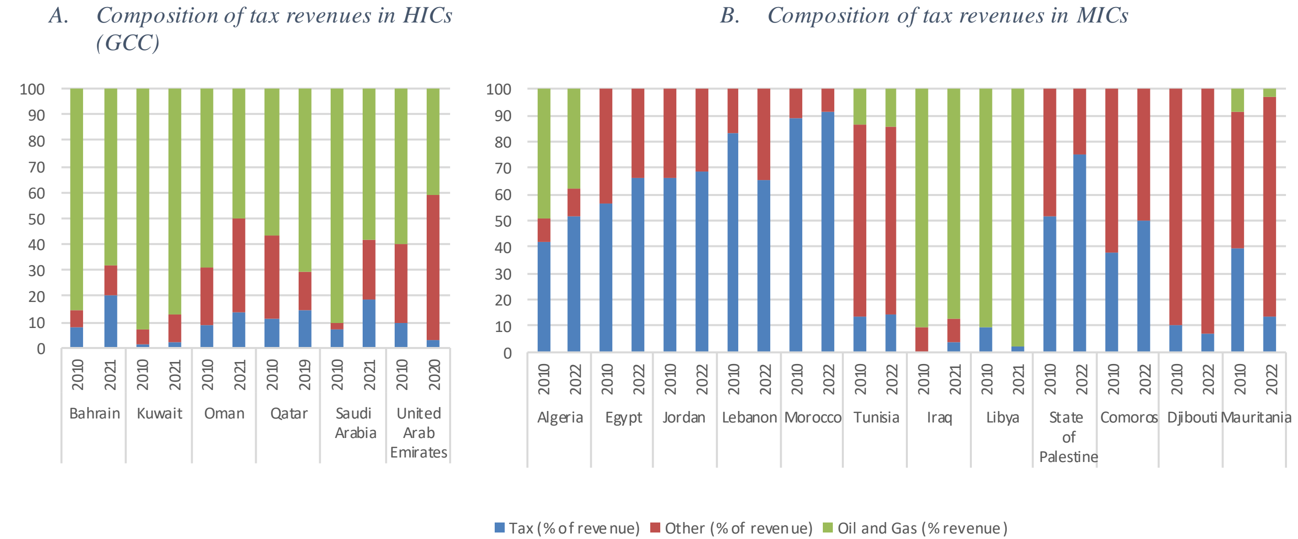
1.2 Sources of revenues: hydrocarbon vs taxation

The sources of revenues differ widely across countries in the Arab region. Oil and gas revenues constitute the main source of revenues in GCC countries. Recent years have seen an increased contribution of tax revenues increased in several GCC countries, driven by the introduction of VAT or customs and excise taxes as well as declining oil revenues due to low oil prices since 2014 (figure 2a). The MICs rely mainly on taxes and excise for public revenues, except for Algeria which relies heavily on the oil sector (figure 2b). Morocco, Tunisia, and Lebanon are relatively good performers within the MICs in the region – they mobilize more than three-quarters of their revenues from taxes. The share of taxes in total revenues has increased as well in Comoros and Mauritania.

Figure 2. Composition of revenues in the Arab Region (percentage of total revenues)

A. *Composition of tax revenues in HICs (GCC)*

B. *Composition of tax revenues in MICs*



Source: Author's calculation based on national data, and IMF.

Note: The components of other revenues are country specific.

1.3 Tax revenues, as a share of GDP

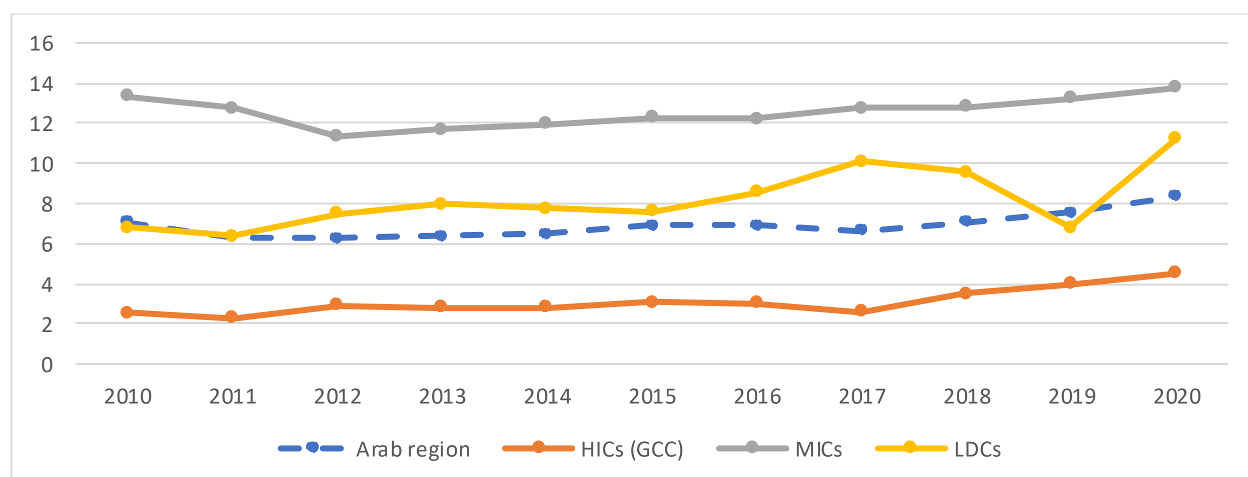
In the region, tax revenues, as share of GDP,[5] was 8 per cent in 2020 (figure 3). It varies between 2 percent in Kuwait and 25 percent in Tunisia. This share has been steady at around 8 percent since 2010. There is a wide variation in the tax to GDP ratio within the Arab region. For the MICs, taxes constituted nearly 17 percent of GDP in 2020, as compared to 6.4 percent for the least developed countries (LDCs), 4.8 percent for the HICs.

The MICs, who rely mainly on taxes for public revenues, have witnessed a steady decline in their taxes to GDP share between 2009 and 2016, especially due to the global economic slowdown combined with conflicts in several parts of the region. They have introduced several tax reforms toward increasing tax revenues during the last five years, which explains the slight increasing trend of taxes to GDP between 2016 and 2020. However, their median taxes to GDP ratio remained low, at around 16 percent in 2019, as compared to 25 percent in the world's developed countries and around 18 percent in the world's middle-income countries[6].

[5] This value excludes Syria & Somalia due to lack of data.

[6] UN, 2021.

Figure 3. Trends in tax revenue within the Arab Region (Percentage of GDP)



Source: Author's calculation based on national data and IMF.
Note: Data for LICs: N.A. The classification of Least Developed Countries (LDCs), as defined by the United Nations, intersects with the income-based classification. Countries designated as LDCs are included in both the averages for LDCs and their respective income group.

The GCC countries do not impose taxes on individuals and goods and services historically, which explains their low tax to GDP ratio. Their taxation system mainly relies on corporate income taxes (CIT). Since the 2014 plunge in oil prices, the GCC countries have increased their focus on fiscal policy reforms mainly focusing on the introduction of taxes on goods and services, such as VAT and excise tax, as part of efforts to diversify the revenue base and improve revenue collection.

The low tax to GDP of LDCs in the region, which comprise of lower middle income countries such as Comoros, Djibouti, Mauritania and also low income countries such as Sudan and Yemen for which data are available, is reflective of the development challenges of these countries.

1.4 Composition of taxes

The composition of taxes reveals that goods and services tax constitute the major share of tax revenues of the MICs (figure 4). The contribution of income tax (personal income tax and corporate income tax) is low for most MICs. There have been efforts recently to mobilize higher revenues from income tax reforms in several countries, however, the share of personal income tax in total taxes is at most 20 percent in most cases, except Tunisia where income tax share is around 28 percent in 2022.

The high share of taxes being mobilized from goods and services indicates the regressive nature of taxes, since the burden of indirect taxes is more on the poor and the middle class than the rich.[7] Additionally, implementation of VAT across the countries suggests that multiple tax exemptions and rates often reduce equity in the administration of VAT and burdens the poor and the middle class more than the richest sections of population.[8] The rationale of exemptions is often not clear and not targeted toward lessening the tax burden on low-income taxpayers. In some cases, VAT tax exemptions are granted for luxury items which are not consumed by taxpayers at the bottom end of the income distribution. For example, in Lebanon in 2019, VAT exemptions were granted for the sales of yachts, other boats, and pleasure craft with a length of more than 15 meters.

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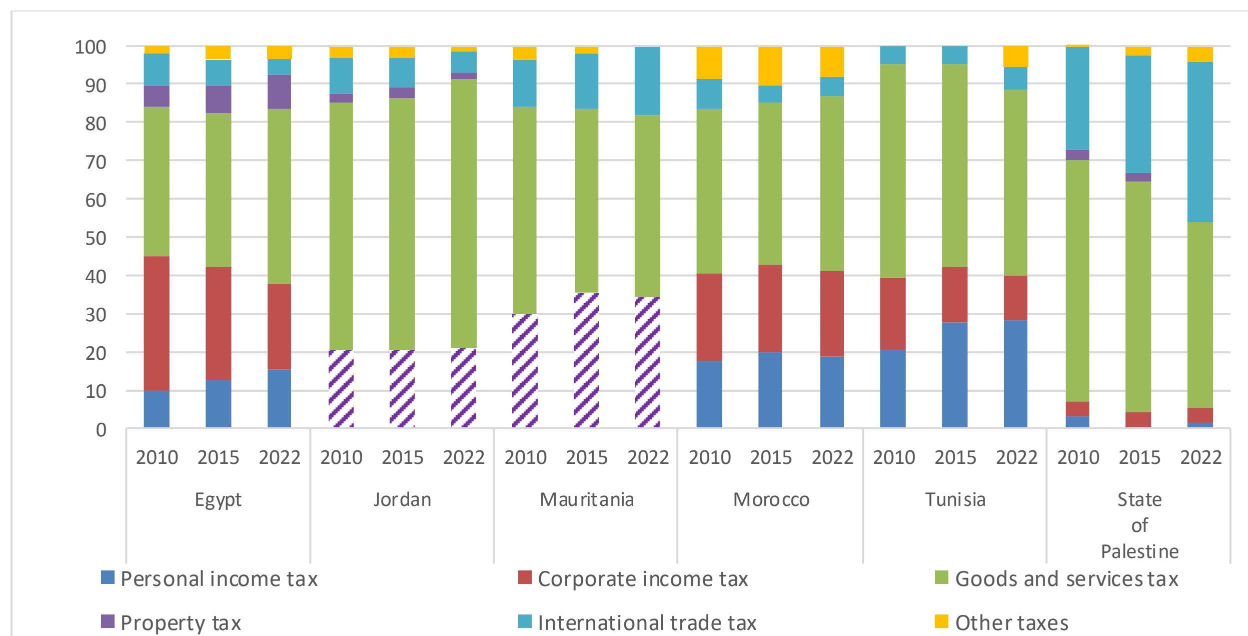
[7] Sarangi, Bhanumurthy and Abu-Ismail, 2015.

