

4th ITD Global Conference on “Tax and Inequality”

Interaction of Tax and Aid – Malawi’s Perspective

Ministry of Finance and Development Planning,
Revenue Policy Division, Malawi

7th – 9th December, 2011

New Delhi ,India

Presentation Outline

- ▶ Background
- ▶ Donor Driven Reforms in Malawi
- ▶ Performance of Tax Revenues
- ▶ Estimates – Tax Collections and Grants
- ▶ Performance of Taxes and Grants
- ▶ Challenges - Tax administration & External Technical Assistance
- ▶ Conclusions

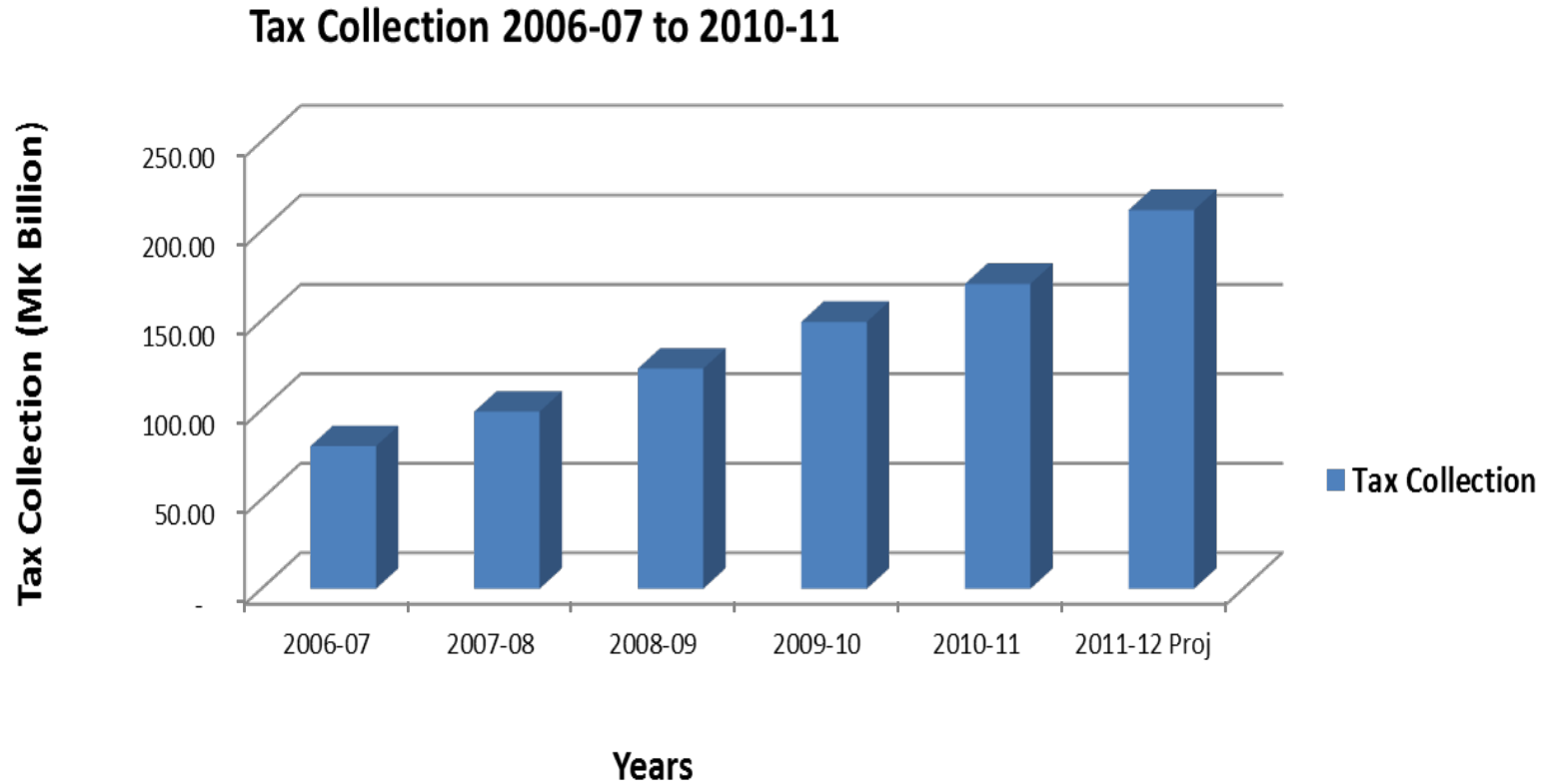
Background

- ▶ Ministry of Finance and Development Planning is responsible for fiscal policy
 - Revenue (domestic and grants) mobilization
 - Budget execution
- ▶ Malawi Revenue Authority responsible for tax administration
 - Assessment and collection of taxes
 - Advisor to Government on tax policy

Donor Driven Reforms in Malawi

- ▶ Donor aid under specific sector support in form of grants and technical assistance
 - Health Sector
 - Education Sector
 - Energy and Public Infrastructure etc.
- ▶ Support under tax administration in the Malawi Revenue Authority
 - Information Communication Technology – ASYCUDA
 - Capacity building and skills development (Audits, International taxation etc.)
 - Equipment and Infrastructure development projects
 - Technical support – short term and long term experts

Performance of Tax Revenues



Estimates – Tax Collections & Grants

1. Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 Proj
Tax Collection (MK Billion)	79.67	98.95	122.98	149.15	170.39	211.66
Year				2009-10	2010-11(estimate)	2010-12(estimate)
Grants(MK Billion)				78.449	84.334	65.223

Performance of Taxes and Grants

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 Proj
Tax Collection	79.67	98.95	122.98	149.15	170.39	211.66
Year				2009-10	2010-11 (estimate)	2010-12 (estimate)
Grants				78.449	84.334	65.223
Total				227.60	254.73	276.88
Percentage (tax)				66%	67%	76%
Percentage (Grants)				34%	33%	24%

Tax Administration - Challenges

- ▶ Malawi has seen a steady improvement in tax revenue performance over the years due to the various reform initiatives
- ▶ Challenges in tax administration exists and includes:
 - Large informal sector - difficult to tax area
 - Narrow tax revenue base
 - Lack of skills to handle transfer pricing transactions

External Technical Assistance - Challenges

- ▶ Malawi Government has benefited a lot from the various forms of external technical assistance over the years
 - Compliment domestic resources and capacity

- ▶ However notable challenges include:
 - Sustainability and predictability – aid attached to conditions
 - Imposition of one size fits all solutions
 - Diverse requirements set by various donor Agencies

Conclusions

- ▶ Donor support has no direct negative effect on efforts towards tax revenue mobilization in Malawi
- ▶ Donor support compliments local revenue resources and helps to stabilize the national budget
- ▶ External technical support has enhanced capacity for effective tax administration in Malawi

Thank you for your attention

Kenneth C. Matupa, **Acting Director of Revenue Policy**
Ministry of Finance and Development Planning, Malawi
Email: kmatupa@finance.gov.mw Website: www.finance.gov.mw

