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Both corruption and tax evasion, however defined, are, therefore, not just modern activities. For many centuries they have generally not been condoned. Some experts have, at times, tried to justify them on various grounds, generally related to presumably bad laws and to the bad behaviour of governments and policy-makers. Some have argued that oppressive taxes and rigid regulations may lead to and justify tax- or regulation-evading reactions by citizens. Very low wages may also justify some acceptance of bribes, and regulations that are too strict may justify ignoring them.

As government activities grew over the years, and as they required higher tax revenue, more public spending and more government regulations, both corruption and tax

the discussion that follows, because it is not relevant in these non-inflationary

A new administration, staffed mainly with carefully selected recent college graduates,

(Tanzi, 2010, p. 95). An incentive system was created that allowed the tax

12. *Relations between tax administration and politicians.* Political influence on tax administrations remains a major problem in many countries, especially in developing countries. The insulation of tax administrators from the interference of politicians is thus essential to prevent corruption and tax evasion. There has been a lot of attention over the years to the need for the political independence of central banks, but not enough about the need for the political independence of tax administrations.

Walpole, 2015).

1970s, gathered momentum in the 1980s, and was enveloped in controversy by the mid-

Mechanical, biological, ecological, social, or government systems can be *simple*, *complicated* or *complex*. The working of a simple system is easy to understand and its results are generally predictable. *Complication* is the inevitable consequence of pursuing technically difficult tasks, such as going to the Moon, producing an atomic power plant, or building a modern jetliner or smartphone. The system can be made less complicated by reducing the number of parts but this is often not possible.

taxes, higher public spending, many new government programs, and an increasing activities of citizens - has created a great deal of complexity in public sectors, and a fertile field for corruption, tax evasion or tax avoidance, or abuses in some government programs (Tanzi, 2018a forthcoming).

To what extent tax systems have become fertile for corruption and for tax evasion is likely to depend not only on the tax laws and on the administrative arrangements, and on how effective the controls are within the tax administrations, but also on cultural characteristics of countries. Given particular laws, administrative arrangements and controls, some cultures seem to be more likely to condone or to tolerate corruption and

the individual taxpayers.

one objective to satisfy, that of generating revenue. Simplicity drove the open

governments started to pursue other objectives, in addition to collecting revenue. As the need for more revenue increased, and the objectives pursued became progressively more numerous, new and more complex tax laws were introduced; equity and other government objectives became important policy goals. The new taxes were increasingly based on accounting concepts (income taxes, value added taxes, wealth taxes) rather than on the presumptive or forfeit criteria of the past. New criteria were used for determining how much income tax a specific taxpayer should pay. Increasingly, the criteria took into account ability to pay, source of income, age of taxpayer, occupation, family status and status.

Value added taxes can also be kept simple by having a single rate applied to as broad a tax base as possible. This is the secret for administrative simplicity, and for obtaining high revenue with lower tax rates. However, in the pursuit of equity, many governments have continued to use multiple rates for different products, under the often mistaken belief that, by so doing, they achieve greater equity. Various empirical studies of value added taxes have shown that this is a fiscal illusion. Often, the favourable tax treatment

than those at lower income levels. It also makes the tax system more complex and promotes tax evasion, because it is harder to keep track of the sale of specific categories of products and services than of total sales. The OECD has recently estimated that Bolivia, which uses a single VAT rate on a very broad base, collected close to 100 per cent of the tax potential while Mexico, which used multiple rates in the same period, including a zero rate for some goods and services, collected only 25 per cent of the potential (OECD, 2017, p. 36).

The pursuit by governments of higher tax levels, and especially of multiple social or economic objectives, has led to complex tax systems that, in some countries, have encouraged or facilitated tax evasion and administrative corruption. Tax experts should have been more insistent in recommending that simplicity remain an important policy objective in taxation and in other social programs. It may be worthwhile to cite the views expressed over recent decades by some tax experts, on the problem of complexity in several countries, as had been reported in Tanzi (2013).

x system, McKerchar (2007,

p. 192) stated:

The Australian federal tax system is widely regarded as one of the most complex tax systems in the world
deductions or to exploit the ambiguities created by complex laws and instructional material.

In the US, the members appointed to an Advisory Panel on Tax Reform in 2005
un
tax benefits to a limited number of taxpayers create complexity and instability, impose

their tax payments, by transferring profits or incomes to low or zero-tax jurisdictions, and by reducing their tax bases reported in high tax-rate countries.

In recent years globalisation has been attracting growing attention, and so has its impact on tax systems. That impact has been associated with increasing tax evasion, growing tax complexity, and growing evidence of corruption or other undesirable behaviour by the tax officials of some countries (see, *inter alia*, Tanzi, 1995b, 2012; Pogge & Mehta, 2016).

. The OECD and the IMF have also been concerned with these developments.

By facilitating increasing multicountry and global economic activities of corporations and HNWIs, globalisation has made tax collection more difficult than it previously had been.

Tanzi, V 2000, *Policies, Institutions and the Dark Side of Economics*, Edward Elgar, Cheltenham, UK and Northampton, MA.

Tanzi, V 2007a,