WIEGO
Women in Informal Employment: Globalizing and Organizing

**WIEGO Working Paper**
N° 41
September 2019

# Tax Justice and the Informal Economy: A Review of the Debates

**By Michael Rogan**

A deeper understanding of the administration and political economy of informal sector taxation is needed to develop fair, equitable systems.

## WIEGO WORKING PAPERS

The global research-policy-action network Women in Informal Employment: Globalizing and Organizing (WIEGO) Working Papers feature research that makes either an empirical or theoretical contribution to existing knowledge about the informal economy, especially the working poor, their living and work environments and/or their organizations. Attention is paid to policy-relevant research including research that examines policy paradigms and practice. All WIEGO Working Papers are peer reviewed by the WIEGO Research Team and/or external experts. The WIEGO Publications Series is coordinated by the WIEGO Research Team.

WIEGO Working Papers are part of the WIEGO Publication Series.
See www.wiego.org/wiego-publication-series.

## ABOUT THE AUTHOR

Michael Rogan is the interim Director of WIEGO's Urban Policies Programme and has been a Research Associate with the programme for many years. His current work centres on statistical analyses of earnings and status in employment in the informal economy, as well as issues around tax justice and urban regulation. Based at Rhodes University in South Africa, Mike works in the Neil Agget Labour Studies Unit.

**Photo Credit:**
Jonathan Torgovnik/Getty Images Reportage
ACCRA, GHANA - August 10, 2015: Informal worker Rebecca Paintsil selling bananas at Kantamanto market

Published by Women in Informal Employment: Globalizing and Organizing (WIEGO)
A Charitable Company Limited by Guarantee – Company No. 6273538, Registered Charity No. 1143510

**WIEGO Limited**
521 Royal Exchange
Manchester, M2 7EN
United Kingdom
www.wiego.org

TABLE OF CONTENTS

*Page*

## ABSTRACT

Taxation is an increasingly important issue for self-employed workers in the informal sector who have become the target of tax policies aimed at improving revenue collection in some countries. Too often, low-income informal workers are unfairly categorized as tax evaders in a "shadow economy". However, in much of the global South, this massive workforce earns well below national income tax thresholds.

This paper examines how informal workers are currently taxed, why there is growing interest in taxing informal workers and their enterprises, and whether and how informal workers (particularly the self-employed in the informal sector) should be included in the tax net. It reviews the main motivations for increased taxation—from revenue generation to building the social contract—and looks at some recent experiences of informal sector taxation in developing countries. Multiple taxation, tax harassment, and (regressive or flat) presumptive taxation are explored in detail. The paper presents empirical findings from WIEGO's recent exploratory work on taxation in Accra, where it found that informal workers in markets pay various local fees and levies that amount to regressive tax rates. It also cites research that finds informal workers are willing to pay taxes if the taxes are fair and transparent and if they see benefits in return. Finally, the paper identifies priority research gaps and the need for better data to guide policymakers in the design of appropriate tax systems for the informal sector. Direct engagement with informal workers and their organizations is recommended to ensure a fair system of taxation.

# 1. Introduction

Tax justice has recently come to the fore in development literature. High profile discoveries such as the "Panama Papers", oversaturation and fatigue on international aid and debt campaigns, growing levels of inequality, and a general desire for greater accountability have all focused attention on issues of fairness and equity in taxation (Keen 2008, 2012; Sampere 2018). Much of the advocacy and research work on tax justice has been aimed at the national and international levels and, in particular, on whether large multinational companies (often in the fossil fuel or mining industries) are meeting their tax obligations to their host countries. Somewhat less attention, however, has been devoted to tax justice at the local government level and on how local issues of tax can be linked with the broader international tax justice movement (Sampere 2018).

For many informal workers across the global South, concerns with the proliferation of tax havens or tax breaks granted to large multinational companies are far removed from the realities of their daily experiences with taxation (Sampere 2018). This is important, since 61 per cent of the world's workers are in informal employment and, among developing countries such as those in sub-Saharan, and Western and Eastern Africa, 89 per cent and 92 per cent, respectively, of employment is informal (ILO 2018). This is not to suggest that global tax justice is not important. Tax justice at all levels — international, national and local — is at the core of principles of social justice, equity and sustainable development.

In broad terms, **tax justice** refers simply to fairness and equity. A key feature of tax equity is that all taxpayers pay their fair share and that wealthier individuals (and companies) pay more.[1] **Tax equity**, in large part, refers to the tax rate or the proportion of income that individuals and companies pay in tax. Policy debates, and particularly those that relate to informal workers, often concern discussions of flat taxes (with no concern for percentage of income) and methods of progressive taxation (where the tax rate increases for higher income earners). Related to these mechanisms for determining the tax rate, a particular gap in the tax literature concerns how informal workers experience tax equity and fairness. Challenges such as multiple taxation, presumptive taxation and tax harassment have now been identified in the literature as key issues affecting informal workers in a number of different contexts (see Sampere 2018). Moreover, these tax issues are particularly relevant for "local" tax justice and, as such, also hold the potential to impact meaningfully on the livelihoods of informal workers in cities across the global South.

Indeed, tax is a critical issue for those working in the informal economy and particularly for those in the informal sector[2]. It is this particular group of workers, the self-employed in the informal sector (broadly defined as self-employment in unregistered or unincorporated units) that have been the target of new tax policies to improve revenue collection in a number of countries. These efforts have resulted in a number of debates regarding their effectiveness and have raised broader questions about state-society relations and the social contract.

1 This is an example of vertical equity — i.e. where the concern is with redistributing income within society. In taxation terms, it means that people with higher incomes should pay more tax. Horizontal equity is concerned with treating people in identical situations in the same way. Put simply, taxpayers who earn the same amount of income should pay the exact same amount of tax and there should not be discrimination in terms of race, gender, class or type of work. Workers in the informal sector should, therefore, not pay more (or less) tax than workers who earn the same income in the formal sector.

2 In line with the recommendations of the 15th and 17th International Conferences for Labour Statistics (ICLS) in 1993 and 2003, respectively, there are two components to informal employment. The first is informal employment inside the informal sector. This group includes (Vanek et al. 2014: 5-6): own-account (self-employed) workers in their own informal enterprises; employers in informal enterprises; employees of informal enterprises; contributing family workers in informal enterprises; and members of informal producers' cooperatives.

The second group, informal employment outside the informal sector, includes: employees in formal enterprises without social protection, national labour legislation or entitlement to certain employment benefits such as paid annual or sick leave; paid domestic workers not covered by social protection, national labour legislation or entitlement to certain employment benefits; and contributing family workers in formal enterprises.

This working paper aims to outline the current state of knowledge and debates on informal sector taxation. Section two begins with a broad overview of how informal workers are taxed currently. Particular attention is then paid to the debates on whether and how informal workers (and particularly informal sector workers) should be included in the tax net. Next, section three reviews some recent work on the experiences of informal sector taxation in developing countries. The themes of multiple taxation, tax harassment and (regressive or flat) presumptive taxation are explored in detail here. Finally, the paper presents some recent empirical findings from WIEGO's exploratory work on taxation in the informal economy, and then concludes with some overall reflections and the identification of several priority research gaps.

## 2. Taxing the informal sector: Current models and key debates

Before proceeding to an outline of the key debates in the tax and development literature, it is useful to define the concept of taxing the informal economy. When discussing the taxation of the informal economy or the informal sector, definitions and conceptual clarity are key. The tax literature often refers to the "hard to tax" (HTT) or the "shadow economy" to describe components of the labour force that should/could be targeted by tax administrators in developing and transition countries (Schneider & Enste 2000; Bird & Wallace 2003) While the HTT and the shadow economy often overlap in some contexts, there is a clear distinction between, on the one hand, firms and individuals that are large enough to pay taxes but do not (which include the so-called "icebergs" and "ghosts"[3]) and, on the other hand, firms and individuals that are small and are potentially, but not necessarily, taxable. This latter category includes most groups of workers found within the urban informal economy across the global South (e.g. waste pickers, street vendors and home-based workers). The reality for this group is that they may fall between the categories of "hard to tax"" and the untaxable, both because the administrative costs of taxing them are high and because their earnings fall below official tax thresholds (Bird & Wallace 2003). Categorizing this group of informal workers as part of a tax evading "shadow economy" is both harmful and misleading. In many countries across the developing world, such workers make up the vast majority[4] of the workforce and earn well below their national income tax thresholds (Pimhidzai & Fox 2013).

