



São Toméans support taxes but don't trust tax officials

Afrobarometer Dispatch No. 316 | Samuel Adusei Baaye

Summary

While tax revenues are a critical part of financing government services, many developing countries face obstacles in implementing effective and efficient tax systems (Tanzi & Zee, 2000). Direct taxes, such as personal income taxes, are particularly difficult to administer as they require complex processes and structures to identify taxpayers and facilitate and enforce compliance (Kangave, 2005). Given these difficulties, many developing countries rely heavily on consumption taxes that cannot be evaded even by those in the informal sector. One of the most popular consumption taxes is value added taxation (VAT).

In São Tomé and Príncipe, domestic revenue collection is constrained by a small taxpayer base (Nisreen, 2009). In recent negotiations with the International Monetary Fund, the government proposed the introduction of a VAT to improve domestic revenue mobilization (International Monetary Fund, 2019).

Recent Afrobarometer surveys show that most São Toméans see taxation as a key tool for development and a civic duty regardless of whether one is satisfied with government services. However, there is a widespread perception of unequal application of tax regulations and high levels of perceived corruption in the tax department.

Afrobarometer survey

Afrobarometer directs a pan-African, nonpartisan research network that conducts public attitude surveys on democracy, governance, economic conditions, and related issues in African countries. Seven rounds of surveys were completed in up to 38 countries between 1999 and 2018. Round 8 surveys in 2019/2020 are planned in at least 35 countries. Afrobarometer conducts face-to-face interviews in the language of the respondent's choice with nationally representative samples.

In São Tomé and Príncipe, Afrosondagem of Cabo Verde in partnership with a local consultant and the Ghana Center for Democratic Development (CDD-Ghana) interviewed 1,200 adult São Toméans in July-August 2018. A sample of this size yields country-level results with a margin of error of +/-3 percentage points at a 95% confidence level. A previous survey was conducted in São Tomé and Príncipe in 2015.

Key findings

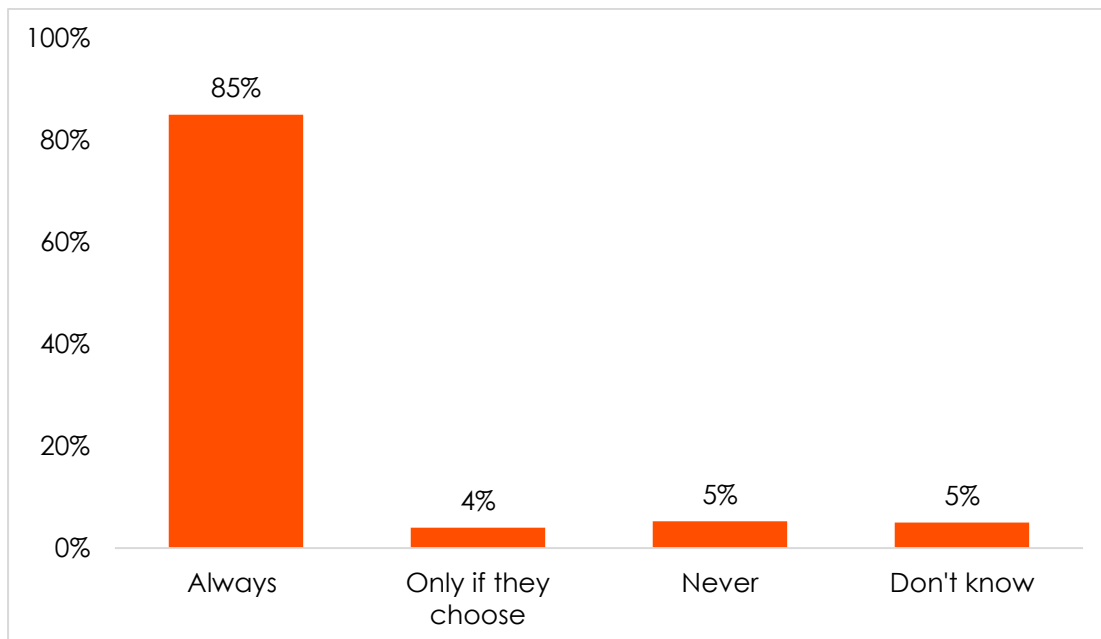
- In Afrobarometer surveys in 2015 and 2018, São Toméans overwhelmingly endorsed the legitimacy and importance of taxation.
 - More than eight in 10 said that good citizens should always pay their taxes (85%) and that tax authorities always have the right to make people pay taxes (87%).