[8] ESCWA, 2017

Furthermore, wealth tax constitutes a negligible share of total tax revenue, despite that the region has a high concentration of wealth among the top 1 per cent of people[9]. Globally, taxes on property form around 7 per cent of total tax revenue, which is much higher than that noted in several countries in the Arab region.

Figure 4. Composition of tax revenues in MICs (percent share)



Source: Author's calculation based on national data and IMF.
Note: The purple pattern represents revenues from direct taxes. For Tunisia, revenues from goods and services tax include revenues from VAT, consumption duties, and other indirect taxes.

1.5 Economic growth, revenues, and tax buoyancy

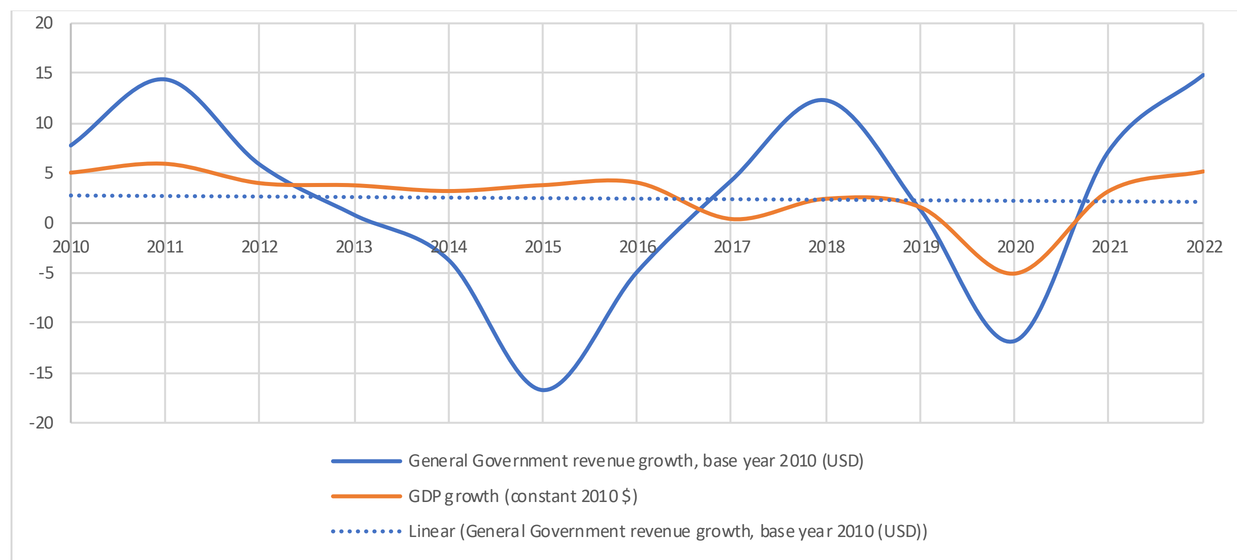
The Arab Region has been hit by several economic and political shocks during the past decade, starting with the global economic slowdown in 2008, which have adversely affected economic growth of the region on average. Low economic growth implies low revenues for Governments. Figure 5 tracks economic growth and revenues trends of the region, which shows an overall linear declining trend during the last decade and half.

The performance of the region, on average, is mainly driven by the performance of GCC economies that are vulnerable to international oil price and global markets. During 2014 to 2017, the region's output and revenues growth declined mainly due to the long-lasting adverse effect of the 2014 oil price plunge. The growth was yet to recover during 2018 and 2019, however, the pandemic led to significant loss of GDP in the region, estimated at USD 150 billion in real terms[10]. During 2010-2019, there were also episodes of conflict across several low- and middle-income countries in the region. Overall, the region witnessed a declining trend of growth during 2008-2020. Real GDP growth rebounded to 3 per cent in 2021. In 2022, real GDP growth exceeded 5

[9] Alvaredo, Assouad and Piketty, 2018.
[10] UN, 2020.

per cent for the first time since 2011, driven significantly by the surge in oil prices due to the war in Ukraine. Revenue growth in 2021 was estimated at around 15 percent.

Figure 5. Growth of GDP and public revenues in the Arab region

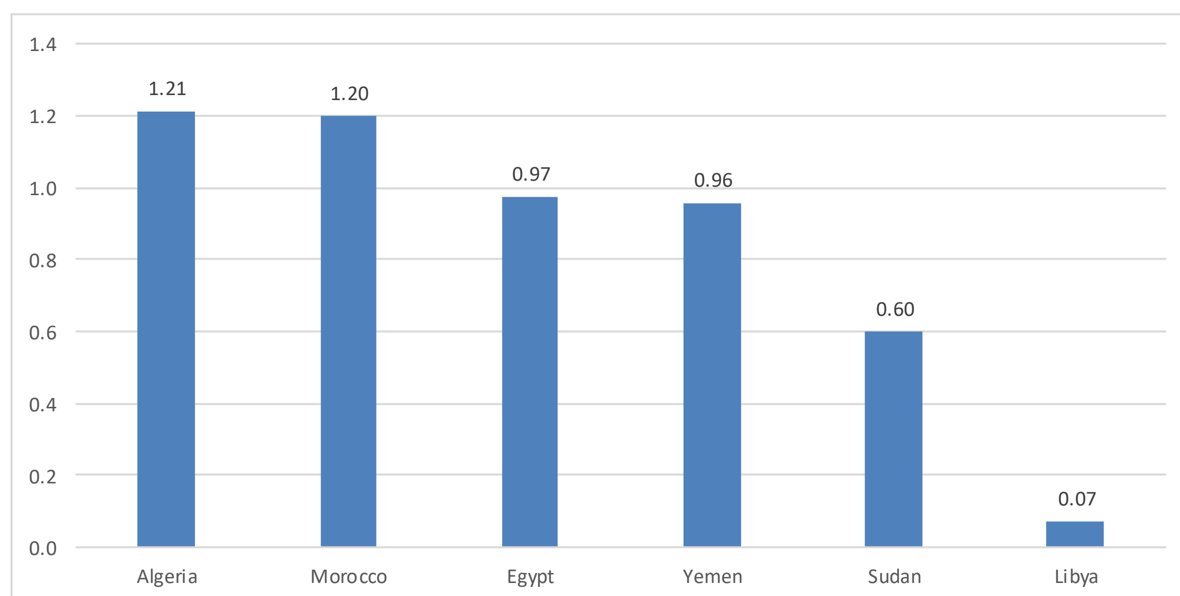


Source: Author's calculation based on data from IMF WEO.

Most countries in the region have low tax buoyancy (less than one), which implies that growth in GDP does not appropriate a proportional increase in revenues.[11] The economic structure of the region indicates stagnating shares of GDP from the agriculture and manufacturing sectors, and an expanding service sector with a high concentration of low value-added activities,[12] which limits the taxation capacities. Another underlying challenge is the high prevalence of informal economic activities, which are not part of the tax base. While informal economic activity compromises mostly low skilled labor, much of the tax lost due to informal economic activity comes from high-net-worth individuals, and hard to tax professional services.[13] However, there are variations in tax buoyancy across countries. Algeria and Morocco have a greater than one tax buoyancy, indicating better response of revenues to economic growth on average over a longer period of time.

[11] See Dudine and Jalles 2017. The finding resonates perfectly with previous finding of ESCWA, 2017; Sarangi and El-Ahmadieh, 2017.
[12] ESCWA, 2017.
[13] Kangave et.al, 2018.

Figure 6. Long run tax buoyancy of Arab countries



Source: Dudine and Jalles 2017, IMF Working Paper

1.6. Determinants of tax collection: Does public services matter?

Based on data from 1990 to 2018, covering 49 countries, we analysed the determinants of mobilization of tax revenues through a fixed effect panel regression.[14] The estimates provide important observations. tax collections tend to be higher in countries that have higher "social investments", implying better public service provisions on health, housing and education (Table 1). This is quite intuitive since ensuring people's rights and meeting their aspirations through provision of quality public services and social investments tend to reinforce people's willingness to fulfil their duties which includes paying taxes. On the contrary, failure of the State to provide its citizens with their basic rights due to lack or inefficient public spending on social areas is often associated with higher incidence of tax evasion leading to lower tax revenues.[15]

A revenue rule alone does not tend to improve revenues, on the contrary, it tends to reduce tax revenues as reflected by the negative coefficient on the revenue rule. The estimates also show that both a balanced budget rule and a debt rule do not tend to have any significant impact on tax revenues. These results intuitively make sense. A focus on raising revenues (through increasing tax rate or tax base) may lead to resentment or higher tax evasion, unless these reforms are accompanied by trust building measures of governments through quality public services provisions. Importantly, an expenditure rule tends to have no significant effect on improving tax revenues. Expenditure rules such as cutting public expenditures will not help economic growth in economies with negative output gap, which adversely affects generating revenues.

Given these preliminary findings, it makes good sense to argue that setting medium-term frameworks for revenue mobilization and tax reforms may not be sufficient to improve tax collections. These measures need to be accompanied by quality public services provisions that reinforces trust in governments and creates 'buy in' among the taxpayers to consider the tax reform proposals.[16]

[14] In finalizing the fixed effect estimates for the panel regression, we took into account factors that influence tax collection such as "social investments" (proxied by expenditure on health, education and housing), performance score on control of corruption (as a measure of economic governance), different fiscal rules (binary variable) including an expenditure rule, a revenue rule, a debt rule and a budget balance rule, and their interacted binary variables with social investments.

[15] ANND, 2017.

[16] ESCWA, 2019.