There are also some important distinctions within the different segments of the informal economy. Informal employees (both inside and outside the informal sector), for example, are liable for income taxes if they earn above their country's income tax threshold (although many do not). In the case of informal employees inside the informal sector, many are likely to be unregistered for tax by their employers *and* earning below the tax threshold. The same logic applies to domestic workers in that, even if registered by their employers for national tax purposes, their earnings are likely to be too low to be taxable.[5] However, employees in the informal economy (both inside and outside of the informal sector), are also consumers, so they typically pay indirect or consumption taxes on the goods that they purchase. Examples include value added tax (VAT), customs duties and, in the case of India, a goods and services tax (GST) (see Valodia & Francis, forthcoming).

The informal workers with which this paper is concerned are the self-employed in the informal sector. This group of workers is the main focus

3 In the tax literature, "ghosts" refer to businesses (or individuals) that should register to pay tax but do not and, therefore, are invisible to tax authorities. "Icebergs" are partially visible to tax authorities as they are registered for tax but do not pay their full obligations — thereby leaving a part of their activities "unseen".

4 In Ghana, for example, 90 per cent of employment is informal and 85 per cent (of all employment) is in the informal sector (ILO 2018).

5 In South Africa, domestic work is a good example as the minimum wage for this sector is far below the national tax threshold. Even a domestic worker with full-time employment at the national minimum wage would only earn roughly half of the minimum threshold for paying income tax to the South African Revenue Authority (SARS).

of the tax and development literature and is the group most often targeted for larger tax contributions in a number of developing countries.[6] The paper focuses, therefore, on tax issues related to the informal sector and, in particular, those that are relevant to informal employers and own-account workers. The mechanisms for taxing this specific group of workers include (Joshi et al. 2014): *indirect taxation* (as outlined above, examples include VAT and import duties), as well as several types of *direct taxation* on informal sector incomes. While methods of indirect taxation have, arguably, the widest reach and are often seen as the most efficient ways to "capture" the informal sector, they are not the focus of this paper. There is a separate literature on the effects of indirect taxes such as VAT on tax efficiency and equity in developing countries, but these debates are not specific to the informal economy (but see Valodia & Francis, forthcoming). Moreover, the new generation of tax policy proposals in developing country contexts is focused on the direct taxation of the self-employed in the informal sector.

These forms of direct taxation include the extension of income and small business taxes on "informal operators". The assumption here is that the self-employed in the informal sector operate in much the same way as their counterparts in the formal sector and that they are tax and regulation evaders. This approach is, therefore, focused on improving compliance and encouraging (or forcing) the self-employed to keep financial records and to report their earnings and activities to tax authorities. Perhaps the most common form of direct taxation of the informal sector is presumptive taxation. The logic is suggested in the name, as the system is comprised of setting uniform, fixed amounts of tax based on the "presumed" incomes of different occupations. So, for example, all taxi drivers in a particular city, province or country would be charged the same amount of tax (e.g. on a weekly, monthly or yearly basis). Presumptive tax systems are appealing because they are simple to administer, do not require access to business accounts, and can be publicized to wide segments of the population (see Prichard 2009; Dube 2014; Dube & Casale 2016, 2017; Mekonnen Workneh et al. 2019). Proponents of presumptive taxes have argued that, "[they] may well be the most appropriate solution for many developing countries with large informal sectors. A single tax is particularly useful in countries with numerous small 'nuisance' taxes, and if well-administered, is likely to have a strong signalling effect encouraging informal entrepreneurs to become compliant" (Loeprick 2009: 6).

Other common forms of direct taxation of the informal sector that have been implemented in developing countries include: various types and methods of taxation on transport operators; tax stamp programmes for informal traders; and a flat rate tax on retail turnover (Prichard 2009). Market taxes (e.g. in Ghana) are another good example of a direct tax that have become popular due to their high visibility and associated potential to promote "citizen engagement" and tax negotiation (Prichard & van den Boogaard 2015). These taxes are typically levied as fees for operating as traders or in designated market areas. Market taxes have even prompted some cities in the global South (see Akeju 2018) to explore the role of using market associations and informal worker organizations as agents of tax collection.

In short, there has been a burgeoning interest in including informal sector workers within national and local tax nets through a series of direct taxation measures. While indirect taxes are increasingly a key feature of tax systems in the global South and, while many informal workers do pay these taxes, some of the more prominent debates concerning taxation of the informal sector are focused on methods of direct taxation. The remainder of this paper is concerned with the ways in which informal workers are currently taxed, either as an extension of the small business sector or more explicitly as operators of informal enterprises. This particular distinction is important as the boundaries between informal entrepreneurs and survivalist own-account workers are often blurred in the development and tax literature.

6 In Ghana the national revenue authority recently launched its campaign "Our Taxes Our Future" which aims to address the 'culture of impunity' which, it claims, prevents the informal sector from paying its fair share of taxes: http://www.ghana.gov.gh/index.php/media-center/news/5082-only-2-per-cent-informal-sector-pays-tax-gra-launches-tax-campaign

## 2.1 Renewed interest in taxing the informal sector

Among both international financial institutions and developing country governments, there is currently a push to expand the reach of tax authorities into the informal sector. (Bird & Wallace 2003; Prichard 2009; Joshi et al. 2013). The motivations for taxing the informal sector can be disaggregated into four different rationale (see IMF 2011; Joshi et al. 2013). Perhaps first and foremost, proponents (Schneider & Klinglmair 2004; Schneider et al. 2010) of informal sector taxation point to the large (and often growing) potential revenues associated with the informal sector in many developing countries. Where relatively small tax bases consist almost exclusively of the employees of large private firms and the public sector, the potential tax revenue that could be extracted from the informal sector is appealing. Second, there is a hypothesis that tax compliance among informal sector workers will promote "tax morale" and greater compliance among larger formal sector firms (Torgler 2003; Alm et al. 2004; Torgler & Schneider 2007). This justification implies something of a "knock-on" effect, in which tax compliance is self-perpetuating. Third, registration for tax as part of a broader formalization process is expected to have growth benefits for informal firms as well as a multiplier effect on the growth of larger formal firms (Perry et al. 2007; Fajnzylber et al. 2009b, 2009a; Loeprick 2009). The hypothesized mechanisms for this outcome differ within the literature, but the general expectation associated with this view is that registration is a pre-requisite for growth. Fourth, and perhaps most controversially, is the argument that tax compliance improves the social contract through greater government accountability and civic engagement (Joshi & Ayee 2008; Prichard 2009, 2015).[7]

More broadly, the tax and development literature requires some caution as many studies adopt, "an intentionally narrow focus on small and medium-sized informal enterprises, rather than informal sector workers or subsistence-level economic activities" (Joshi et al. 2014: 1326). This is not necessarily a criticism of such an approach but simply a recognition that many of the issues raised in the literature are not intended to apply to own-account workers in many developing country contexts. At the same time, some sections of the literature deal explicitly with small to medium sized informal firms while the policies that they evaluate (e.g. presumptive taxation) are often applied to the single-person operators and family units without hired workers. This theme will be explored in greater detail later in the paper but, for the remainder of this section, each of the main arguments in favour of taxation of the informal sector is discussed in turn.

### *Mobilizing revenue*

The need for revenue mobilization is, arguably, the main motivation for taxing the informal sector in most developing countries. The International Monetary Fund argues that a widening of the national tax net to include the informal sector is key to improved "revenue mobilization" (IMF 2011). It estimates that, on average, developing countries need to increase their tax to GDP ratios by about four percentage points in order to meet their development objectives and current infrastructure needs (2011: 4).

One of the most notable shortcomings in the tax structures of developing countries is the low level of personal income tax. Personal income tax, on average, accounts for only about 10 per cent of total tax revenue in developing countries (compared with an average of 25 per cent in developed countries)[8] and, as noted earlier, this is largely through the taxation of employees from the public sector and large private firms (Keen 2012: 10). In other words, the bulk of the workforce in most developing countries does not pay personal income tax to the national revenue authority. The share of workers not contributing to personal income tax, of course, increases with the size of a country's informal economy (Joshi et al. 2014; Akeju 2018; Resnick 2018).

Revenue-based arguments for taxing the informal sector are, therefore, largely concerned with the "potential income" — income that could be raised by bringing the informal self-employed and their

7 For a comprehensive summary of these four arguments in favour of increased informal sector taxation, see Joshi et al. 2013.