- Seven in 10 (72%) “agreed” or “strongly agreed” that payment of taxes is needed in order for the country to develop.
- Two-thirds (67%) said they would never refuse to pay taxes as a way of expressing dissatisfaction with government performance.
- But at the same time, only a quarter (26%) of São Toméans said they trust tax officials, and a majority (54%) believe that at least “some” tax officials are corrupt.
- More than half of citizens see non-payment of taxes as “wrong but understandable” (39%) or not wrong at all (16%).
- About six in 10 São Toméans (61%) find it “difficult” or “very difficult” to access information on which taxes or fees to pay to the government.

Popular support for taxation

São Toméans are highly supportive of the payment of taxes. In the Round 6 Afrobarometer survey conducted in 2015, an overwhelming majority (85%) said citizens in a democracy should always pay taxes owed to the government; only about one in 10 said citizens should never pay taxes (5%) or only pay when they feel like it (4%) (Figure 1).

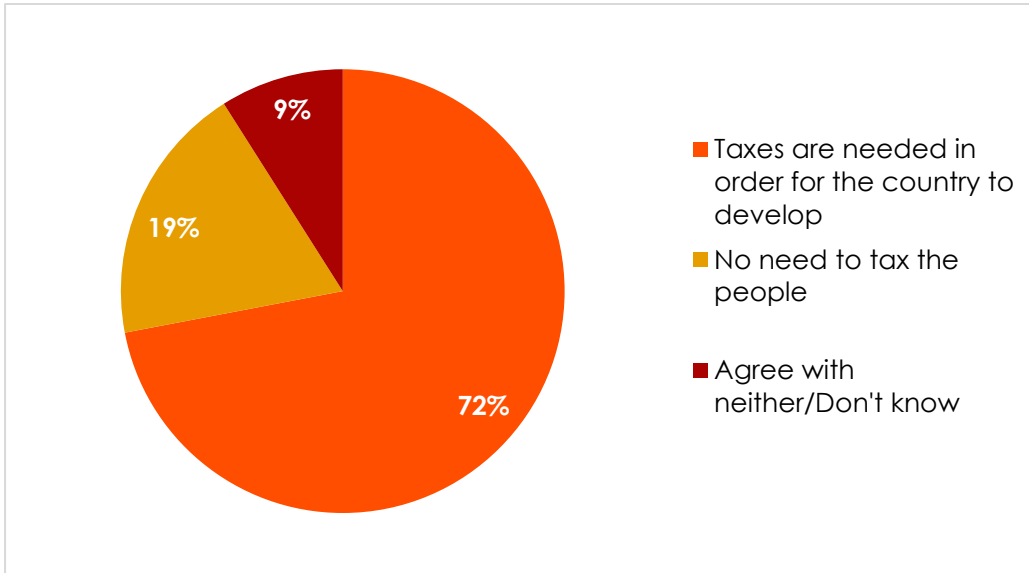
Figure 1: A good citizen always pays taxes | São Tomé and Príncipe | 2015



Respondents were asked: For each of the following actions, please tell me whether you think it is something a citizen in a democracy should always do, never do, or do only if they choose: Pay taxes they owe to government?

Moreover, a strong majority (72%) “agreed” or “strongly agreed” in 2015 that payment of taxes to the government is needed in order for the country to develop. Two in 10 (19%) said the government can find enough resources for development from other sources without having to tax the people (Figure 2).