Table 1. Fixed effect estimates: Determinants of tax revenues mobilization (N=49; i=29)

	Ln (tax revenues)
Ln (GDP)	*0.375 (13.11)***
Ln (social investment)	*0.588 (22.62)***
Governance (control of corruption index)	*0.000 (0.01)*
Fiscal rule (expenditure): 0;1	*0.095 (0.60)*
Fiscal rule (revenue): 0;1	*-1.014 (2.23)**
Fiscal rule (budget balance): 0;1	*-0.048 (1.75)*
Fiscal rule (debt): 0;1	*0.048 (1.62)*
Interaction of social investment and fiscal rule on expenditure	*-0.003 (0.45)*
Interaction of social investment and fiscal rule on revenue	*0.038 (2.09)**
_cons	*0.881 (3.28)***
R^2	*0.96*
N	*803*

*Note: * p<0.05; ** p<0.01; t-statistics in parenthesis.*

Improving tax compliance: The willingness to pay taxes has usually been observed as a trade-off between the cost of complying with the law, in contrast to, the punishment people risk receiving if they do not. However, recent factors affecting people's tax compliance have come to light. Understanding these reasons for paying taxes is crucial, especially in developing countries where the power to enforce tax laws is frequently less. One of the things that might affect people's tax compliance is the degree to which a nation's tax and transfer system decrease inequality. Furthermore, many people support the government's efforts to encourage greater equality by using taxes and transfers to reallocate the available resources from the wealthy to the poor households. Thus, this suggests that individuals would tend to pay taxes more when they believe that the transfer and tax system is progressive.

The World Bank conducted a randomized survey experiment on developing countries to examine if individuals' commitment to paying taxes is affected by whether the transfer and tax system is progressive. The results showed that respondents who were notified about the progressivity of the tax system were more willing to pay taxes. In addition, participants who claimed before the treatment that they favor progressivity in the tax system and received the notion that this is the case were more inclined to pay taxes. In contrast, participants who believed that the tax system was progressive but received a notion that it is not, were less motivated to pay taxes. Moreover, the results highlighted how policy reforms that target a change in the progressivity of the transfer and tax systems may impact people's commitment to paying taxes. Hence, a country that wants to improve its fiscal position by improving equity in the transfer and tax system, can have an incremental advantage of increasing individuals' commitment to paying taxes. The study also showed that another way to increase tax compliance is to communicate to taxpayers about the tax system's progressivity.

Another research was conducted by the World Bank to study which incentives can increase tax morale, by generating a new form of a global online survey experiment on tax morale attitudes. The survey included a remarkably large sample of 65,000 respondents from 50 countries. In addition, the survey estimated the impact of two interventions on tax morale: the "bottom-up participation" intervention and the "top-down accountability" intervention. The former intervention consisted of examining whether asking the respondents to voice out their spending preferences can increase tax morale. While the former intervention investigates whether an increase in the salience of anti-corruption organizations and the sanctions they impose on corrupt officials can improve tax morale. The results showed that the top-down accountability treatment, and to a smaller extent the bottom-up participatory treatment, were efficient at improving tax morale. Furthermore, the findings highlighted that even relatively brief, superficial interventions can have a major impact on beliefs and attitudes regarding tax morale.

In addition, the OECD report examined the question of what drives tax morale, by using data from the World Values Survey which covered approximately 90 countries. The mentioned data is based on the

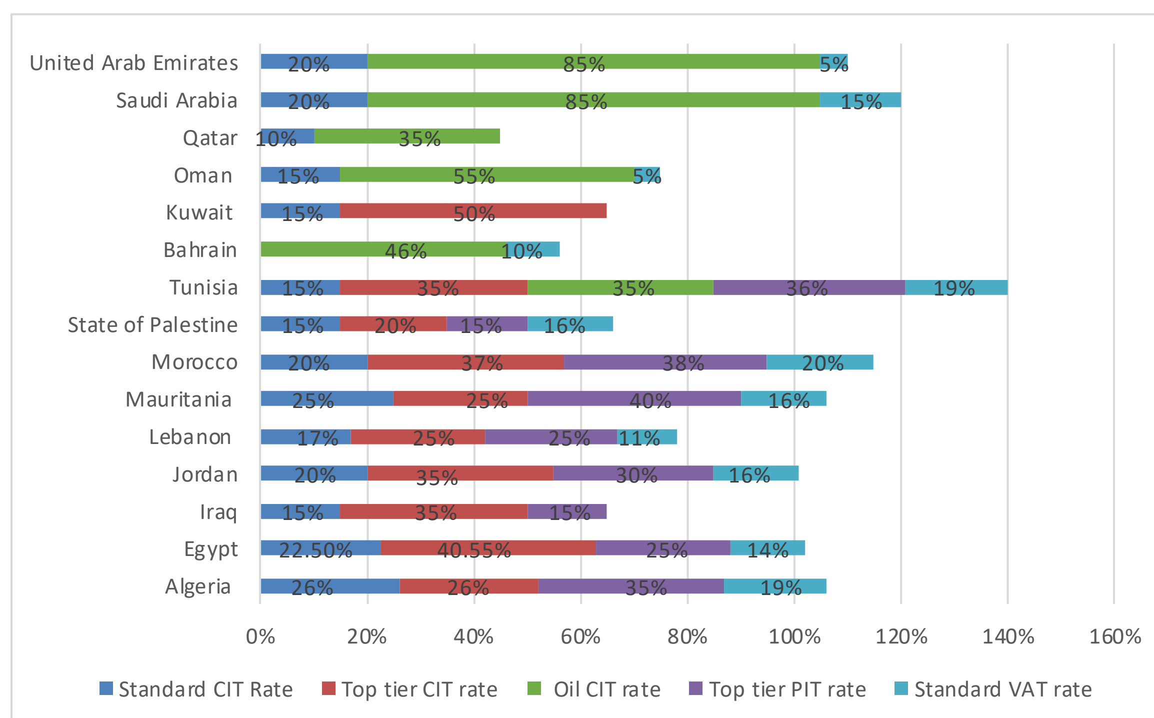
responses of 55 countries to the question: “do you justify cheating on taxes if you have the chance?” The analysis underlines that the comprehension of socioeconomic and institutional components is crucial to understanding individuals’ tax morale. Thus, some of the key findings are the following: first, people who identify as religious or spiritual are more likely to favor paying taxes, second, compared to men women have greater tax morale levels, third, younger people are more likely to defend tax fraud than older people, fourth, people with higher levels of education are more encouraging about paying taxes, finally, the tax morale of self-employed people and part-time workers is less than that of full-time employees. With the use of this fundamental data, taxpayers’ profiles can be created to increase the efforts made to improve compliance.

The results from the institutional factor analysis, however, indicate that higher tax compliance can be attained through publicly supporting the government, its institutions, and transparency rather than solely through enforcement. Hence, some of the main findings are the following: first, people who believe that democracy is the greatest form of government for their nation frequently believe that tax fraud is morally wrong, second, people who demonstrate confidence in their government show more tax morale than those who do not, third, people who believe that governments should tax the wealthy to subsidize the poor, hence who believe that fiscal redistribution is a necessary component of democracy, similarly exhibit higher tax morale than those who do not, lastly, people who dislike claiming benefits they are not entitled to and people with high tax morale are strongly correlated. The mentioned correlation highlights the close connection between the payment of taxes and people's expectations for how taxes will be used in the future. Furthermore, the report showed that greater support for democracy had the biggest marginal impact of all the variables, with those who are happy to live in a democracy being around 12 percentage points more likely to not accept tax evasion than those who do not want to live within a democratic system. Tax evasion is also less likely to occur among the elderly and those who have higher levels of faith in the government. Finally, even while there is a positive correlation between education and tax morale, the amount of the effect is relatively small.

II. Tax regimes: How efficient are recent tax reforms?

Taxation systems in the Arab region differ widely across countries in the region. For the MICs, which rely on taxes as their main source of public revenue, taxation includes both personal income tax (PIT), corporate income tax (CIT), taxes on goods and services such as value added tax (VAT) or other sales tax (figure 7). The GCC countries do not currently have a PIT system, but they have CIT enforced mainly on the oil sector and some of them have recently introduced VAT and excise taxes. Figure 8 shows the tax rates of CIT, PIT and standard VAT rates, which reflects a diverse tax system across countries in the region as of 2020. The top tier PIT varies between 15 and 40 percent across countries, while the standard VAT varies between 5 and 20 percent. The standard CIT rate varies between 10 percent and 26 percent and top tier CIT rate, that applies to companies operating in certain sectors – such as banks and financial institutions in Jordan, credit institutions, leasing companies and insurance companies in Morocco, telecommunication companies, franchises and monopoly companies in the State of Palestine, banks, insurance and telecommunication companies in Tunisia, on certain foreign companies in Kuwait, varies between 20 percent and 50 percent. The CIT rate on oil sector in the GCC countries varies between 35 and 85 percent. Such high variation in tax rates raises questions about the equity and efficiency of tax systems across countries, which is discussed in the subsequent sections.

Figure 7. Tax rates across the Arab region, 2022



Source: Authors' compilation from Ministry of Finance, official gazettes, and relevant tax authorities of respective countries. Note: For Morocco, the standard CIT rate that applies to all sectors unless they are subject to another rate, is 10 percent, 20 percent, or 31 percent, depending on the net profits realised; this figure shows the median standard CIT rate of 20 percent. In Saudi Arabia and the United Arab Emirates, the 85 percent CIT rate that applies on oil sector is the highest applicable rate.

2.1. Major tax reforms in the MICs: Assessing equity, efficiency and progressivity

The section 2.1 presents an overview of the main tax reforms undertaken by the MICs over the period 2010-2022. Reforms in personal income tax (PIT) are presented in section 2.1.1; reforms in corporate income tax (CIT), as well as dividends, capital gains, interest and property tax in section 2.1.2; reforms in goods and services tax in section 2.1.3; VAT efficiency calculation and potential revenue gain from improved efficiency are discussed in section 2.1.4; and finally reforms in customs duties and excise taxes are highlighted in section 2.1.5. Tables A1 to A4 in the annex provide a snapshot on these tax reforms, including tax relief measures undertaken in the context of COVID-19.