8 In some respects, however, this is a false equivalence as the structure of the economy in developing countries is very different to high-income countries. Most developing countries with low tax to GDP ratios, for example, also have low per capita incomes, a low ratio of international trade to GDP, and high levels of agricultural activity (Moore 2014).

employees (if any) into the tax net. This argument is typically (either explicitly or implicitly) applied in relation to the payment of taxes to the national tax authority but, as explored in more detail in the next section, informal sector workers are more likely to being paying *local* taxes and fees (Pimhidzai & Fox 2013). Not surprisingly, there is very little information on how much informal workers contribute to local authorities. At least part of the reason is because the fees and taxes that workers pay come in many different forms and are not accounted for in a way that is reflected in municipal budgets or financial statements. Their contributions are likely to be substantial, however, and as one example from Ghana suggests, "market revenues, in the form of fees and stall rents, are of considerable importance for local governments — as they have been historically (Clark 2010) — representing an average of 27 per cent and 24 per cent of local government tax revenue from 2001 to 2011" (Prichard & van den Boogaard 2015: 10).

### *Increasing tax morale*

Apart from the fiscal argument for improving personal income tax collection in developing countries, there is a rationale for taxing informal workers in order to improve what is loosely termed "tax morale". The approach suggests simply that the existence of a large number of workers or firms that do not pay tax decreases the incentives for (large) formal firms to meet their tax obligations. In other words, it has been argued that there may be a spill-over effect where low tax compliance by informal sector enterprises may reduce compliance among formal sector enterprises (Alm et al. 2004; Resnick 2018). The corollary is that improving tax compliance in the informal sector will improve compliance in the formal sector as a result.

Such a rationale for expanding informal sector taxation, therefore, has two components. The first is that there is a hypothesized cyclical relationship between taxation and compliance, whereby expanded taxation (e.g. of the informal sector) leads to a culture of greater compliance that, in turn, fosters the further expansion of the tax net. Indeed, one of the initial motivations behind lump sum presumptive tax systems is the "long-term objective of improving the tax culture instead of the short-term objective of generating revenue" (Getachew 2019: 9). The second is a perceived fairness associated with informal sector workers paying (more) tax. This particular rationale depicts informal workers as unfair competition to formal firms such that, by increasing their tax obligation, the terms of trade are evened out. Such an approach quite obviously does not consider the existing fees and taxes that informal workers already pay at the local level and views informal workers as "tax evaders" without considering the generally low levels of their income (see Pimhidzai & Fox 2013).

### *Promoting growth*

The growth argument for taxing the informal sector is perhaps the least developed in the tax literature. The central tenet hinges on the idea that the formalization of informal firms through registration and taxation will enhance the growth prospects of these firms which will, in turn, promote broader growth (i.e. at the national level). Loeprick (2009: 1) suggests, for example, that, "small business taxation should be seen as an entry point to formality. A good tax regime for small firms is a key policy tool to pave their way out of the 'informality trap' of low growth, limited access to markets, and exclusion from formal financial services… Compliance should be linked to the benefits of being formal". By hypothesizing a series of benefits for informal "firms" to register for tax, the growth argument demonstrates the strongest explicit link between taxation and formalization. This rationale is also more clearly focused on the firm or enterprise-based approach to the informal economy, more broadly, and informal sector taxation, in particular.

Thus, the assumption is that growth and expansion are the primary goals of informal operators, most of whom are own-account operators who do not hire workers.[9]

The mechanisms through which tax registration and formalization are to take place are not always clearly set out in this particular literature. In this approach, positive growth of informal firms is

9 There is some variation within this approach, with some of the literature recognizing that not all firms have a desire to expand and/or that context matters with the experiences of the transition economies of the former Soviet Union being quite different from the typical experience of informal sector "firms" in Latin America and sub-Saharan Africa.

linked, to a significant extent, to the extension of small business tax regulations to informal firms. However, it is not clear how such an approach might differ in a context where the majority of the workforce is informal, and a large proportion are engaged in survivalist activities. In other words, it is difficult to ascertain from the literature whether the growth/formalization rationale for informal sector taxation is understood, by its proponents, to be appropriate for contexts such as developing countries in Asia, Latin American and sub-Saharan Africa.

Indeed, much of this particular strain of the tax literature appears to be more concerned with contexts (such as the transition economies of Eastern Europe), where there is expected to be a large number of smaller firms that evade regulations or are large enough to register for tax (but have not done so). Thus, the growth argument seems to rely quite heavily on the assumptions 1) that informal firms actively evade regulations (including tax[10]), 2) that these firms actually desire growth, and 3) that there is an appropriate set of policies and support packages[11] that will reward firms (appropriately) for registering for tax. This strand of the tax literature, apart from tending to use tax registration and formalization interchangeably, also "views formalisation as a rational choice [where] firms will formalise if the benefits of formalisation outweigh the costs" (Joshi et al. 2014: 1334).

### *Strengthening or building the social contract*

If the first three arguments for taxing the informal sector are underpinned by fiscal and regulatory considerations, the fourth argument offers a far more nuanced rationale. While large informal sectors are sometimes seen as part of a "vicious cycle" in which citizens withdraw from their financial obligations from the state at the same time that the state abandons its role as a provider of public services, a new perspective in the development literature has begun to espouse the link between informal sector taxation and good governance (Meagher 2016). One of the most prominent arguments, particularly outside of the conventional tax and economics literatures, for taxing the informal sector is to repair or to establish the social contract (Resnick 2018). This section of the literature (Levi 1988; Tilly 1990; Brautigam 2002; Moore 2008; Prichard 2015) has argued that bringing more citizens into the tax net promotes a more inclusive ownership of government resources and activities — thereby improving the ability of workers to make claims on the state. Broadly termed "the new fiscal sociology"[12] (Keen 2012), a number of recent approaches to the informal sector within the development agenda include attempts to "draw the informal economy into the tax net with a view to rebuilding the social contract that was demolished under structural adjustment" (Meagher & Lindell 2013: 59).

The three channels through which informal sector taxation is hypothesized to strengthen the social contract include:

1) The state, in aiming to encourage tax compliance, may actually become more responsive to tax paying groups;
2) Citizens may be more likely to make claims against the state if they have contributed taxes; and
3) Tax collection in the informal sector may encourage informal workers to engage in collective action through their worker-based organizations — with the knock-on effect of greater bargaining with the state (Joshi et al. 2014).

10 However, not all of the literature follows this distinction and, with regard to small businesses, which are below the VAT or tax threshold, one recommendation is that they "be subject to a simple 'patente,' akin to a license fee (likely best implemented at local level) — the aim being to secure their participation in the political process and gather information useful for an eventual graduation to the standard tax system" (IMF 2011: 41).

11 Some of the pre-requisites for effective tax reform in the survivalist sector might include: "securing property rights (which are often the cause of transience), improving security (safety from theft or harassment), establishing dispute resolution mechanisms, and affordable accountancy services" (Joshi et al. 2014: 1336).

12 This inter-disciplinary approach attempts, inter alia, to address Schumpeter's classic questions about tax — namely — "the social sources of tax systems, the determinants of taxpayer consent, and the social and cultural consequences of taxation" (Martin et al. 2009b: 14).

The social contract argument for taxing the informal sector also has a reciprocal component that suggests, through the "fiscal exchange hypothesis", that citizens are more likely to be tax compliant when they can observe tangible benefits (e.g. the provision of services) as a result (Bodea & Lebas 2013, 2014; Resnick 2018). There is even some evidence from Zambia (Resnick 2018) that having greater access to services and infrastructure in informal markets is correlated with a higher likelihood of paying taxes (see also Korsun & Meagher 2004; Bodea & Lebas 2014). However, even when there is evidence of a link between taxation and greater government accountability and service delivery, the relationship is mediated by factors such as the broader state of politics, the role of elites, the mobilizing capacity of civil society, "the motives for the tax increase and the type of tax in question" (Prichard 2009: 1). These are factors that are likely to be particularly relevant when taxing the informal sector.

More broadly, while taxation is a key element of state and institution building, there is ongoing debate about what this means, precisely, for tax policy in a developing country context (IMF 2011). One of the key questions, for example, is whether informal sector taxation "strengthens public accountability or [whether it simply] creates new avenues of predation" (Meagher & Lindell 2013: 67). In answering this question based on research in Nigeria, Meagher (2016) suggests that taxing the informal sector promotes social divisions rather than restoring the social contract. It is interesting to note that many of the studies which have examined accountability and the social contract aspect of informal sector taxation have focused on very divided and post-conflict societies (with a particular emphasis on the northern regions of Nigeria). In these contexts, the building of the social contract has an obvious relevance, if not urgency; but, on the whole, it appears some of the key issues surrounding informal sector taxation and the social contract require a stronger empirical basis.

