**FIRST-BEST**

First-best approaches form a 'perfect' tax system, with no barriers to information or enforcement. In practice, these are not used as they are impractical and inequitable (e.g., lump sum tax).

---

**SECOND-BEST**

High-income countries use second-best approaches to tax collection to maintain production efficiency. With good information and enforcement, they can collect 30–40% of GDP in revenue.

Low-income countries use the same approach. But a lack of information and enforcement capacity means that they can typically generate only 10–15% of GDP in revenue.

---

**THIRD-BEST**

In many low-income countries, a third-best approach, which addresses limits to information and enforcement, could reduce tax evasion and generate more revenue.