2.1.1. Personal income tax (PIT) reforms 2010-2022

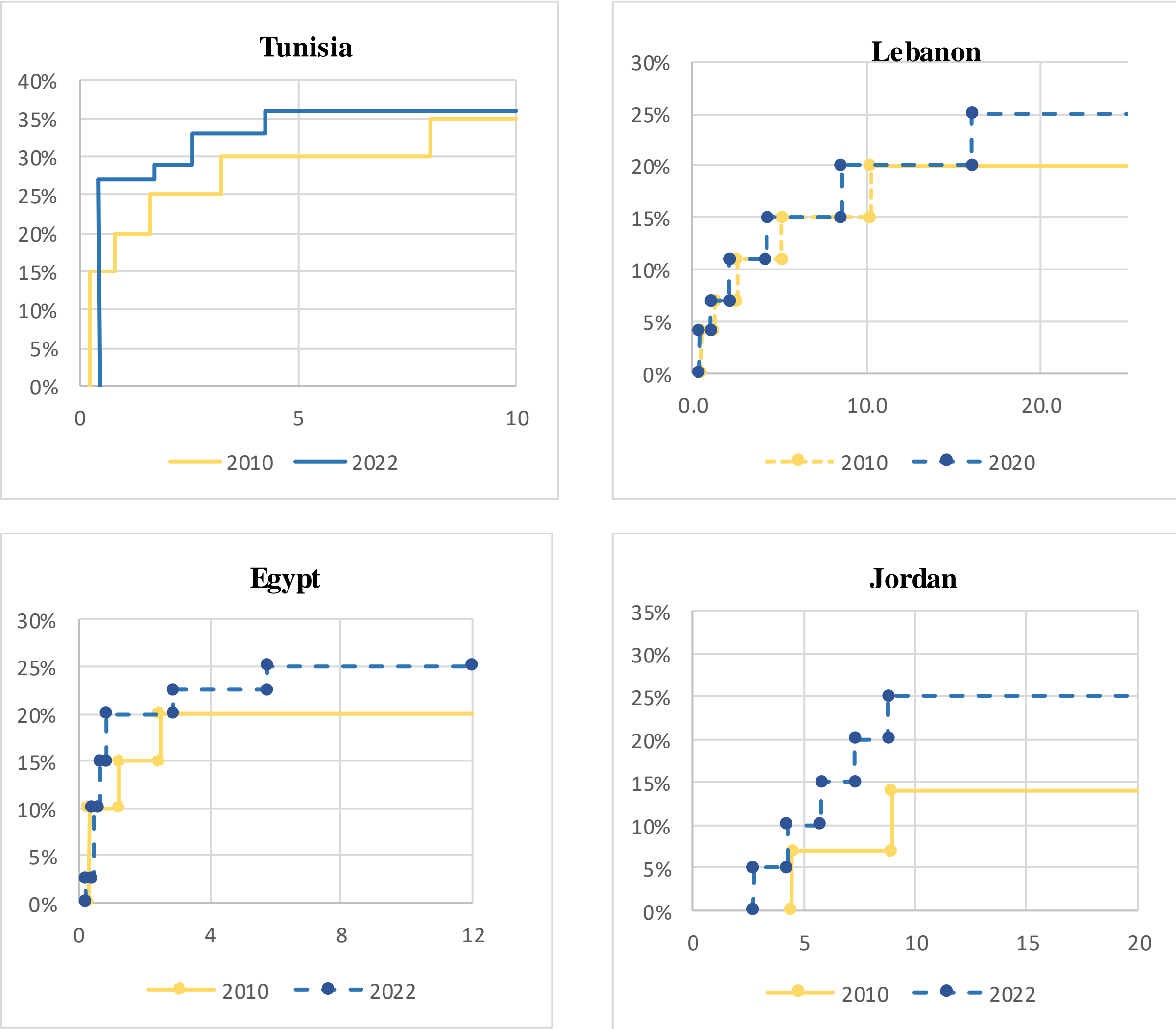
Personal income tax reforms in several countries have involved both modifying the tax rates and the tax base through changing the tax thresholds. Top tier tax rates increased in several countries of the region during 2010 and 2022 (figure 8). In addition, some countries such as Egypt, Lebanon, Jordan and Mauritania introduced a new bracket of top tier income threshold with higher tax rate.[17] The ratio of top tier tax thresholds to per capita income goes up for several countries including Egypt, Jordan, Lebanon and State of Palestine, which suggests that the reforms were targeted at increasing tax collection from the high income earners. In several countries, the ratio of bottom threshold of PIT to per capita income has decreased, such as for Algeria, Lebanon, Morocco, Iraq, and Jordan, which can bring lower-income earners within the tax net *albeit* the lowest rate. Other countries choose to increase the bottom tier tax rates. For instance, in

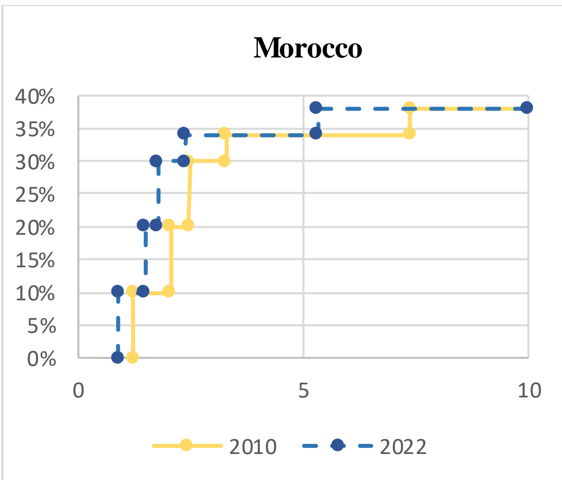
[17] Some Arab States such as State of Palestine increased its highest threshold relating to top tier PIT.

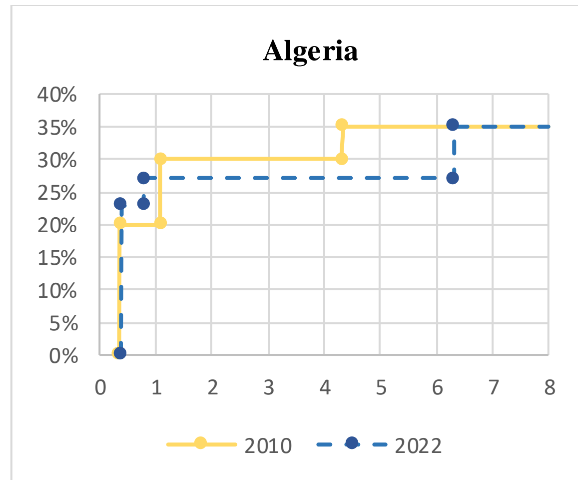
2022, Algeria increased its lowest tax rate, in addition to introducing two new thresholds. Reducing or eliminating exemptions, allowances and deductions granted to individuals, including certain capital gains to income taxable at the PIT scale, are other PIT reforms that aimed to expand the tax base in several countries in the region. Other measures taken toward improving revenues mobilization from individuals' income include the introduction of a social "solidarity contribution/tax", such as in Tunisia, Jordan, Egypt, and Morocco (Annex table A1).

Several countries have made changes in their personal income tax by modifying the number of tax brackets between 2010 and 2021, which works toward making the tax system more progressive (figure 7). For instance, Jordan included a new tax bracket, in 2015, and then shifted towards a more progressive PIT by adding a third, fourth, and fifth threshold in 2019. In addition, in Egypt, an incremental tax bracket was added in 2013 which led to an increase in the top-tier tax rate, and a fourth and fifth threshold were added in 2020. By increasing the tax exemption threshold and raising tax rates on higher incomes, Tunisia also took a significant step toward increasing tax progressivity.

Figure 8. Personal income tax thresholds as a ratio of per capita income







Source: Authors' compilation from Ministry of Finance, official gazettes and relevant tax authorities of respective countries.
Note: The years in the figure refer to years in which reforms were undertaken. The dotted curves represent the latest update.

Despite the several personal income tax reforms, personal income tax, as a share of total tax revenues, shows no significant improvement for most countries over the past decade (figure 12). Tunisia is an exception that witnessed considerable increase in its personal income tax revenues. This raises the question of effectiveness of tax reforms, including cost of tax expenditures, tax non-compliance and tax evasion. While tax expenditures are an important fiscal policy tool to ensure social equity and welfare, they often hamper tax revenue collection. The provision of exemptions, or reduced rates, which often comes without a clear rationale, erodes the tax base. For instance, a study about Morocco found that tax expenditures constituted 3.8 percent of GDP in 2014 which is a significant cost for the government[18]. The tax expenditures are often not estimated. In 2021, for instance, Morocco exempted newly hired workers from income tax for the first 36 months if they are 35 or less and have a permanent employment contract. Most countries across the region do not have a standardized way of measuring tax expenditures and do not account for the costs of tax expenditures in budgets or in annual reports. The absence of prior planning for the provision of tax expenditures as part of the budget and assessing the costs associated with their implementation, makes it difficult to assess the total expected tax revenues. Tax evasion and avoidance are discussed in Box 1.

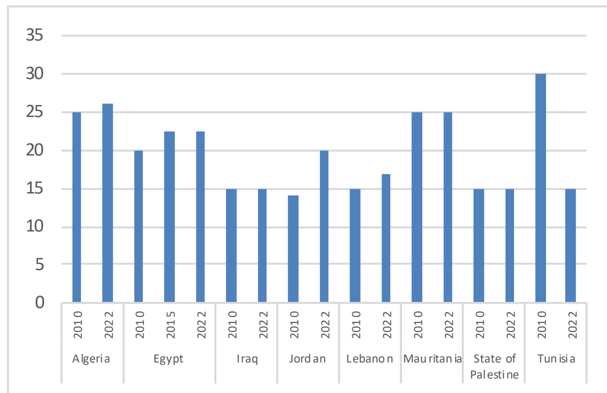
2.1.2. Corporate income tax (CIT) reforms 2010-2022

Several countries in the region have revised CIT rates and CIT base during 2010-2022 (Figure 9a and 9b). These include the general rate[19], the top tier rate, and/or specific rate. A national contribution tax was imposed in some Arab states, such as Jordan, and Morocco. The rates were also revised upward in certain sectors that were previously subject to the standard CIT rate, such in Jordan, Tunisia, and Morocco. Companies in certain zones or sectors that used to benefit from reduced CIT rates became subject to the standard rate, such as in Egypt, Jordan and Tunisia. There are also measures to expand CIT base through cancellation of CIT exemptions. For instance, Morocco cancelled the full CIT exemptions granted to income derived from agricultural farms at all income levels in 2014. A similar measure was taken in Jordan in 2019. Morocco suspended the 5-year exemption that was granted to export companies in 2020. Recently, in 2022, Morocco decided to abolish the progressivity of the CIT rates, and to adopt the proportional method.

