

Sector Analysis of Taxation

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How does the tax system affect different sectors?

Should specific sectors be provided special treatment? If so how?



The World Bank Group

Agenda

1. Agriculture (Paul Barbour)
 2. Mining (Charles Krakoff)
 3. Manufacturing (Rina Oberai)
 4. Financial Services (Charles Krakoff)
 5. Tourism (Wayne Troughton)
- Q&A / Discussion

Agriculture

- ***Always* gets special treatment**
 1. - rural = poor
 2. - rural = hard to tax (remote)
- **Typical benefits**
 1. Lower (even 0) corporate income tax
 2. 0-rated VAT on inputs + outputs
 3. Accelerated depreciation
 4. Fuel subsidy (e.g. South Africa)

Agriculture cont.

- **BUT**, tax is *rarely (if ever)* a binding investment constraint
- Instead...land tenure, price fluctuations, lack of rural infrastructure, access to finance, etc.
- So ***why provide these benefits***, if the only beneficiaries are large, corporate farmers?
- Wouldn't / shouldn't small farmers simply benefit from regular small business tax regimes?

Agriculture cont.

Political imperative to support agricultural sector (but why not rural?).

- 0-rating does help all commercial farmers
- 0-rating outputs is to help the consumers not the producers
- May help subsistence farmers graduate to commercial activity

Agriculture cont.

Other Issues to Think About...

- Land tax (per area? By value?)
- Fuel is biggest cost + biggest tax (transportation of inputs/outputs, in production, harvesting...)
- Ring fencing (imperfect but provides A2F)
- Sub-national taxation – BIG issue in rural areas.
- Cess Tax (e.g. Tanzania, Zambia) – regressive
- Cash accounting?