

# Raising Taxes through Regulation?

## Use and misuse of regulatory fees to collect local revenues

Wednesday February 25<sup>th</sup>, 2009  
MC Building, Room C1-100 (Level -1)  
The World Bank, 1818 H Street NW, Washington DC

### Rationale and Objective of the Workshop:

- ⇒ Using regulatory tools to collect taxes (beyond cost-recovery) is in many cases generally accepted to be inefficient, distortionary, and costly to business and broader society
- ⇒ However, this remains common practice in many developing countries, in the absence of sufficient intergovernmental transfers and own revenue sources
- ⇒ A combined implementation of IFC's *Business Taxation* and *Business Operation* products may offer potential solutions, through the replacement of regulatory fees which do not serve a legitimate "regulatory" purpose with more efficient local tax instruments
- ⇒ Experiences are still limited and show that success depends on proper planning and implementation. This raises several practical questions:
  - How can licensing practices be focused to dealing with regulatory issues (almost exclusively)?
  - How can local government revenues be raised through more efficient revenue instruments (which, when, how to implement)?
  - How can licensing reforms integrate the "revenue" solution of tax reforms?
- ⇒ This workshop is organized with these questions in mind, with the objective of identifying solutions that are:
  - Practical, and grounded in principles which can be replicated
  - Adapted to developing countries context
  - Aimed to improve local business environments, while maintaining local revenues

*ORGANIZED BY*

THE INVESTMENT CLIMATE DEPARTMENT OF THE WORLD BANK GROUP  
BUSINESS TAXATION & BUSINESS OPERATION PRODUCT TEAMS

***Raising Taxes through Regulation?***  
**Use and misuse of regulatory fees to collect local revenues**  
**Wednesday February 25<sup>th</sup>, 2009, MC Building**

08.30 - 09.00	Breakfast and registration: Room C1-100 (Level -1 in MC Building)
09.00 - 09.10	Introduction: Bringing regulatory and tax expertise in the same room Tom Davenport, Sr Manager, Regulatory Simplification (CIC/WBG)
09.10 - 09.30	Integrated regulatory and taxation reforms in practice  Peter Ladegaard, Program Manager, Business Operation (CIC/WBG): Can taxation really address revenue implications of regulatory reforms?  Rich Stern: Program Manager, Business Taxation (CIC/WBG): Piloting integrated reforms: what have we done so far?
09.30 - 10.45	Local revenue instruments: What to use, when, pros and cons  Prof. Richard Bird: Local business taxes and levies: overview, pros and cons Dr. Stephen Rimmer (CIC/WBG): Cost recovery: principles for regulatory fees Prof. Roy Bahl: Rationalization of property and land tax regime
10.45 - 11.00	Coffee Break
11.00 - 12.00	Sharing experiences: Key success factors and challenges  Lars Grava, PSD Specialist (CIC/WBG): Kenya case Matt Glasser, Lead Urban Specialist (Urban/WBG): Tanzania case Steven Rozner, Deputy Chief of Party, Fiscal Reform and Economic Governance Project (DAI, USAID): Moldova and Bosnia cases Laurent Corthay, PSD Specialist (CIC/WBG): Yemen case
12.00 - 12.45	Q&A with Panel: Ask your questions to the experts; discuss project issues you are facing; push the agenda forward  <u>Panel:</u> Prof. Bahl, Prof. Bird, S. Rimmer, M. Glasser; S. Rozner <u>Moderated by:</u> Jackie Coolidge, Regulatory Reform Expert
12.45 - 13.00	Wrap-up session: Takeaways and next steps Peter Ladegaard and Rich Stern
13.00 - 14.00	Lunch - Buffet in Room C1-100 (Level -1 in MC Building)