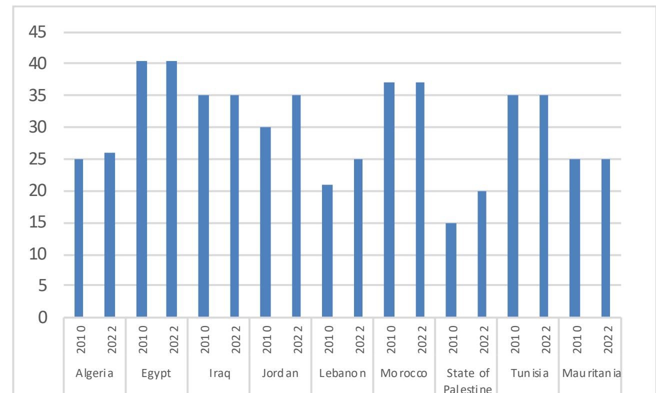
[18] Kassim and Mansour, 2017.
[19] The general (or standard) CIT rate is the rate that applies to all corporations unless these are specifically subject to a reduced CIT rate or higher CIT rate.

Figure 9. Corporate Income Tax (CIT) rates across the MICs

A. Changes in general/ standard tier CIT rates



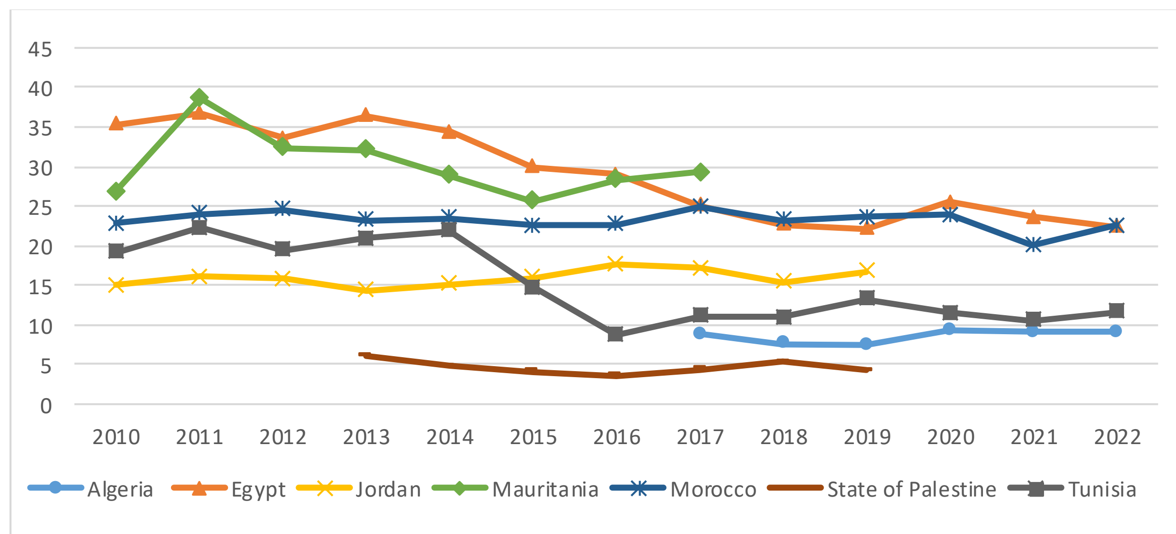
B. Changes in top tier CIT rates



Source: Authors' compilation from Ministry of Finance, official gazettes, and relevant tax authorities of respective countries.

Quite surprisingly, the share of corporate income tax in total tax revenues does not show improvement for most countries of the region, which raises concern about the effectiveness of CIT reforms (figure 10).

Figure 10. Corporate income tax revenues (Percentage of total tax revenues)



Source: Authors' compilation from Ministry of Finance, official gazettes, and relevant tax authorities of respective countries.

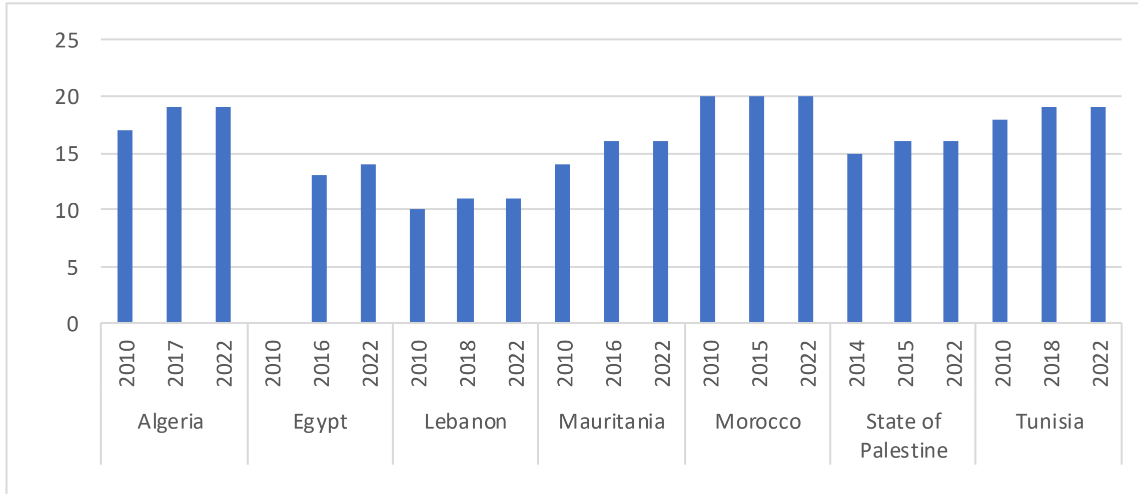
Taxes on dividends', capital gains, interest payment or other earnings were increased in several countries, such as Morocco, Tunisia, Algeria, Egypt and Lebanon (Annex Table A1). However, there are no recent reforms reported in the area of property tax.

2.1.3. Goods and services tax (GST/ VAT) reforms 2010-2022

Goods and services tax represent the major source of tax revenue for most of the MICs and LDCs in the region. As a share of total tax revenues, the goods and services tax varies between 40 per cent in Morocco to 70 per cent in Jordan. Most of these countries, except for Jordan and Iraq, adopt the Value Added Tax (VAT), with Egypt being the latest one to adopt it in 2016. Jordan remains the only MIC with a GST system and Iraq has no law for goods and services tax. The standard VAT rate across the region currently ranges from a lowest of 11 percent in Lebanon to a highest of 20 percent in Morocco. Increasing

the VAT rate is a major tax reform measure across countries in the region. Most countries including Algeria, Egypt, Lebanon, Mauritania, Morocco, State of Palestine and Tunisia have increased VAT rate during the past 10 years (Figure 11).

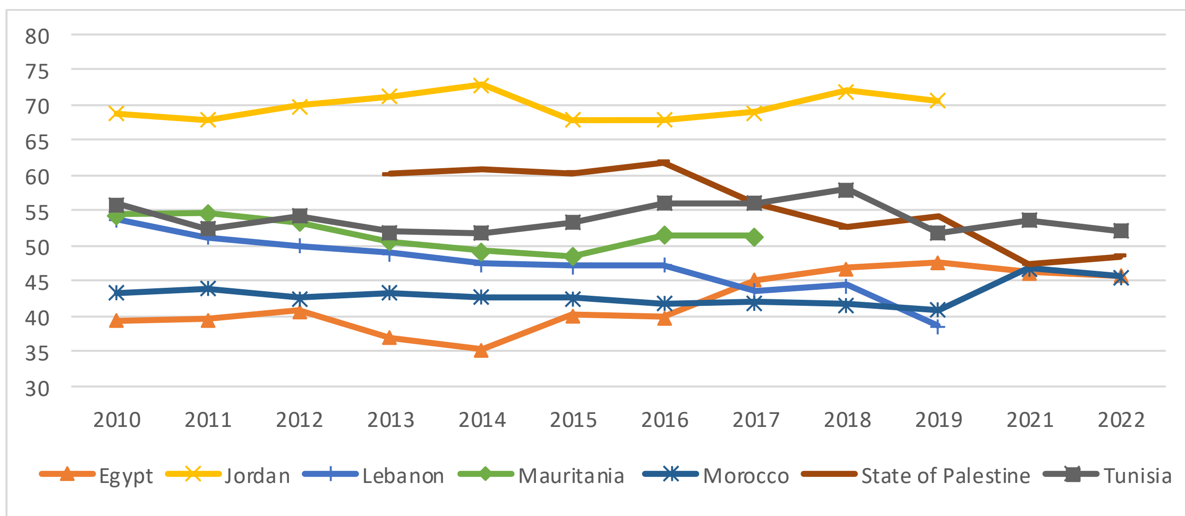
Figure 11. Increase in the VAT rate for several MICs



Source: Authors' compilation from Ministry of Finance, official gazettes and relevant tax authorities of respective countries.
Note: Egypt introduced VAT in 2016.

The performance of reforms in goods and services tax is mixed. In Egypt and Morocco, the share of goods and services tax in total tax revenues has increased in recent years (figure 12). For Tunisia, State of Palestine and Lebanon, revenues from goods and services tax, as a share of total taxes, has declined despite the increase in the VAT rate adopted by these countries. Such trends suggest that increasing VAT rate or expanding VAT base have not been efficient which may be due to underlying factors such as weak tax administration and tax leakages.