## 2.2 The risk of "getting taxes wrong" in the informal sector

Having visited the case for increasing taxes on the informal sector in developing countries, we must now consider the reasons for scepticism. The key criticism in the tax literature is that potential revenues from informal sector taxation are not as high as proponents often claim, so that the costs associated with implementing and enforcing taxation of the informal sector may well outweigh the fiscal benefits (Keen 2012). As acknowledged by the IMF, "It is not uncommon for developing country tax administrations to devote large resources to [the survivalist sector] in the hope of flushing out medium or large taxpayers by blanket enforcement operations; but results have been poor and costs of implementation high" (IMF 2011: 39).

Outside the dedicated tax literature, there is a concern that efforts to (further) tax vulnerable informal firms may lead to harassment or other "avenues of predation" (Keen 2012; Meagher & Lindell 2013). Recent literature has tended to assess the trade-offs associated with taxing the informal sector by weighing the relative gains and costs of, "low revenues, high administrative costs, the risk of regressive taxation, and tax enforcement risks for vulnerable firms... [against] potential benefits in terms of revenue, growth, and governance" (Joshi et al. 2014: 1325).

Again, however, caution must be exercised in assessing the existing literature because the experiences of taxation differ both by context and by the type of employment. In a broad review of the tax and development literature, Joshi et al. (2014), for example, suggests that it is mostly mid-size firms (i.e. not the smallest[13]) which seem to gain the most benefits from the formalization process (including paying taxes). On the whole, however, the empirical basis for the benefits of informal sector taxation appears to be very thin (Joshi et al. 2014). Moreover, a closer reading of the tax literature specific to the informal sector in developing

13 In the literature, small firms are often defined as having at least five workers — but the vast majority of informal enterprises are single-person or family units without hired workers. Own-account operators would, therefore, typically be even smaller than "small firms".

countries suggests that taxation has not only been inefficient (the primary preoccupation of the tax literature) but that multiple taxation, harassment and regressivity have been the result — with obvious negative consequences for the most vulnerable segments of the informal sector.

### *Multiple taxation*

One of the assumptions in much of the tax literature (Emran & Stiglitz 2005; Torgler & Schneider 2007; Bird & Zolt 2008) is that informal sector workers (firms) are tax evaders and, therefore, fall into categories such as the hard-to-tax and/or the "shadow economy". The reality, however, is that micro-informal firms are not tax evaders because they tend to fall below the earnings thresholds set by central or national tax agencies and because they already pay various types of taxes at the local level (Pimhidzai & Fox 2013). Even one of the most important intellectual breakthroughs in relation to taxation (the "new fiscal sociology") has tended to downplay, somewhat inadvertently, these contributions in an effort to focus more attention on the institution of taxation as a window into the changing social contract (see Martin et al. 2009a, 2009b). The new fiscal sociology's assertion that "taxpayer consent is best explained not as coercion, predation, or illusion, but as a collective bargain in which taxpayers give up resources in exchange for collective goods that amplify the society's productive capacities" appears to embrace a somewhat narrow view of the mechanisms of taxation particularly as they relate to different forms of tax (Martin et al. 2009b: 14). Moreover, the claim that "in the modern world, taxation *is* the social contract" (Martin et al. 2009b: 1; emphasis in the original) and, specifically, that "the renegotiation of which transforms the relationship between state and society" (Martin et al. 2009b: 26) suggests a particularly rigid understanding of the forms of taxation as they may apply to the informal sector in developing country contexts.

Accordingly, Meagher (2016: 3) identifies three "blindspots" in the new fiscal sociology literature as it applies to informal sector taxation and improved governance. These include: "(1) the use of historically inappropriate (and Euro-centric) models of the social contract, (2) a propensity to 'fiscal essentialism' in the definition of informality, and (3) a monolithic view of the informal economy." In challenging the narrative of the new fiscal sociology, her work has shown that through payment of a range of fees, licenses, market levies and registration dues, workers in the informal sector are far from "tax evaders" (Meagher 2016). What Meagher calls "fiscal essentialism" is, in fact, the way in which the new taxation literature tends to ignore the many ways in which informal workers pay taxes (including bribes). Moreover, tax collection (including illicit taxation through bribes) is generally uneven in the informal sector; more vulnerable workers, in particular, have less leverage to negotiate and/or enforce their rights (Meagher 2016).

In one widely cited example from Uganda, the data suggest that, "contrary to widely held perceptions, microenterprises pay taxes — albeit not to the central government but to local governments in various fee payments. The analysis shows that this tax structure is regressive and thus concludes that if a formalisation drive results in a rise in taxes, it could threaten the viability of the smallest enterprises and push people into poverty" (Pimhidzai & Fox 2013: 1). In reaching a similar conclusion to Meagher (2016), Pimhidzai & Fox also note that, in Uganda, "the least noticed sector with the softest voice ends up paying a disproportionate tax burden" (Pimhidzai & Fox 2013: 3). "[These] taxes paid are in various forms. They include tax payments to the central government in the form of VAT and income tax, either corporate tax or a presumptive/small businesses tax as dictated by their turnover. Tax payments are also made to the local governments in the form of trading license fees, operating permit fees, cess on produce (a levy paid by agriculture commodity traders) and user fees like market dues" (Pimhidzai & Fox 2013: 7). "Thus nano-enterprises are not necessarily tax evaders if they do not pay any taxes at the national level. Rather, they pay taxes and fees elsewhere" (Pimhidzai & Fox 2013: 10).

Even some proponents of informal sector taxation (e.g. Joshi et al. 2013) acknowledge that "while informal sector operators may escape national taxation, they are often burdened by several types of fees, charges and licensing costs paid to local governments" (De Mel et al. 2013 as cited in Joshi et al. 2013: 7). It is, therefore, the multiple sources of taxation and the burden they place on informal workers that sits in tension with the key tenets of the new fiscal sociology. However welcome the agenda of the new fiscal sociology is, therefore, its limits in examining the social contract between the state and workers in the informal sector requires a rethink about the avenues of predation experienced in cities across the global South. In these contexts, multiple forms of taxation place an unfair burden on the poorest workers in the informal sector and may, in fact, damage the social contract between the worker and the state.

### *Regressive taxation at the bottom of the pyramid*

Even when the taxes that informal workers do pay are recognized, the existing evidence suggests that they are often highly regressive (i.e. they violate the principle of vertical equity). In many countries in sub-Saharan Africa (including, *inter alia*, Ethiopia, Kenya, Rwanda, Tanzania and Zimbabwe) and Latin America, presumptive tax regimes (for a flat rate system, see Meagher 2016) have become popular methods with which to collect taxes from the self-employed (Joshi et al. 2014; Dube & Casale 2017; Getachew 2019). Such tax systems, however, often violate the principle of horizontal equity since there is no minimum income threshold. As a result, workers in the formal sector who earn similar amounts could pay less in taxes than their counterparts in the informal sector (Dube & Casale 2017) – see also Pimhidzai & Fox (2013). One study of the presumptive tax system in Zimbabwe found that the system is both regressive (vertical inequity) and features horizontal inequity between the formal and informal sectors as well as within the informal sector itself (Dube & Casale 2017).

Moreover, compared with corporate income taxes, presumptive tax regimes do not allow the types of deductions that are available to formal firms (while, at the same time, informal firms are often exposed to fees and other types of costs not normally paid by formal operators) (Dube & Casale 2017). In terms of local government taxation, evidence from Uganda showed that roughly two-thirds of small informal firms (many of which were own-account operators) paid at least one type of local fee and, most crucially, the effective tax rate based on these fees was highly regressive (Pimhidzai & Fox 2013). In addition, most small informal sector firms are not tax evaders, as such, because they are "likely to have income and sales well below any reasonable tax threshold; and much of the most egregious evasion is by qualified professionals" (IMF 2011: 8).

