

IGC TAX WEBINAR

CONSUMER INCENTIVE SCHEMES AND OTHER TAX COMPLIANCES STRATEGIES IN DEVELOPING COUNTRIES

DATE & TIME: 30th June 2021 (14:00hrs – 16:30hrs Lusaka Time/ BST +1)

Zoom link: [Tax Webinar](#)

Moderator: Assistant Director ZRA, Research Department

Time		Speakers
14:00 – 14:05	Opening remarks by the Chair	Mr. Ezekiel Phiri (Director of Research, ZRA)
14:00- 14:10	Remarks by the IGC	Dr. Matthieu Teachout (Research Director, IGC)
Session One		
14:10 – 14:15	<i>Data Visualisation of Consumer Incentive Schemes Around the World</i>	Ms. Twivwe Siwale (Policy Economist, IGC)
14:15- 14:35	<i>Strengthening Consumer Participation in the VAT Lottery in Rwanda</i>	Dr. Gabriel Tourek (Postdoc Fellow, MIT, J PAL)
14:35- 14:55	<i>Rwanda Revenue Authority Expert response (10 minutes)</i> Mr Emmy Mbera <i>Questions and answers (10 minutes)</i>	Moderator: Mr. Kelvin Mpembamoto Assistant Director ZRA, Research Department
Session Two		
14:55 – 15:15	<i>Harnessing the Power of Electronic Fiscal Devices to Increase VAT Revenue in Zambia: What does the data tell us about EFD usage? and Findings from a Consumer Survey</i>	Dr. Brian Dillon (Cornell University) Mr. John Mulenga (ZRA) Ms. Twivwe Siwale (IGC)
15:15 – 15:30	<i>Zambia Revenue Authority Expert response to studies (10 minutes)</i> Mrs. Miriam Sabi Questions and answers (5 minutes)	Moderator Assistant Director ZRA, Research Department
Session Three		
15:30- 15:50	<i>Messaging Matters: The effects of different messages on individual tax payment in Uganda</i>	Dr. Isabelle Cohen (Uni of Washington) Mr. Nicholas Musoke (Uganda Revenue)

		Authority)
15:50 – 16: 10	<i>'Electronic Payment Technology and Tax Capacity: Evidence from Uruguay's Financial Inclusion Reform'</i>	Dr Anne Brockmeyer (TaxDev)
16:10 – 16:20	<i>Questions and answers (10 minutes)</i>	Moderator Assistant Director ZRA, Research Department
Next steps and closing remarks		
16:20 – 16: 30	Key takeaways and closing remarks by the chair	Mr. Ezekiel Phiri (Director of Research, ZRA)

RESEARCH PROJECTS TO BE PRESENTED

Strengthening Consumer Participation in the VAT Lottery in Rwanda (Anders Jensen, Stephanie Campbell, François Gerard, Joana Naritomi, Gabriel Tourek, Andrew Zeitlin)

The VAT is one of the main tax instruments in Rwanda. In the last few years, the Rwandan government and the Rwandan Revenue Authority (RRA) have developed a series of tax enforcement initiatives intended to reduce VAT evasion. One of those strategies is a consumer incentive scheme, an EBM Lottery initiated in September 2015, offering prizes for EBM receipts submitted by consumers. This project, in collaboration with the RRA, aimed to explore the potential for strengthening consumers' participation in VAT compliance strategies in Rwanda. The study presents a systematic analysis of international experience with policies that incentivize consumers' participation in VAT compliance strategies, and an analysis of administrative data from the RRA's current EBM lottery. In addition, it presents results from an original survey of Rwandan consumers, to better understand their views and concerns in relation to both existing VAT compliance strategies and potential reforms to these strategies, including the strengthening of consumer incentives.

Harnessing the Power of Electronic Fiscal Devices to Increase VAT Revenue in Zambia: What does the data tell us about EFD usage? (Brian Dillon, Twivwe Siwale and John Mulenga)

Compliance among formal firms for consumption taxes such as Value Added Tax (VAT) remains low in Zambia. The Zambia Revenue Authority (ZRA) has implemented various policy tools targeted at this type of tax evasion. One of the key policy interventions has been the rolling out of Electronic Fiscal Devices (EFDs) for VAT registered firms. The ZRA rolled out EFDs on a pilot basis in 2018. This is a preliminary evaluation of the impact of EFDs on VAT revenue in Zambia.

What are Consumers' experiences requesting for receipts in Zambia? Findings from a Consumer Survey (Brian Dillon, Twivwe Siwale and John Mulenga)

We present findings from a survey of 628 urban consumers on their beliefs and experiences with Electronic Fiscal Devices and receipt requesting practices when shopping at consumer facing stores. We report findings on their beliefs about the purposes of tax invoices, their invoice-requesting behavior, and their price negotiation strategies. The survey also covered a range of topics related to tax payment, tax avoidance, awareness of EFDs and understanding of VAT in Zambia. The findings offer important insights into aspects of consumer behavior that have a bearing on tax compliance in Zambia, and on the effectiveness of any consumer incentive schemes to increase compliance.

Messaging Matters: The effects of different messages on individual tax payment in Uganda (Isabelle Cohen and Nicholas Musoke)

How can low-cost methods of encouraging tax compliance in developing countries be most effectively constructed to encourage tax payments? A careful review of existing evidence suggests that simple messages can encourage tax payments. Generally, threats of audit have been found to be the most effective; messages which appeal to taxpayers' civic duty have, historically, had more mixed effects. To date, however, most of the research on this subject has been in OECD countries, with the capacity to pursue noncompliant taxpayers, a capacity which is often lacking in developing countries. For example, Uganda has over 700,000 active taxpayers, but conducts fewer than 400 audits per year, roughly 1/60th of the audit rate in the United States. Low-cost encouragement methods, such as education and information campaigns, are to increasing tax revenue. Early evidence from Rwanda suggests that a variety of types of messages can be highly effective in improving tax compliance. The study explores the efficacy of text message reminders with different content in Uganda, focusing on individual taxpayers. These taxpayers are largely small business owners, often with a tax burden of \$100 USD or less. Nevertheless, these taxpayers pay inconsistently (for example, skipping years) and there is considerable evidence that they underreport their annual turnover in order to pay less in taxes. We ask: Does receiving a text message make taxpayer more likely to pay their taxes? Is there any difference in effectiveness between neutral messages, benefit-focused messages, and punishment-focused messages? Do individuals' beliefs about taxation and the government affect their tax payment behavior, and, if so, which beliefs matter?

Electronic Payment Technology and Tax Capacity: Evidence from Uruguay's Financial Inclusion Reform (Anne Brockmeyer & Magaly Sáenz Somarriba)

The idea that the digitization of transactions in an economy might increase government tax capacity has been prominent in the economic literature and in policy debates. This paper studies the effect of financial incentives on the adoption of electronic payment technology by firms and consumers, and on tax compliance by firms. Exploiting administrative tax and transaction records and quasi-experimental variation generated by Uruguay's Financial Inclusion Reform, we present three main findings. Consumer

VAT rebates for credit/debit card transactions trigger an immediate 50% increase in the number of card transactions and an acceleration of the growth trend. Firms, however, are unresponsive to both the increased consumer demand for electronic payment and to a subsidy for point-of-sale terminal (POS) rental fees. The consumer response on its own does not lead to an increase in tax compliance. Endogenous POS adoption and the fact that electronic sales constitute less than 30% of total reported sales among firms with a POS can rationalize this finding.