Figure 12. Goods and services tax revenues (Percentage of total tax revenues)

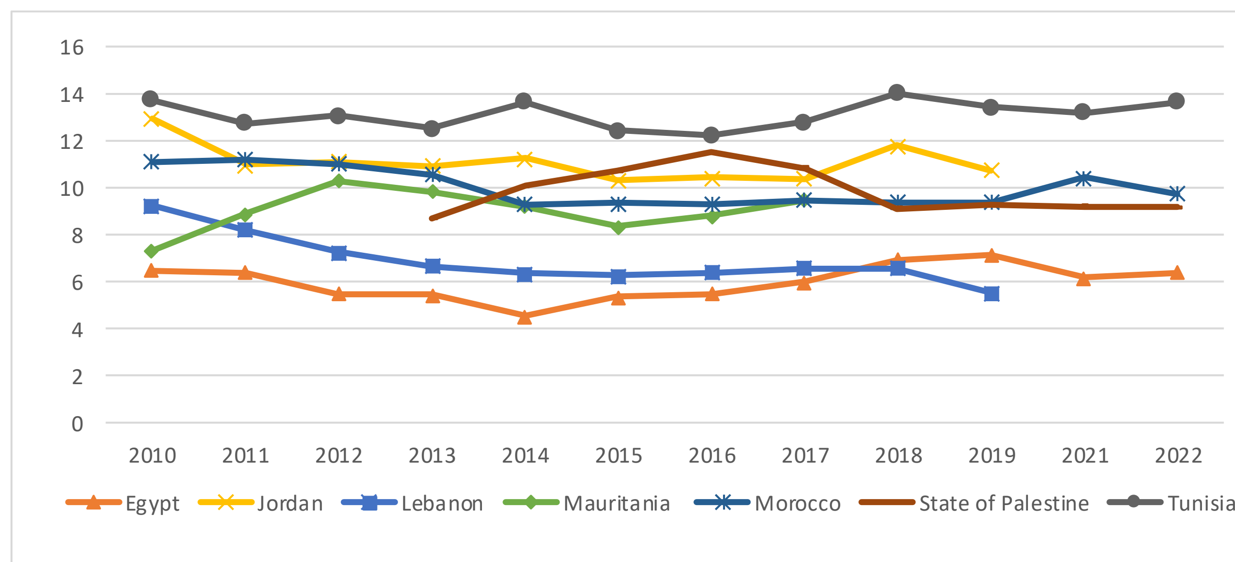


Source: Authors' compilation from Ministry of Finance, official gazettes and relevant tax authorities of respective countries.

2.1.4. Efficiency of the VAT and revenue mobilization potential

The goods and services tax revenues, as a share of total consumption, has not improved in most countries. Egypt is an exception to show a clear improvement in mobilizing revenues from goods and services during 2016-2019 owning to the implementation of the VAT. In Lebanon and Tunisia, these shares declined despite these countries increasing their VAT rates (figure 13). The VAT efficiency is calculated for selected countries to assess the performance of VAT against global benchmarks, such as OECD.

Figure 13. Mobilization of general goods and services tax: Goods and services tax revenues as a share of total consumption



Source: Author's calculation, based on data from Ministry of Finance of respective countries and IMF.

VAT efficiency is indicative of efficiency of tax administration. It is the difference between the actual VAT revenues and potential VAT revenues, the latter being obtained by applying the standard VAT rate to the consumption base. It assesses the tax leakages due to either implementation of reduced rates, exemptions, or tax evasion. The tax base for the VAT is usually proxied by the "Final Consumption Expenditure" as widely suggested in the literature.[20] It may be noted that the reduced rate of VAT can be justified for products used by low-income earners, however, exemptions often distort equity and erode the tax base.

Study of VAT efficiency in five Arab States suggests lower VAT efficiency as compared to global benchmark, such as OECD average. While the OECD average VAT efficiency is at around 0.55, the VAT efficiency rate for the Arab countries vary between 0.32 and 0.43 in the last years. Mauritania shows a VAT efficiency at par with OECD (figure 14a).[21] The VAT efficiency calculations shows that countries with higher VAT rates do not necessarily have higher efficiency and that countries that increased their VAT did not necessarily witness improved VAT efficiency (figures 14a and 14b). Most of the literature highlights the fact that there are important factors that affect tax efficiency, and these can be mainly divided into two main factors. The first one is the "policy gap" and it refers to factors affecting tax efficiency arising from tax policy choices such as the adoption of different reduced rates and the provision of exemptions. The second one is the "compliance gap" that refers to the tax administration and the taxpayer's compliance. Thus, improving VAT efficiency, as part of efforts to increase tax revenue mobilization, requires taking

[20] See OECD, 2020; Cevik, and others, 2019; and Keen, 2013.

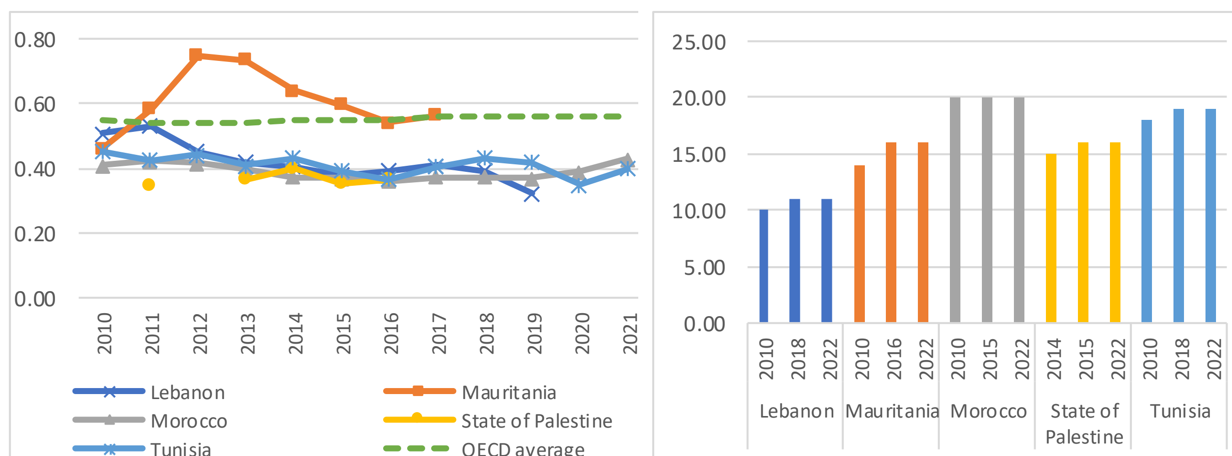
[21] In OECD 2020, the same data variables are used to obtain the VAT efficiency as the ones used by this paper, thus, making the VAT efficiencies for the selected countries of the Arab Region and the OECD average comparable.

measures that go beyond increasing the tax rate, such as rationalizing the exemptions, strengthening the tax administration and enforcing the tax laws to curb tax evasion, informality, and non-compliance.

Figure 14. Higher VAT rates are not enough to improve tax efficiency.

A. VAT efficiency in selected countries of the Arab Region and comparison to OECD average

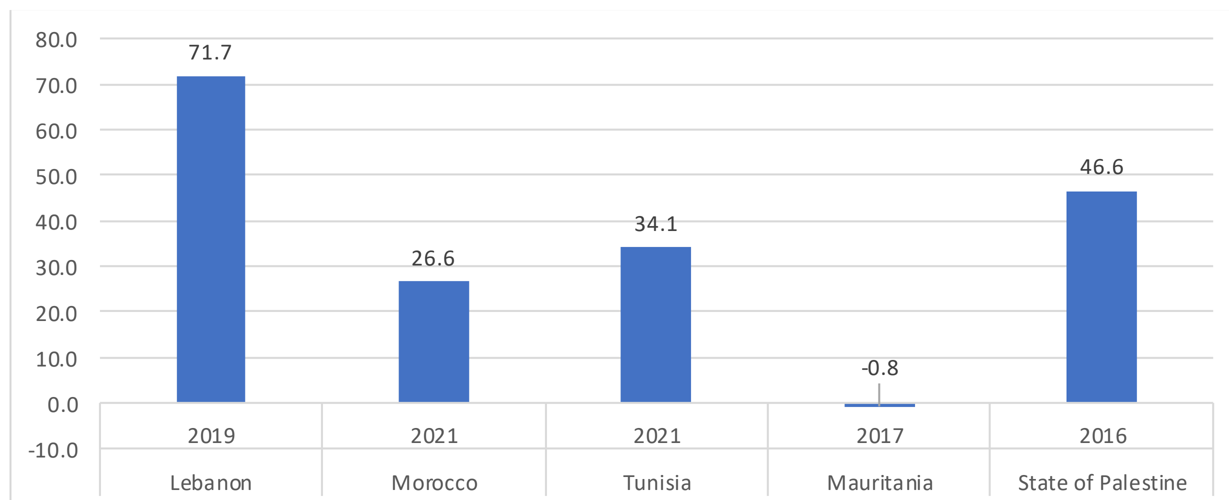
B. VAT rates in the respective countries and their increase over time



Source: Authors' calculations based on data from Ministry of Finance of the selected countries, IMF and OECD.
Note: The value added tax efficiency represents the ratio between collection measured as a percentage of GDP and the tax rate.

Improving tax performance and efficiency, potentially to the average OECD VAT efficiency level, would lead to higher VAT revenues for several Arab States. By applying the OECD average level of VAT efficiency, countries can increase their revenues by about 34 percent in Tunisia, 71 percent in Lebanon, 27 percent in Morocco and 47 percent in State of Palestine. Mauritania, being at par with OECD average VAT efficiency, shows no potential gains (figure 15).

Figure 15. Potential VAT revenues gains from improved efficiency. (Percentage increase from actual collections)



Source: Authors' calculations based on data from Ministry of Finance of the selected countries, IMF and OECD.

2.1.5. Customs duties and excise tax reforms 2010-2022

Over the recent years, several MICs have introduced reforms increasing import duties with the aim of increasing revenue collection from customs and encouraging local production by making imported goods less competitive. Such a measure was taken in in Egypt, Algeria, Tunisia, Morocco, Lebanon, and Iraq.