An important additional point is that informal workers are not necessarily opposed to paying local (or even national) taxes. Far from being tax evaders, they are often willing to contribute to local revenues if the taxes are fair and transparent and if they get benefits in return. "These businesses need the support of local government officials to survive and be sustainable. For example, within zoning and land use planning exercises, they need to be assigned workplaces such as markets and areas where small manufacturers can cluster. They need these workplaces to be supplied with local infrastructure such as drainage, solid waste disposal, road maintenance, street lights, and security. While no business wants to pay taxes, some would be ready to pay taxes to support such development if the system was perceived as fair, and benefitting them" (Pimhidzai & Fox 2013: 21). In short, Pimhidzai and Fox's analysis of taxation in Uganda has suggested that the tax obligation for the small, informal, non-farm enterprise segment is at the local level where taxes are most regressive. Misconceptions about tax evasion among this group are based largely on a very narrow view of taxation at the central or national level (Pimhidzai & Fox 2013).

Over and above the potentially regressive nature of presumptive and local tax regimes, there is an additional question of why the poorest workers (typically earning well below any conceivable tax threshold) should pay tax at all. One reason is that public officials often assume that taxes or fees levied against the poorest workers are already so low as to have a limited negative impact. However, while local market taxes may be modest in absolute terms, they often represent a significant and steady burden on highly variable, seasonal and insecure incomes. As Bahiigwa et al. note, "to say that the amounts involved are too small to really matter... is to distort the very meaning of poverty, which is that people's consumption is already below the minimum acceptable level" (2004: 9).

### *Tax harassment*

In addition to multiple or over-taxation in the informal economy, there is a risk, as Meagher (2016) has suggested, that efforts to tax informal workers tend to open up "new avenues of predation". Harassment is more likely to happen in the informal sector because this particular group is more likely to have their fees and taxes collected in person and/or at their place of work (Resnick 2018). At times, the collection of taxes is overtly political and features "unofficial tax exemptions [that] have been used as a means of political or social inclusion or exclusion, for example by discriminating against 'out-groups' such as foreigners or migrants (e.g. Flynn 1997; Juul 2006; Schomerus & Titeca 2012; Titeca & Kimanuka 2012; Meagher 2013). More broadly, it is frequently the weakest actors who are vulnerable to extortion, while more powerful actors are able to collude with tax collectors to avoid taxes (Prichard & van den Boogaard 2015: 9)".

One of the key suggestions in the recent literature is, therefore, that "more effective reform can likely be achieved by 'working with the grain' of local governance realities, by seeking to design reform in a way that is consonant with inescapable capacity constraints and the broader social reality in which collection efforts are embedded" (Prichard & van den Boogaard 2015: 6). Many efforts at reforming or expanding local government tax collection tend to simply ignore the complexities of this level of taxation (Prichard & van den Boogaard 2015). In such cases, the implications for the social contract between informal workers and the state are clear.

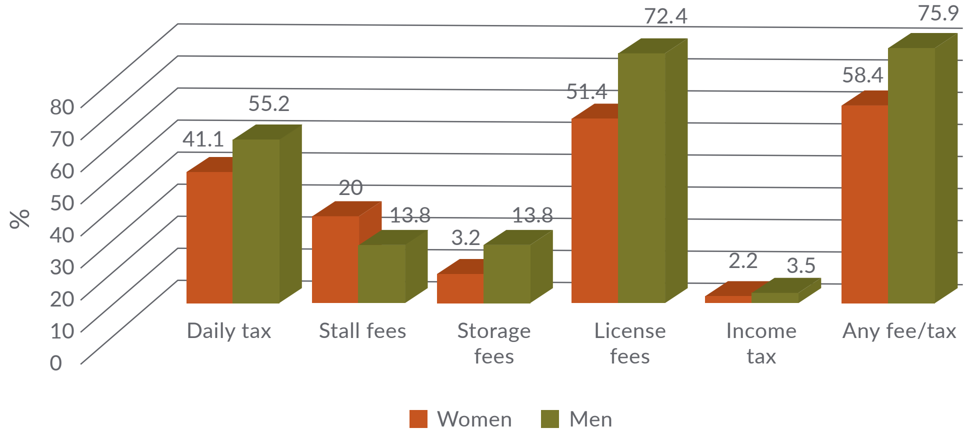
## 3. A case study of informal workers from a market in Accra

Against this backdrop of a rich but relatively recent literature which is concerned with informal sector taxation, the WIEGO Urban Policies Programme has undertaken an exploratory research project that aims to investigate local taxation in the informal economies of several cities in the global South. The project began in Accra, Ghana where WIEGO has a number of affiliates as well as ongoing collaborations with membership-based organisations (MBOs) of urban informal workers. Ghana is an interesting context in which to investigate informal sector taxation as it has often been at the centre of key debates. Even by regional standards, the country has a large informal economy and a low tax to GDP ratio (Danquah & Osei-Assibey 2016). In terms of tax policy, the Ghana Revenue Authority (GRA) has experimented with different ways (e.g. through the introduction of the 2004 stamp tax) of bringing the informal sector into the tax net (Amponsah & Adu 2017). While the stamp tax has been, arguably, the most high profile (and controversial) informal sector tax reform, the large non-farm informal economy has provided opportunities for many types of fees, licenses and permits to be levied against the informally self-employed — accounting for 27 per cent of local government revenues, according to one estimate (Prichard & van den Boogaard 2015: 10).

In early 2018, WIEGO researchers undertook a small (n=214) survey of informal street and market vendors and *kayayei* (market porters) in the capital city of Accra. The questionnaire was based on a recent module on tax perceptions designed by the Afrobarometer[14] survey project. While the survey was by no means representative of the workforce, the results serve as a useful illustration of why it is important to understand the structure of local tax regimes. As suggested in Figure 1 below, most informal workers in the sample pay some type of fee or tax to the local government authority (the Accra Municipal Authority — the AMA). The two most common are the daily tax (paid by 41 per cent of women and 55 per cent of men) and license fees (51 per cent of women and 72 per cent of men). All told, and similar to findings from research in Uganda (Pimhidzai & Fox 2013), the vast majority of workers (roughly 61 per cent) pay some type of fee or tax to the AMA in order to carry out their livelihoods. While only a handful reported paying a tax directly on their income, relatively few workers are exempt from multiple sources of taxation.

14 Afrobarometer is a research institution that conducts public attitude surveys on democracy, governance, the economy and society in 30+ African countries, repeated on a regular cycle and made publicly available. For information, see https://www.afrobarometer.org/

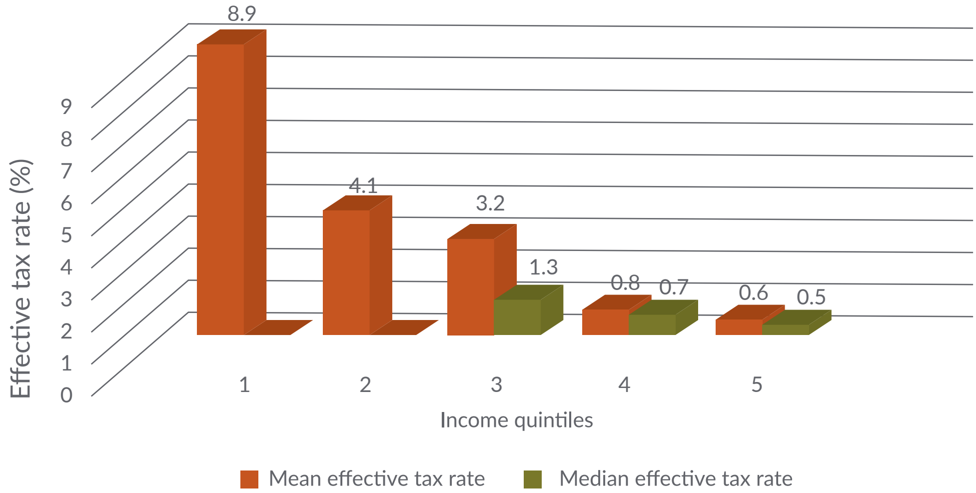
## Figure 1: Types of taxes and fees paid, by sex (Accra, Ghana)




Source: WIEGO Accra Focal City Baseline Survey (2018)

The main problem arises in relation to the distribution of these local taxes and fees (Figure 2). In the graph below, the effective tax rates are presented for each worker income quintile. Effective tax rates, in the language of taxation, refer to total taxes paid as a percentage of total gross monthly income. The first quintile represents the lowest earners and the fifth represents the highest earners. When a tax regime is progressive, the effective tax rate increases (or at least does not decrease) for each quintile or, in other words, tax rates are highest among higher earners. As can be seen in Figure 2, this is the opposite of what happens when local tax rates are calculated for informal workers in Accra.