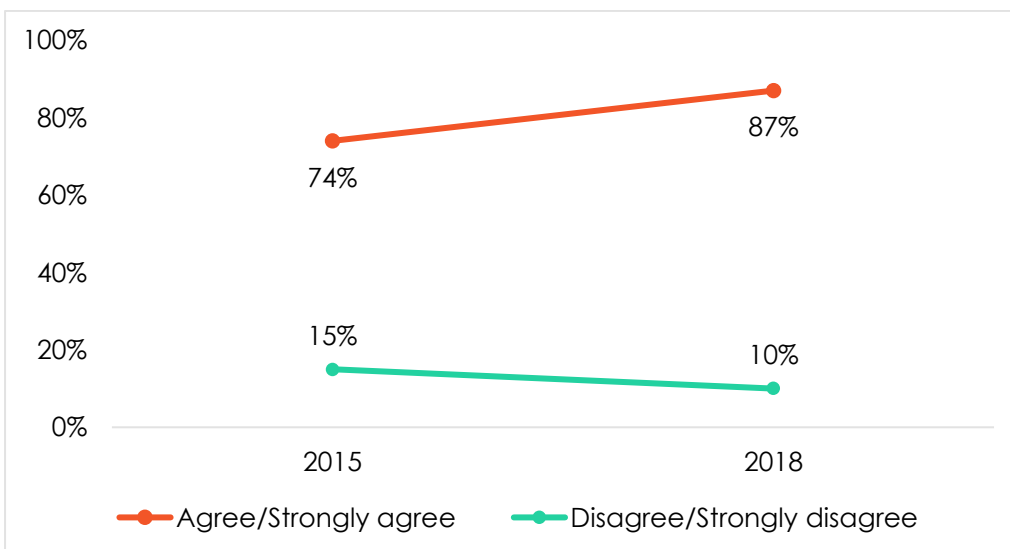
Figure 2: Citizens must pay taxes if country is to develop | São Tomé and Príncipe
 | 2015



Respondents were asked: Which of the following statements is closest to your view?
 Statement 1: Citizens must pay their taxes to the government in order for our country to develop.
 Statement 2: The government can find enough resources for development from other sources without having to tax the people.
 (% who "agree" or "strongly agree" with each statement)

And at least in principle, São Toméans overwhelmingly believe in the legitimacy of the tax department in ensuring compliance with tax regulations. In Afrobarometer's most recent survey, almost nine out of 10 São Toméans (87%) "agree" or "strongly agree" that the tax authorities always have the right to make people pay taxes, a 13-percentage-point increase compared to 2015 (74%) (Figure 3).

Figure 3: Tax authorities have the right to make people pay taxes | São Tomé and Príncipe
 | 2015-2018

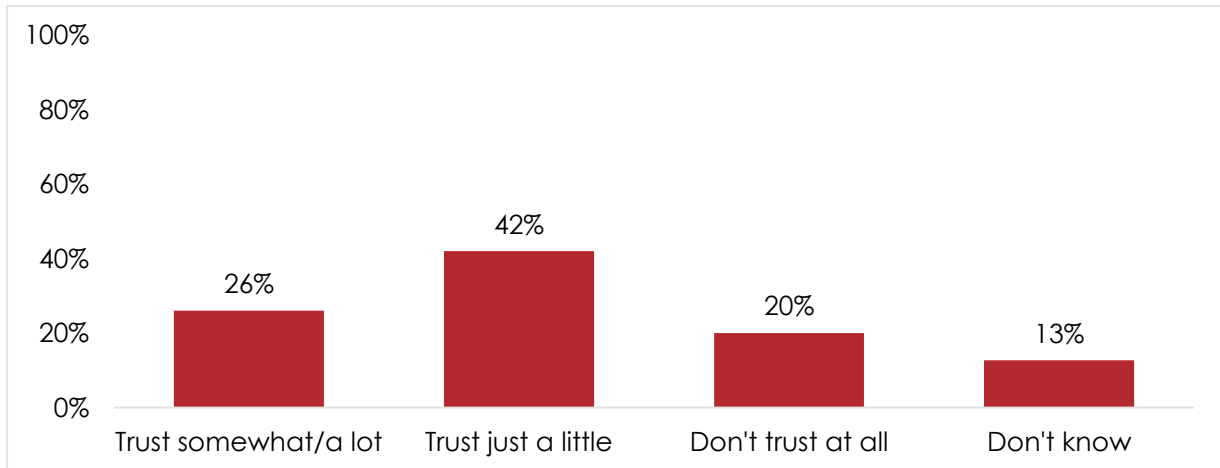


Respondents were asked: For each of the following statements, please tell me whether you disagree or agree: The tax authorities always have the right to make people pay taxes?