In several MICs, tobacco products, alcoholic beverages, some petroleum products and lubricants are subject to excise tax. Recent excise tax reforms include the introduction of a tax on e-cigarettes and liquids used in them and a gradual tax on sweetened non-alcoholic drinks according to their sugar content, previously subject to a single tax, in Algeria in 2020. Reforms in Egypt in 2020 consisted of increasing excise taxes on cigarettes and other tobacco products and introducing a new excise tax on heated cigarettes.[22]

2.2. Major tax reforms in HICs (GCC): Diversification of tax revenues

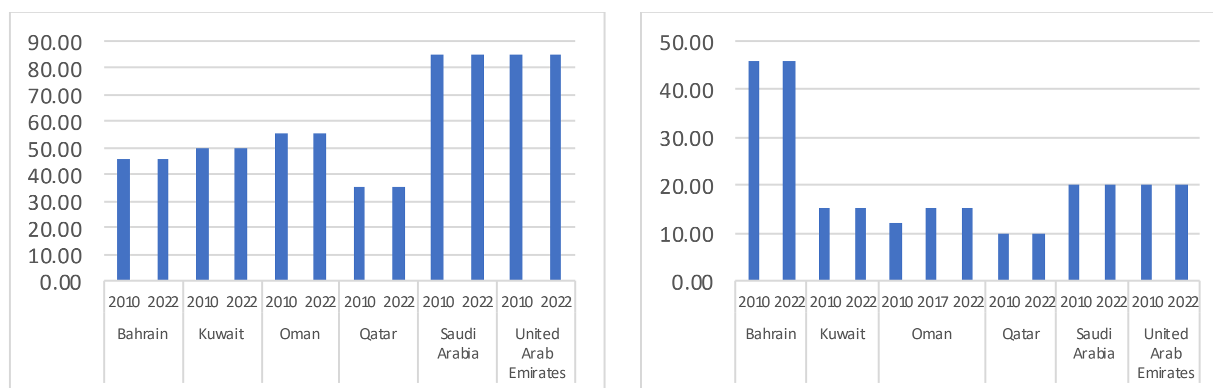
The section 2.2 presents an overview of the main tax reforms undertaken by the GCC countries over the period 2010-2022. Reforms in corporate income (CIT) tax are presented in section 2.2.1; and reforms in VAT and excise taxes in section 2.2.2. Personal income tax (PIT) as well as property tax are not adopted by the GCC countries, while dividends, capital gains, and interest tax might apply in very limited circumstances. Tables A1 to A4 provide a snapshot on these tax reforms, including tax relief measures undertaken in the context of COVID-19.

2.2.1. Corporate Income Tax (CIT) reforms 2010-2022

CIT rates in the GCC countries have remained largely unchanged during 2010-2022. There are wide variation in top tier corporate tax rates in the GCC. The top tier CIT rates are the ones implemented on the oil sector and that shows no change over the period 2010 to 2022 (figure 16a). Qatar brought in petrochemical industries to the highest tax rate bracket which were previously taxed at the standard CIT rate of 10 percent. However, the top tier tax rates remain unchanged. The lowest CIT rates were also unchanged for most GCC, except for Oman, while some are below the proposed global minimum effective rate of 15 percent (figure 20B). In 2017, Oman increased the lowest CIT rate from 12 to 15 percent and cancelled the CIT exemption granted to companies with profits below OMR 30,000.

Figure 16. CIT rates in the GCC countries have remained largely unchanged during 2010-2022

A. Top tier CIT rates in the GCC countries *B. Lowest CIT rates in the GCC countries*



Source: Authors' compilation from Ministry of Finance, official gazettes and relevant tax authorities of respective countries.

[22] IMF, 2021.

2.2.2. VAT and excise taxes reforms

Several GCC countries introduced VAT as part of fiscal reforms and revenue diversification strategy, under a common agreement. Saudi Arabia and United Arab Emirates introduced VAT in 2018, Bahrain in 2019, and Oman introduced VAT in 2021. In 2020, Saudi Arabia increased VAT from 5 percent to 15 percent. In 2022, Bahrain increased VAT from 5 percent to 10 percent. The remaining GCC countries may implement VAT sooner or later. For instance, Kuwait was expected to implement VAT in 2021, but currently this measure is postponed. However, data on VAT revenues are not available for analysis as of end 2020.

In addition to VAT, recent tax reforms in the GCC countries consisted of the introduction of several excise taxes on goods that are deemed harmful to the human health. In 2017, the United Arab Emirates, Bahrain and Saudi Arabia introduced excise taxes on soft drinks which are subject to a 50 percent tax rate as well as tobacco products and energy drinks which are subject to a 100 percent tax rate. In 2019, Qatar and Oman introduced excise taxes on the same goods, subject to the same rates, in addition to a 100 percent excise tax imposed on special goods (alcohol and pork items). In 2019 and 2020 respectively, the United Arab Emirates and Saudi Arabia, introduced additional excise taxes as on sweetened beverages at a rate of 50 percent and on electronic smoking devices and tools and liquids used in such tools at a rate of 100 percent. In 2021, Saudi Arabia introduced excise taxes on equipment used for smoking, electronic devices, and liquids used in electronic devices at a rate of 100 percent.

Over the past few years, the GCC countries have been placing an increased importance on taxes as part of fiscal policy reforms to diversify the tax base to improve revenue collection. However, the focus is being placed on taxes on goods and services. Income and property tax[23] are yet not part of the tax system. In general, taxes imposed on capital gains and dividends' earnings are very limited in the GCC countries with such earnings being tax exempt in several cases. As for dividends' earnings, they are largely exempted from tax with only few cases where a tax is applied. In addition, tax evasion and leakages play an important role in reducing opportunities for improving tax collection from corporates, which is discussed in Box 1. Revenue diversification remains a key challenge for the GCC countries.

Box 1. Tax leakages undermine revenues mobilization and effectiveness of fiscal equity

In the Arab region, tax evasion by High-Net Worth Individuals (HNWI) and white collars in a variety of professional services such as doctors, lawyers, accountants and bankers hold corrosive impacts on the tax base. For instance, in Egypt and Tunisia, nearly 64 and 70 percent of their respective personal income tax revenues in 2018 was accrued from domestic payroll salaries subject to a withholding tax regime.[24] But only 2 percent of personal income tax revenues in Egypt accrued from professional income. In Tunisia, 50 percent of liberal professionals do not comply with their tax obligations.[25] In Jordan, self-employed professionals contribute little to the tax base (0.27 percent of the GDP), and the number of taxpayers has seen episodes where their numbers fell, pointing to the challenges of taxing professional service providers.[26]

As the numbers reveal, globally, $7.6 trillion of untaxed private wealth is hidden in tax havens[27]; 10 percent of the world's GDP is held in untaxed offshore assets; $1.3 trillion in annual multinational

[23] In some countries, taxes are imposed under the "municipal taxes" that might be levied on the rental value of the property or as fees on property registration.

[24] OECD, n.d.

[25] OECD, 2017.

[26] OECD, 2018.

[27] ESCWA, 2023.

corporations' profits are shifted to a small number of tax havens[28] causing $500-$600 billion in direct and indirect corporate tax revenue losses[29] of which low-income countries account for $200 billion[30] or nearly a quarter of the estimated annual SDG financing gap in developing countries[31] - and $8.8 trillion lost to trade-based mis-invoicing of which the Arab region accounts for an annual $77.5 billion.[32]

Corporate tax abuse results in significant loss of revenues in the Arab region. According to ESCWA estimates, Arab countries lose $8.9 billion in annual tax revenue due to corporate tax abuse.[33] Some of the middle-income Arab economies (Egypt, Jordan, Morocco and Tunisia) account, on average, for half of the region's annual tax revenue losses due to corporate tax abuse. For example, according to the Jordanian government, tax evasion costs the treasury between $100-$200 million a year.[34] In Lebanon, corporate income tax evasion is in the order $400-$450 million[35]. Tax evasion in Tunisia is estimated at $1.2 billion due to tax evasion.[36] Increasing Average Effective Corporate Tax Rates (AETR) to match the GloBe tax and its application on all MNCs (irrespective of their size) could generate up to $9 billion in additional tax revenues for the Arab region in 2020.

III. Key findings

1. **The total revenues, as a share of GDP, in the Arab region, has experienced fluctuations over the last decade. However, the region's average is higher than that of the emerging and developing economies**. For the middle-income countries of the region, this share is about 29 percent of GDP in 2022 as compared to 26 percent, on average, for the emerging market and developing economies or 37 percent for advanced economies. Oil-rich GCC economies significantly contribute to the higher average in the Arab region.

2. **The declining trend in total revenues during the last decade and a half has been further exacerbated due to the COVID-19 pandemic**. The adverse impacts of the COVID-19 posed significant negative impacts on revenues, including oil and gas revenues of the GCC countries, and compounded fiscal pressures across countries with several countries introducing tax reforms to mitigate the adverse effect of the crisis. The estimated loss in total revenues, as a percentage of GDP, due to the pandemic is as high as 8 percent of GDP in Algeria.

3. **The sources of revenues differ widely across countries in the Arab region.** For the GCC countries, the main source of public revenues remains the oil and gas sector with only a recent focus on taxation through the introduction of VAT and excise taxes. For instance, the share of oil and gas revenues was 87 percent of total public revenues in Kuwait, in 2021. As for the middle-income countries, public revenues are mainly collected from taxes, with the share of taxes from total revenues ranging 7 percent in Djibouti to 65 percent in Lebanon, in 2022.

[28] Alecci, 2021.

[29] FACTI panel report.

[30] Shaxson, 2019.

[31] Doumbia and Lauridsen, 2019.

[32] UN-DESA, 2019.

[33] ESCWA, 2023.

[34] OCCRP, 2020.

[35] BLOMINVEST BANK, 2017.

[36] World Bank, 2015.

4. **Tax revenues in the region, as share of GDP, excluding the hydrocarbon revenues, hovered around 7 per cent since 2010.** This ratio masks wide variations among countries as taxes in MICs constitute 14 percent of GDP in 2020, compared to 11 percent for LDCs, and 5 percent for HICs (GCC).

5. **Overall, the tax system in the region heavily relies on indirect taxes, which impose the tax burden more on the poor and the middle class than that on the rich.** Income tax out of total tax revenue remains low in the region, and wealth tax almost negligible. These patterns show prevalence of a more regressive taxation system across the region, despite several reforms introduced in recent years. Improving progressivity remained a challenge across countries in the region.

6. **In addition, the recent tax reforms that targeted increasing tax rates as well as expanding tax bases have not yielded enough in terms of improving tax revenues**. Personal income and corporate income tax, as a share of total taxes, exhibited no significant improvement for most of these countries over the last decade. The GCC countries have undertaken recent tax reforms as part of efforts to diversify the tax base and improve revenue collection. However, the focus has been mainly placed on indirect taxes, through the introduction of VAT and excise taxes.

7. **The VAT efficiency remained low, varying between 0.32 and 0.42 as compared to global benchmark, such as OECD average of 0.55.** Improving tax efficiency, to the average OECD level, would lead to increase in revenues as high as 47 percent over that they collect in some countries. Raising tax collection is not just dependent on tax reforms alone but social investments for provision of quality public services that builds trust on governments and creates 'buy in' among the taxpayers to consider the tax reform proposals.