## Figure 2: Mean and median effective tax rates by income quintile




Source: WIEGO Accra Focal City Baseline Survey (2018)
Note: The effective tax rate is calculated as total fees/taxes as a percentage of gross income (expressed in monthly terms).

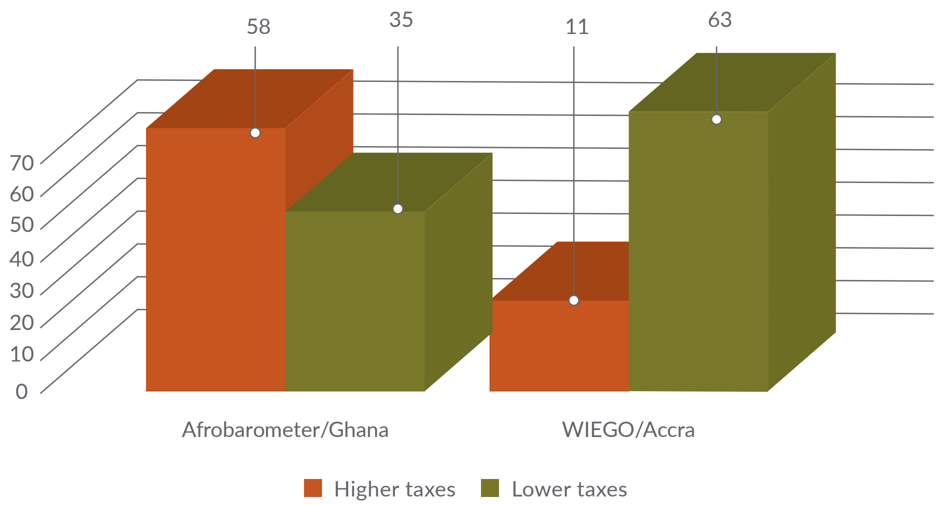
While the median effective tax rate is zero for the lowest earners (i.e. the workers in the middle of the quintile 1 and quintile 2 income distributions do not pay any taxes or fees to the AMA)[15], their average tax rate is about 9 per cent. In other words, the average cost of local taxes and fees is about 9 per cent of total income for this group of workers (even though over half of these workers don't pay any taxes at all). The key finding from the graph is that these local taxes are highly regressive, with the effective tax rate decreasing steadily for each group of workers. Among the highest earners in our sample (quintile 5), the average effective tax rate is less than 1 percent. This is a clear violation of the principle of vertical equity.

Given this existing structure of regressive local taxes, what would happen if a presumptive tax or indirect tax (e.g. VAT or custom duties) was introduced to bring more informal workers into the (national) tax net? If the illustration from Accra represents a typical tax structure, then this means that even a well-intentioned tax reform would exacerbate the regressive and unfair system of taxation that exists at the local level for many informal workers. Efforts to tax the informal economy would be borne by the poorest groups of informal workers — many of whom are women.

Since taxation is not simply a technical exercise related to revenue mobilization, the perceptions of informal workers as taxpayers are also important to understand. Deriving from the exchange hypothesis, which holds that citizens (and workers) are more likely to pay taxes when they receive something in exchange (e.g. services, infrastructure, etc.), efforts to measure attitudes towards taxation are increasingly part of the tax research agenda.

A comparison (Figure 3) between responses to the original[16] Afrobarometer survey with 2018 responses from three types of workers in Accra (market traders, street vendors and market porters) offers some interesting insights into taxation in the informal sector. When asked whether it would be better to pay higher taxes in return for more public services or lower taxes even if it means fewer services provided by government, most (63 per cent) of the workers we interviewed opted for lower taxes. In contrast, about 60 per cent of the respondents to the Afrobarometer survey indicated that they would prefer *higher* taxes if it meant they received better public services.

**Figure 3: Reported preference for high vs. low taxes**




Source: WIEGO Accra Focal City Baseline Survey (2018) and the Ghana Afrobarometer Survey (2017)

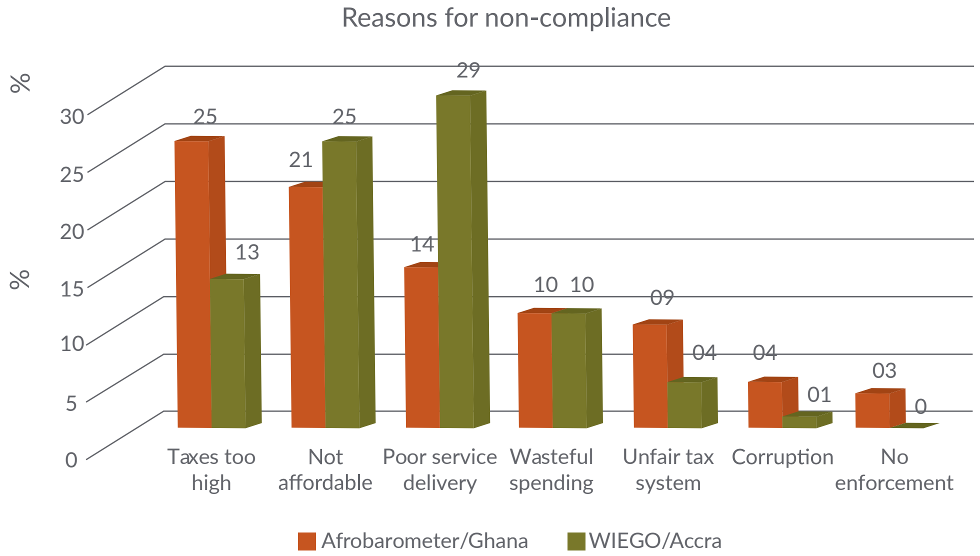
15 In other words, only the higher earners in these quintiles pay any taxes but, overall, average tax rates are high.

16 The Afrobarometer interviewed a nationally representative sample of 2,400 respondents in Ghana in 2017.

Informal workers' views on taxes may differ substantially from those held by other Ghanaians, because the benefits of paying taxes are less obvious and less guaranteed. On the one hand, informal workers in Accra reported that it is relatively easy to find out which taxes and fees they are required to pay to local government (the AMA). Only about 43 per cent reported that it is difficult or very difficult to find this out. In comparison, about 70 per cent of Ghanaians that participated in the Afrobarometer survey reported difficulty in finding out what taxes or fees they are supposed to pay. What is telling is a large difference in the perceived transparency in how the AMA *uses* the revenues from these fees and taxes. Most informal workers (66 per cent) reported that it is difficult or very difficult to find out how the AMA actually uses the revenues from their taxes and fees. Compared to other citizens, it seems as though informal workers overwhelmingly find it difficult to see how their contributions to local government revenues are used.

Reasons for non-compliance (Figure 4) also tell an important part of the story. In the Afrobarometer survey, the single largest reason for not paying taxes is that they are too high. Among the workers in our sample, the modal response was poor service delivery (29 per cent). A relatively large percentage (25 per cent) also indicated that they could not afford to pay their taxes and fees. This finding, combined with the one from the previous graph, suggests informal workers in Accra do not see clear benefits deriving from their tax contributions. This, in itself, is not altogether surprising (since attitudes towards taxation can be negative for a number of reasons), but the fact that attitudes towards taxation seem more negative among informal workers than among the population as a whole is telling.

**Figure 4: Reported reasons for tax non-compliance**




Source: WIEGO Accra Focal City Baseline Survey (2018) and the Ghana Afrobarometer Survey (2017)

## 4. Conclusion and priority areas for future research

This paper aimed to outline some of the key debates that have arisen in relation to the taxation of the informal sector in developing countries. Alongside a broader interest in global tax justice, there is a growing movement to improve tax to GDP ratios across much of the global South. While some of the literature (e.g. Loeprick 2009) on informal sector taxation is concerned with targeting small firms, which have some potential to "formalize", there is also a push to collect tax from survivalist, own-account workers in many developing country contexts (see, for example, Danquah & Osei-Assibey 2016). These efforts notwithstanding, the empirical literature suggests that taxing the informal sector is unlikely to result in either a fiscal gain or a strengthening of the social contract; in fact, many of the proposed informal sector tax policies could actually be harmful. Existing tax regimes in many developing countries are already highly regressive, with the most vulnerable workers carrying a disproportionate burden of local taxation.