Trust and corruption

Despite strong popular support for taxation in principle, in practice São Toméans do not trust the tax department much. In the 2015 survey, only a quarter (26%) of respondents said they trust tax officials “somewhat” or “a lot,” while more than six in 10 said they trust tax officials “just a little” (42%) or not all (20%) (Figure 4).

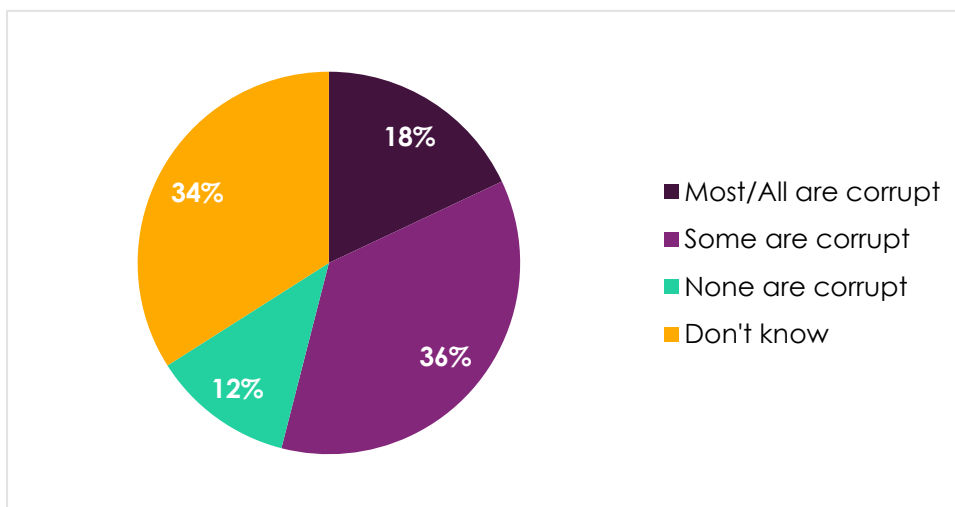
Figure 4: Trust in tax department | São Tomé and Príncipe | 2015



Respondents were asked: How much do you trust each of the following, or haven't you heard enough about them to say: Tax officials, like Ministry of Finance and Public Administration officials or local government tax collectors?

One reason for low levels of popular trust in tax officials is that a majority of citizens believe that at least “some” of them are corrupt, including almost one in five respondents (18%) who think “most” or “all” tax officials are involved in corruption. Only about one in eight citizens (12%) asserted that “none of them” are corrupt, while a full one-third (34%) said they did not know enough to say whether tax officials are corrupt or not (Figure 5).

Figure 5: Corruption in tax department | São Tomé and Príncipe | 2015



Respondents were asked: How many of the following people do you think are involved in corruption, or haven't you heard enough about them to say: Tax officials?

