

Dynamics of changes in



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THEMATIC PAPER:

Assessing VAT revenue performance in selected ATO countries

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Abstract

Value added tax (VAT) revenue performs a primary fiscal function in many developing and transition economies, emphasized by the high correlation between VAT revenue and total tax revenue observed in this study. This necessitates the need to understand the yearly performance of VAT revenues. This thematic paper analyses the performance of VAT revenue in 15 ATO countries over the period 2012 to 2017 using three indicators: VAT Productivity, C-efficiency, and VAT Revenue Ratio (VRR). The results of the analysis show that on average, the efficiency of the VAT system has declined in the ATO countries over the review period. This is observed in the decline for all the three indicators from 2012 to 2017, despite the increase in VAT tax-to-revenue ratio and average growth in VAT revenue. This highlights the need to analyse the VAT gap in the ATO countries to determine whether it emanates from a policy or administrative perspective. Both the C-efficiency and VRR are highly correlated with the VAT productivity.

Keywords: Value Added-Tax (VAT), Tax Productivity, C-efficiency, VAT revenue ratio, Final Consumption Expenditure, correlation