In contrast, and in imagining tax justice for the informal economy, a key principle is that of exchange. For example, "there is evidence suggesting that informal sector businesses are willing to pay taxes when: (a) the benefits outweigh the costs; (b) when they are sufficiently empowered; and (c) when there are effective institutional channels for facilitating collective action and bargaining to ensure they receive the benefits" (Joshi et al. 2013: 20). Tellingly, ActionAid's ongoing work on informal sector taxation in Nigeria suggests that, for informal workers themselves, the two single largest issues are tax-for-public services and multiple taxation. In particular, market workers were most interested in the provision of public services in the markets in which they work (and pay fees, taxes and permits) (Sampere 2018). There is even evidence that, when investments in market infrastructure are undertaken in a transparent way that links market taxes with public expenditure, local tax compliance increases (or even doubles, as was shown in a case study from Guinea) (Joshi et al. 2013).

Ultimately, however, taxation is a deeply political process and the main features of tax compliance, accountability and the shaping of the social contract depend on the broader state of politics, the strength of civil society, and the precise nature of the tax regime in question (Prichard 2009). Understanding these realities is important for policy. Without a detailed understanding of both the administration and political economy of informal sector taxation, the dangers of non-compliance, regressivity, and poverty loom large.

There is still much to be learned about taxing the informal sector. However, the literature reviewed in this paper suggests that an approach which engages directly with informal workers and their organizations is likely to be the best way to ensure a fair system of taxation — one that maximizes local revenues while supporting livelihoods in the informal sector.

In order to develop fair and transparent tax systems for informal workers, more research is needed. The question that drives such a research agenda might best be reframed as, "under what conditions or circumstances could governance gains be achieved in relation to informal sector taxation and the social contract?" (see Joshi et al. 2014).

Towards this end, several areas for future research include the following:

1) Data at the national level is needed urgently in order to guide policymakers in the design of appropriate tax systems for the informal sector. While information on local taxes, fees and licenses is difficult to capture in labour force surveys, specialized informal sector surveys such as the 1-2-3 surveys implemented in a number of African and Asian countries[17] or South Africa's Survey of Employers and the Self-Employed (SESE)[18] could

17 For an overview of the 1-2-3 surveys, see: http://ftp.iza.org/dp9970.pdf

18 The SESE is a nationally representative survey which aims to collect data on micro- and small businesses in South Africa.

be used to improve information on the types of fees and local taxes that informal workers already pay. Without this improvement in national data collection, reliance on small and *ad hoc* surveys will remain a constraint.

2) While indirect taxes are not necessarily the main focus of current policy discussions related to taxing the informal sector, workers in the informal sector are still affected. In particular, segments of the informal sector that are focused on retail and trade pay VAT on their goods but are not able to claim it back (unlike registered businesses in the formal sector) (Valodia and Francis, forthcoming). In this way, informal sector operators often end up paying an additional tax. As such, more detailed studies of national tax systems (both direct and indirect) are required in order to understand how tax obligations differ between formal and informal sector businesses (and what implications they have for horizontal equity in taxation).
3) Relatedly, informal sector workers are not able to “write off” business expenses such as licensing fees, permit fees, daily taxes, and market tolls. In contexts where presumptive taxes are introduced on top of these fees and local taxes, the implications for horizontal equity are not well understood. Context specific research on horizontal equity within taxation systems is, therefore, a priority.
4) Research on more appropriate methods of estimating and understanding effective rates of taxation in the informal sector is required. Without clear guidelines and methods for comparing tax rates within the informal sector, estimates of both horizontal andvertical equity will be limited.
5) More research on the impacts of existing taxation systems on informal workers is also an urgent priority (see Valodia & Francis, forthcoming). Particularly among the most vulnerable workers, little is currently known about how the higher effective rates of taxation (relative to income) affect workers’ livelihoods and their households.
6) Finally, a more holistic research agenda that frames taxation as part of the broader cost of being informal is required. This is particularly important given the notion of fiscal exchange and the evidence that tax systems are perceived more positively when there is transparency in the provision of goods and services in exchange for payment of taxes. Workers in the informal sector are likely to measure, in particular, the provision of infrastructure, basic services, social protection and child care services, *inter alia*, against the contributions they make to local tax systems.

While not being limited to these six broad areas, it is proposed that such a research agenda will not only add to the existing academic literature on informal sector taxation but could also contribute meaningfully to policymaking. As outlined in the first part of this paper, many of the current policy proposals are based on the assumption that informal workers do not pay taxes or are unwilling to pay taxes. This assumption is not only untrue, but it undermines the potential to develop tax policies that increase national revenues, support the livelihoods of informal workers, and improve the social contract and accountability of governments. Accordingly, without a careful analysis of existing tax systems and an acknowledgment of the contributions that are made by informal workers in the countries of the global South (both to revenues and to local economies), tax policy will likely continue to be divisive and counter-productive. Achieving tax justice for the majority of the world’s workers therefore requires a fundamental shift in understanding taxation beyond the narrow confines of fiscal essentialism.

## References


Akeju, Kemi Funlayo. 2018. "Informal Sector and Tax Compliance: The Role of Associational Membership in South West, Nigeria." International Journal of Applied Economics, Finance and Accounting, Vol. 3, No. 1, pp. 1-9.

Alm, James, Jorge Martinez-Vazquez & Sally Wallace. 2004. *Taxing the Hard-to-Tax: Lessons from Theory and Practice*. Amsterdam: Elsevier.

Amponsah, Stephen & Kofi Osei Adu. 2017. "Socio-Demographics of Tax Stamp Compliance in Upper Denkyira East Municipal and Upper Denkyira West District in Ghana." International Journal of Law and Management, Vol. 59, No. 6, pp. 1315-1330.

Bahiigwa, Godfrey, Frank Ellis, Odd-Helge Fjeldstad & Vegard Iversen. 2004. *Rural Taxation in Uganda: Implications for Growth, Income Distribution, Local Government Revenue and Poverty Reduction*. EPRC Research Series No. 35.

Bird, Richard & Sally Wallace. 2003. *Is It Really So Hard to Tax the Hard-to-Tax? The Context and Role of Presumptive Taxes*. ITP Paper No. 0307.

Bird, Richard & Eric Zolt. 2008. "Tax Policy in Emerging Countries." Environment and Planning C: Government and Policy, Vol. 26, pp. 73-86.

Bodea, Cristina & Adrienne Lebas. 2013. *The Origins of Social Contracts: Attitudes toward Taxation in Urban Nigeria*. CSAE Working Paper No. WPS/2013-02.

Bodea, Cristina & Adrienne Lebas. 2014. "The Origins of Voluntary Compliance: Attitudes toward Taxation in Urban Nigeria." British Journal of Political Science, Vol. 46, pp. 215-238.

Brautigam, Deborah. 2002. "Building Leviathan: Revenue, State Capacity and Governance." IDS Bulletin, Vol. 33, No. 3, pp. 1-17.

Clark, Gracia. 2010. "Gender Fictions and Gender Tensions Involving "Traditional" Asante Market Women." African Studies Quarterly, Vol. 11, No. 2&3, pp. 43-66.

Danquah, Michael & Eric Osei-Assibey. 2016. *Informality and the Tax Gap: A Case of Non-Farm Enterprises in Ghana* IGC Report No. S-33206-GHA-1.

De Mel, Suresh, David Mckenzie & Christopher Woodruff. 2013. "The Demand for, and Consequences of, Formalization among Informal Firms in Sri Lanka." American Economic Journal: Applied Economics, Vol. 5, No. 2, pp. 122-150.

Dube, Godwin. 2014. "Informal Sector Tax Administration in Zimbabwe." Public Administration and Development, Vol. 34, pp. 48-62.

Dube, Godwin & Daniela Casale. 2016. "The Implementation of Informal Sector Taxation: Evidence from Selected African Countries." eJournal of Tax Research, Vol. 14, No. 3, pp. 601-623.

Dube, Godwin & Daniela Casale. 2017. "Informal Sector Taxes and Equity: Evidence from Presumptive Taxation in Zimbabwe." Development Policy Review, DOI: 10.1111/dpr.12316.

Emran, M. & Jospeh Stiglitz. 2005. "On Selective Indirect Tax Reform in Developing Countries." Journal of Public Economics, Vol. 89, pp. 599-623.

Fajnzylber, Pablo, William Maloney & Gabriel Montes-Rojas. 2009a. *Does Formality Improve Micro-Firm Performance? Quasi Experimental Evidence from the Brazilian Simples Program.* IZA Discussion Paper No. 4531.