8. **Rethinking Arab tax policy is important given the scale of tax revenue leakages** where 10 percent of the world's GDP is parked untaxed in offshore assets with an additional $1.3 trillion lost annually to corporate tax abuse. Under these conditions, tax authorities are unable to fully estimate their tax base or secure a steady stream of tax revenues, let alone identify the impact of any given tax policy reform with certainty. Tax abuses undermine the integrity of Arab tax systems as they permeate in various forms (tax evasion, avoidance, non-compliance, arbitrage, tax planning, dodging, tax competition) and intensities ($8.9 billion in annual revenues are lost due to corporate tax abuse) under increased conditions of digitization and capital mobility.

9. **Global tax rules are being redrawn to reallocate taxing rights, and thwart tax competition.** As governments hinge post-pandemic recovery on improving tax systems, rooting out the factors undermining domestic resource mobilization is a priority that requires ending the perpetual revenue leakages from an anomaly of tax abuses, tax expenditures, tax-motivated illicit finance, and attend to the taxonomy of incentives driving informality. Tax abuses undermine the integrity of Arab tax systems. About 10 percent of the world's GDP is parked untaxed in offshore assets. An estimated $8.6 billion in annual tax revenue losses due to corporate tax abuses.

IV. Policy Discussions

Governments across the region have implemented several tax reforms in the recent past. However, further qualitative reforms are needed to make the tax systems in the region fairer and more progressive, and to make the administrative procedures more simple and transparent for better tax compliance. In addition, enhancing fiscal space requires controlling cross-border tax evasion and tax avoidance more effectively to tap these resources.

- *Redesign tax brackets and rationalise tax exemptions toward improving equity and efficiency in taxation.* The current taxation systems pose a higher burden on low-and-middle-income earners than that of the rich. The tax brackets, corresponding tax rates, and exemptions can be redesigned to

maximise potential revenue earning capacity as well as to improve equity and fairness in the tax system. Recent reforms in personal income tax in some Arab countries, such as Tunisia and Egypt, are steps toward improving equity and also raising revenues. The reforms need to be assessed over time with the objective of their impact on equity and efficiency and corrective actions need to be taken toward minimising distortions. Rationalising tax exemptions or incentives, including in income tax and in goods and services tax, is another important area of minimising distortions of taxation. It also helps improving tax compliance and simplify tax administration. Mo countries in the region use VAT but VAT efficiency is lower than their potential.

- *Quantify tax expenditures and their impact on development targets.* Tax exemptions and holidays need to be consistently applicable, quantified and made conditional on achieving defined development targets with the possibility of replacing them by direct transfers to the extent admissible by multilateral and preferential arrangements (in order not to trigger countervailing measures or distort competition), and they should be periodically evaluated if they are to do more good than harm.
- *Tap niche financial market products and investors, such as capital gains, dividends and interest income tax and foreign exchange transaction tax.* Small changes in capital gains, dividends and interest income tax are some of the areas that can generate significant revenues, with minimal distortion to social imbalances. However, these need to be assessed in comparison to international financial market products to avoid adverse consequences of capital flight out of the economy. Transaction tax covering foreign exchange or imports is another such instrument.
- *Rethink the design and enforcement of property or wealth tax to improve equity*. Wealth tax is an important tool to improve equity of the taxation system and correct income imbalances in the Arab region, given the underlying inequality gap,[37] as well as a major potential source of revenue. One of the important benefits of a well-designed property tax or wealth tax would be to dampen rent-seeking and speculative activities, and channel funds to more productive investments.[38] However, there have been no recent reforms undertaken in respect to property taxes. Rethinking wealth tax and its enforcement is a challenge across the region mainly due to reasons of limited knowledge on asset valuation and risk of capital flight or even tax evasion/avoidance. It is important for governments to consider asset valuation, at least in selected sectors, and analyse possible gains from redesigning wealth tax.
- *Strengthen tax administration and enhance transparency for ensuring tax compliance*. Improving tax and customs administration, simplifying coding and regulation, and investing in digital technology to improve transparency in tax collection and reporting data[39] can enhance compliance and increase the potential tax base. This would require upfront investment in administrative infrastructure, but over a period, better tax administration would back a broader culture of tax compliance in addition to greater revenues. One way to improve transparency and accountability is the filing of income tax by every citizen, even if not everyone would actually pay tax – an approach encouraged recently in India.[40]
- *Improve tax data and its availability for policy analysis toward better monitoring socio-economic consequences of tax reforms.* Improving tax data and their availability for policy assessment is essential to understand the socio-economic consequences of any tax reform. It would support evidence-based analysis on potential tax mobilization and distributional consequences of tax reforms. Unfortunately, tax records are not available for analysis in most countries in the region.[41] Improving tax records and their continuous analysis and research can improve tax policy decisions accordingly. In each country,

[37] ESCWA, 2020.

[38] ESCWA, 2017.

[39] Examples of such ways to improve tax data collection by tax authorities through "electronic transaction reporting" include the use of an electronic file, the "Standard Audit File for Tax (SAF-T) format developed by the OECD Forum on Tax Administration", where tax data is filled and transferred to "tax authorities in a standardized electronic format" and the obligation of business to use "electronic cash registers" so that cash transactions between businesses can be monitored and recorded, with the possibility of recording transactions even in "(near) real time" as well (OECD, 2020 and Sarin, Summers, Kupferberg, 2020).

[40] ESCWA, 2017.

[41] Also see Alvaredo and Picketty 2014.

the Ministry of Finance must consider hosting a dedicated tax analysis unit that can support such research and analysis.

- *Strengthen cross-border tax cooperation at the regional and international level:* Develop a regional cooperation mechanism to coordinate tax incentives, review tax treaties and forge ahead cooperation on taxation of digital products and corporate tax base; Increase regional cooperation efforts to fight corruption, trade and tax based abuses; Engage effectively in the global tax negotiations within the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting, and consider the amendments introduced to the UN Model Tax Convention; and Reform the national legislative and juridical frameworks of taxation in line with global tax reforms when necessary.

The proposed policy recommendations are not 'one size fits all' across countries, given the diversity of capacity of tax administration and enforcement. It is critical to ensure that the marginal yields of compliance remain higher than the social cost of taxation and associated deadweight losses. Finally, raising tax collection is not just depended on tax reforms alone but social investments for provision of quality public services that builds trust on governments and creates 'buy in' among the taxpayers to consider the tax reform proposals.

Annex

Table A1. Recent tax measures related to personal income tax (PIT) and capital gains/ dividends/ interest income tax

	PIT											Capital gains /Dividends /Interest income tax			
	Increasing top tier PIT rate	Decreasing top tier PIT rate	Increasing bottom tier PIT rate	Decreasing bottom tier PIT rate	Increasing top tier income bracket	Decreasing top tier income bracket	Increasing bottom tier income bracket	Decreasing bottom tier income bracket	Introducing additional intermediate PIT brackets (increasing the number of brackets)	Reducing or eliminating certain exemptions, allowances, and deductions	Introducing a social " solidarity contribution/tax" on individuals' income	Increasing the tax on certain capital gains	Increasing the tax on dividends' earning	Increasing tax on interest payments	Introducing taxes on previously exempted capital gains, dividends, or interest payments*
Algeria												×	×		
Egypt	×			×	×		×		×		×		×		×
Jordan	×			×	×			×	×	×	×				×
Lebanon	×				×							×		×	
Morocco										×	×		×		
Tunisia	×		×				×				×	×	×		
Iraq						×		×							
State of Palestine					×		×								
Mauritania	×				×		×								
Bahrain															
Kuwait															
Oman															
Qatar															
Saudi Arabia															
United Arab Emirates															

*Note: *In Egypt, a tax was introduced on dividend's earnings. In Jordan, a tax was introduced on interest payments earned by individuals.*
No information on Libya, Syrian Arab Republic, Somalia, Sudan and Yemen
Blank cell implies no reforms undertaken during the period

Table A2. Recent tax measures related to corporate income tax (CIT)

	Increasing general CIT rate	Reducing general CIT rate	Increasing top tier CIT rate	Increasing specific CIT rates	Imposing a higher CIT rate on companies previously subject to the standard CIT rate	Cancellation of some CIT exemptions and/or reductions	Introducing a social " solidarity contribution/tax" on corporations
Algeria	×						
Egypt		×				×	
Jordan	×		×		×	×	×
Lebanon	×		×				
Morocco				×	×	×	×
Tunisia		×			×	×	
Iraq							
State of Palestine							
Mauritania							
Bahrain							
Kuwait							
Oman	×					×	
Qatar					×		
Saudi Arabia							
United Arab Emirates							

Note: No information on Libya, Syrian Arab Republic, Somalia, Sudan and Yemen
Blank cell implies no reforms undertaken during the period

Table A3. Recent tax measures related to goods and services tax (VAT), customs duties, and excise tax

	VAT			Customs duties	Excise tax
	VAT implemented (before 2010)	Introducing VAT (between 2010-2020)	Increasing the VAT rate	Increasing customs duties for certain items or introducing higher customs duties rates	Introducing excise taxes (between 2010-2020) *
Algeria	×		×	×	
Egypt		×	×		×
Jordan					
Lebanon	×		×	×	
Morocco	×			×	
Tunisia	×		×	×	
Iraq				×	
State of Palestine	×				
Mauritania	×		×		
Bahrain		×			×
Kuwait					
Oman		×		×	×
Qatar					×
Saudi Arabia		×	×		×
United Arab Emirates		×		×	×

**Note: Algeria, Jordan, Lebanon, Morocco, and Mauritania had already excise tax implemented as of 2010.*
Note: No information on Libya, Syrian Arab Republic, Somalia, Sudan and Yemen
Blank cell implies no reforms undertaken during the period. For excise taxes, blank cell implies information not available.

Table A4. COVID-19 and Taxation Measures

	Tax exemption/reduction/deferment for individuals	Tax exemption/reduction/deferment for SMEs/ non-SMEs business	Waiver of customs duties for SMEs/ non-SMEs business	Waiver/reduction of customs duties for individual
Algeria	×	×	×	
Bahrain		×		
Comoros		×	×	
Djibouti			×	
Egypt		×		×
Iraq		×		
Jordan		×		
Kuwait				×
Lebanon		×		
Libya	×			
Mauritania	×	×	×	×
Morocco	×	×		
Oman		×	×	
Qatar		×	×	
Saudi Arabia		×		
State of Palestine	×	×		
Tunisia	×	×		
United Arab Emirates		×	×	

Source: UN, 2020. COVID-19 Stimulus Tracker: Global Observatory on Social Protection Policy Responses

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