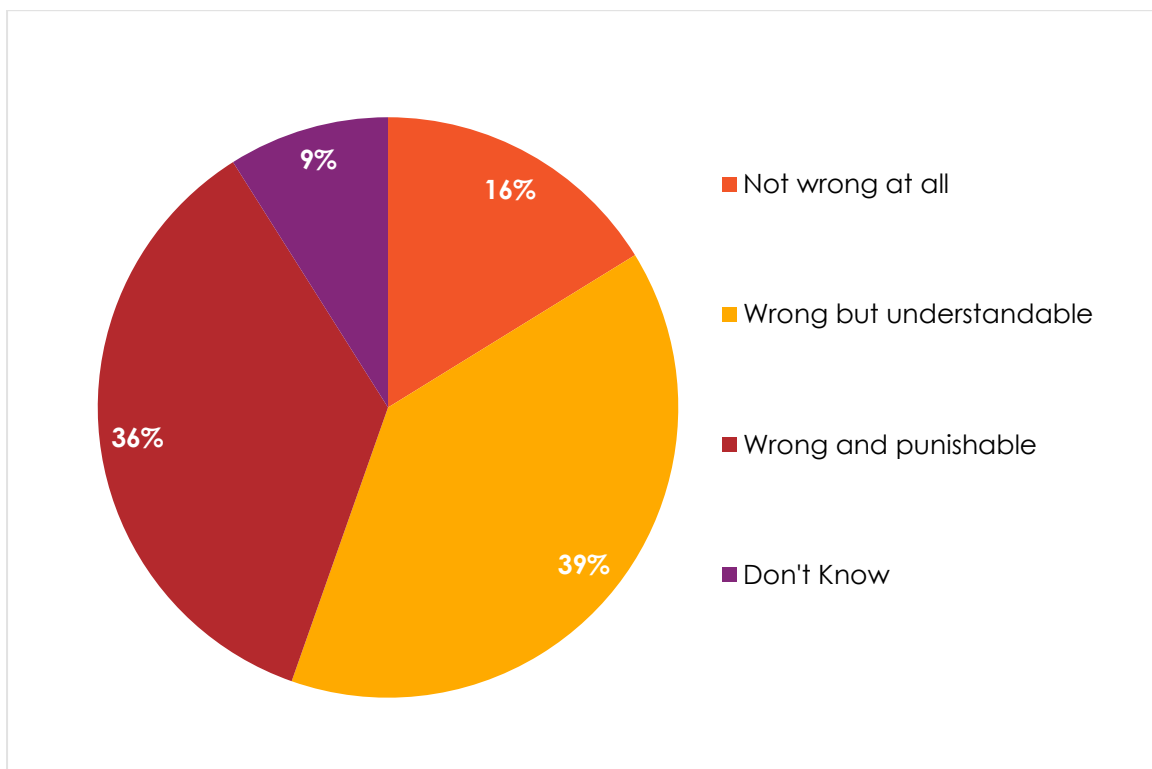
Popular perceptions on tax evasion

Tax experts have argued that a variety of factors influence levels of tax compliance, including the fairness (and perceived fairness) of the tax system (Cowell, 1992), enforcement (Slemrod, 1992), and taxpayers' ethics (Wenzel, 2003).

Although a majority of São Toméans see payment of taxes as a core civic responsibility, more than half of citizens see non-payment of income taxes as “wrong but understandable” (36%) or not wrong at all (16%) (Figure 6). Only about four in 10 (39%) see evasion of income taxes as “wrong and punishable.”

Respondents with part-time or full-time employment (41%-42%) are more likely to see tax evasion as wrong and punishable than the unemployed (38% among those who are looking for a job and 33% among those who are not looking) (Figure 7). However, this view is more common among respondents with no formal education (52%) than among their educated counterparts (37%-43%). Older and economically better-off¹ respondents are also somewhat more likely to consider tax evasion wrong and punishable.

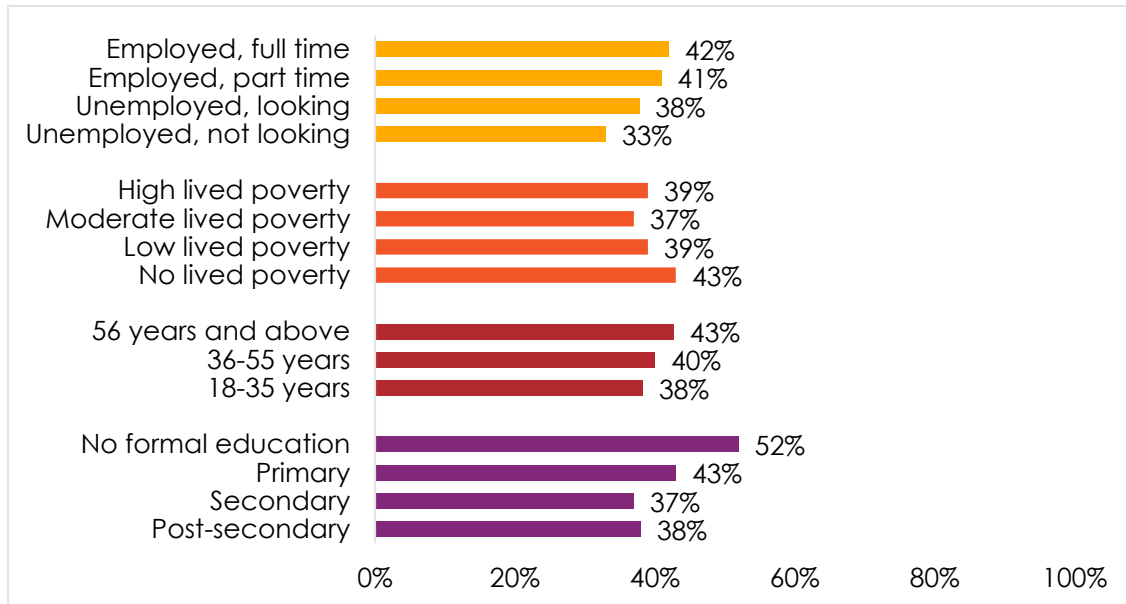
Figure 6: Is it wrong to evade taxes? | São Tomé and Príncipe | 2015