Fajnzylber, Pablo, William Maloney & Gabriel Montes-Rojas. 2009b. "Releasing Constraints to Growth or Pushing on a String? Policies and Performance of Mexican Micro-Firms." Journal of Development Studies, Vol. 45, No. 7, pp. 1027-1047.

Flynn, Donna. 1997. "'We Are the Border': Identity, Exchange, and the State Along the Benin-Nigeria Border." American Anthropologist, Vol. 24, No. 2, pp. 311-330.

Getachew, Abis. 2019. *Turnover-Based Presumptive Taxation and Taxpayers' Perceptions in Ethiopia*. ICTD African Tax Administration Paper No. 7.

ILO. 2018. *Women and Men in the Informal Economy: A Statistical Picture (Third Edition).*

IMF. 2011. *Revenue Mobilization in Developing Countries.*

Joshi, Anuradha & Josheph Ayee. 2008. "Associational Taxation: A Pathway into the Informal Sector?" D. Brautigam, O.-H. Fjeldstad, & M. Moore (eds.) *Taxation and State-Building in Developing Countries: Capacity and Consent*, Cambridge: Cambridge University Press. pp. 183-211.

Joshi, Anuradha, Wilson Prichard & Christopher Heady. 2013. *Taxing the Informal Economy: Challenges, Possibilities and Remaining Questions.* IDS Working Paper No. 429.

Joshi, Anuradha, Wilson Prichard & Christopher Heady. 2014. "Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research." The Journal of Development Studies, Vol. 50, No. 10, pp. 1325–1347.

Juul, Kristine. 2006. "Decentralization, Local Taxation and Citizenship in Senegal." Development and Change, Vol. 37, No. 4, pp. 821-846.

Keen, Michael. 2008. "Vat, Tariffs, and Withholding: Border Taxes and Informality in Developing Countries." Journal of Public Economics, Vol. 92, pp. 1892-1906.

Keen, Michael. 2012. *Taxation and Development—Again.* IMF Working Paper No. WP/12/220.

Korsun, Georges & Patrick Meagher. 2004. "Failure by Design? Fiscal Decentralization in West Africa." M. Kimenyi & P. Meagher (eds.) *Devolution and Development: Governance Prospects in Decentralizing States*, London: Routledge. pp. 137-195.

Levi, Margaret. 1988. *Of Rule and Revenue.* Berkeley, CA: University of California Press.

Loeprick, Jan. 2009. *Small Business Taxation: Reform to Encourage Formality and Firm Growth.* In Practice Note No. 48313.

Martin, Isaac, Ajay Mehrotra & Monica Prasad. 2009a. *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective.* Cambridge: Cambridge University Press.

Martin, Isaac, Ajay Mehrotra & Monica Prasad. 2009b. "The Thunder of History: The Origins and Development of the New Fiscal Sociology." I. Martin, A. Mehrotra, & M. Prasad (eds.) *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, Cambridge: Cambridge University Press. pp. 1-28.

Meagher, Kate. 2013. "Informality, Religious Conflict, and Governance in Northern Nigeria: Economic Inclusion in Divided Societies." African Studies Review, Vol. 56, No. 3, pp. 209-234.

Meagher, Kate. 2016. "Taxing Times: Taxation, Divided Societies and the Informal Economy in Northern Nigeria." The Journal of Development Studies, Vol. DOI: 10.1080/00220388.2016.1262026.

Meagher, Kate & Ilda Lindell. 2013. "Asr Forum- Engaging with African Informal Economies: Social Inclusion or Adverse Incorporation? " African Studies Review, Vol. 56, No. 3, pp. 57–76.

Mekonnen Workneh, Amanuel, Endalkachew Mulugeta Baileyegn & Graeme Stewart-Wilson. 2019. *Where the Gap Lay: Presumptive Income Tax Assessment for Small and Micro Enterprises in Addis Ababa City Administration.* ICTD Working Paper No. 94.

Moore, Mick. 2008. "Between Coercion and Contract: Competing Narratives on Taxation and Governance." D. Brautigam, O.-H. Fjeldstad, & M. Moore (eds.) *Taxation and State-Building in Developing Countries: Capacity and Consent*, Cambridge: Cambridge University Press. pp. 34-63.

Moore, Mick. 2014. "Revenue Reform and Statebuilding in Anglophone Africa." World Development, Vol. 60, pp. 99–112.

Perry, Guillermo, William Maloney, Omar Arias, Pablo Fajnzylber, Andrew Mason & Jaime Saavedra-Chanduvi. 2007. *Informality: Exit and Inclusion.* Washington DC: World Bank.

Pimhidzai, Obert & Louise Fox. 2013. *Taking from the Poor or Local Economic Development: The Dilemma of Taxation of Small Informal Enterprises in Uganda.*

Prichard, Wilson. 2009. *The Politics of Taxation and Implications for Accountability in Ghana 1981–2008.* IDS Working Paper No. 330.

Prichard, Wilson. 2015. *Taxation, Responsiveness, and Accountability in Developing Countries: The Dynamics of Tax Bargaining.* New York: Cambridge University Press.

Prichard, Wilson & Vanessa van den Boogaard. 2015. *Norms, Power and the Socially Embedded Realities of Market Taxation in Northern Ghana.* ICTD Working Paper No. 30.

Resnick, Danielle. 2018. *Tax Compliance and Representation in Zambia's Informal Economy.* IGC Working Paper No. S-41418-ZMB-1.

Sampere, Kas. 2018. *Tax Unrest among Market Traders: The Local Side of Actionaid's International Tax Justice Campaign in Nigeria.* ICTD Working Paper No. 80.

Schneider, Friedrich, Andreas Buehn & Claudio Montenegro. 2010. *Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007.* World Bank Policy Research Working Paper No. 5356.

Schneider, Friedrich & Dominik Enste. 2000. "Shadow Economies: Size, Causes, and Consequences." Journal of Economic Literature, Vol. 38, pp. 77-114.

Schneider, Friedrich & Robert Klinglmair. 2004. *Shadow Economies around the World: What Do We Know?* IZA Discussion Paper No. 1043.

Schomerus, Mareike & Kristof Titeca. 2012. "Deals and Dealings: Inconclusive Peace and Treacherous Trade Along the South Sudan-Uganda Border." Africa Spectrum, Vol. 47, No. 2-3, pp. 5-31.

Tilly, Charles. 1990. *Coercion, Capital, and European States, A.D. 990-1992.* New York: Wiley-Blackwell.

Titeca, Kristof & Celestin Kimanuka. 2012. *Walking in the Dark: Informal Cross-Border Trade in the Great Lakes Region.* London: International Alert.

Torgler, Benno. 2003. *Tax Morale in Latin America.* WWZ Discussion Paper.

Torgler, Benno & Friedrich Schneider. 2007. *Shadow Economy, Tax Morale, Governance and Institutional Quality: A Panel Analysis.* IZA Discussion Paper NO. 2563.

Valodia, Imraan & David Francis. Forthcoming. "Tax and the Informal Economy – Lessons from South Africa." *The Informal Economy Revisited: Looking Back, Thinking Forward,* London: Routledge.

Vanek, Joann, Martha Alter Chen, Françoise Carré, James Heintz & Ralf Hussmanns. 2014. *Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges.* WIEGO Working Paper (Statistics) No. 2.

*Anas Ibrahim, an established charcoal seller in Makola Market, was born into this trade, demonstrating the generational nature of informal work. Anas took over the business from his parents, who migrated to Accra from the Upper West Region in northern Ghana. Long, 12-hour days are the norm for Anas, who's at his stall in Makola Market six days a week from 6 o'clock in the morning until 6 o'clock in the evening. He obtains his charcoal from suppliers in the Volta Region, who transport it in large lorry trucks to the market. From there, Anas and other charcoal sellers employ carriers and porters who transport the heavy sacks from the depot to stalls like his. Anas sells charcoal to his customers by weight. Photo Credit: Jonathan Torgovnik/Getty Images Reportage*

Women in Informal Employment: Globalizing and Organizing

# ABOUT WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on securing livelihoods for the working poor, especially women, in the informal economy. We believe all workers should have equal economic opportunities and rights. WIEGO creates change by building capacity among informal worker organizations, expanding the knowledge base about the informal economy and influencing local, national and international policies. Visit www.wiego.org.