

**LAPSE OF
TIME**

SM/22/123
Correction 1

June 9, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Côte d'Ivoire—Selected Issues**

Board Action: The attached corrections to SM/22/123 (6/2/22) have been provided by the staff:

Evident Ambiguity **Pages 1 and 3**

Questions: Mr. Tamiru Gulilat, FAD (ext. 36216)



CÔTE D'IVOIRE

SELECTED ISSUES

May 31, 2022

Approved By
The African Department

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digitalization), as well as reduction of exemptions—most frequently related to value-added tax (VAT), corporate income taxes (CIT), and other goods and services taxes—and/or elimination of tax holidays or other tax incentives.

4. Many countries focused their revenue mobilization efforts on indirect taxation, in particular value-added tax (VAT) given that it has a broad consumption tax base and higher efficiency of collection (Akitoby et al 2020).^{2,3}

5. Like most reforms, tax reform is an inherently political process potentially, often affected by resistance from vested interest groups (Abdel-Kader and de Mooij 2020; Akitoby et al 2020; IMF 2018). Gaining traction depends on inclusive consultation to include multiple stakeholders in society (i.e., business, tax professionals, civil society organizations, etc.)—coupled with an effective communication strategy emphasizing the benefits to society of reforms, such as those associated with the socially useful spending that can be financed by the increased revenues (Abdel-Kader and de Mooij 2020; Akitoby et al 2020 & 2018). Emphasizing the joint impact of tax reforms (especially if progressive) and the additional expenditures they help finance could further garner support, despite potential opposition from stakeholders that will be taxed more (Abdel-Kader and de Mooij 2020). At the same time, it is also important to strengthen institutional arrangements, particularly the capacity—within the tax policy unit—to undertake solid quantitative and qualitative analyses of possible reforms (see, for instance, How-To Note: Grote (2017), *How to Establish Tax Policy Units*).⁴

B. General Diagnosis of the Tax System and Recent Measures

Tax Policy

Direct Taxation

Personal Income Tax (PIT)

6. Personal income tax (PIT) is complex and opaque, juxtaposing a schedular system (*fiscalité cédulaire*) with taxation of total income (*impôt global sur le revenu*). Calculation of tax obligations is further subject to consideration of a family allowance (*le quotient familial*),⁵ as well as tax exemptions and abatements (*abattement forfaitaire*) of 20 percent and 15 percent. However, the design of tax abatements (*abattement forfaitaire*) is regressive, insofar as the overall reduction in taxable income generates sharper tax reductions for higher tax brackets (Leduc, S. et al 2020).

²Policy and administration efforts improve the C-efficiency ratio, defined as actual VAT receipts to notional receipts that would be collected if the tax was levied at a uniform rate on all final consumption and assuming full compliance.

³In the study sample, average C-efficiency ratio increased from 0.25 and 0.47 in 2000 to 0.36 and 0.57 in 2015 respectively, for low-income countries (LICs) and emerging market countries (EMs) (Akitoby et al 2020 & 2018).

⁴<https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2017/10/19/How-to-Establish-a-Tax-Policy-Unit-45322>

⁵Effectively, the *quotient familial* is an income-splitting mechanism that spreads income over a calculated number of family members - and is highly regressive since it benefits most large families with high income.