Respondents were asked: For each of the following, please tell me whether you think the action is not wrong at all, wrong but understandable, or wrong and punishable: Not paying the taxes they owe on their income?

¹ Afrobarometer’s Lived Poverty Index (LPI) measures respondents’ levels of material deprivation by asking how often they or their families went without basic necessities (enough food, enough water, medical care, enough cooking fuel, and a cash income) during the preceding year. For more on lived poverty, see Mattes, Dulani, & Gyimah-Boadi (2016).

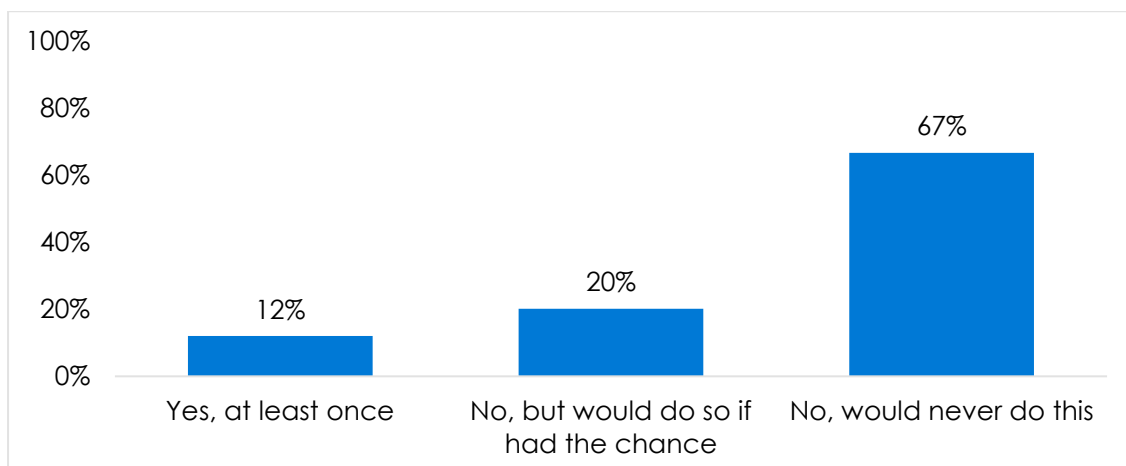
Figure 7: Tax evasion is ‘wrong and punishable’ | by socio-demographic group
 | São Tomé and Príncipe | 2015



Respondents were asked: *I am now going to ask you about a range of different actions that some people take. For each of the following, please tell me whether you think the action is not wrong at all, wrong but understandable, or wrong and punishable: Not paying the taxes they owe on their income? (% who say “wrong and punishable”)*

To explore what might account for non-compliance with tax measures, Afrobarometer asked during its 2018 survey whether respondents had, during the previous year, refused to pay taxes or fees as a way of expressing dissatisfaction with government performance. About one in eight respondents (12%) said they had done this “once or twice,” “several times,” or “often,” while two-thirds (67%) said they had not and would never do so. Two in 10 (20%) said they had not but would do so if they had the chance (Figure 8).

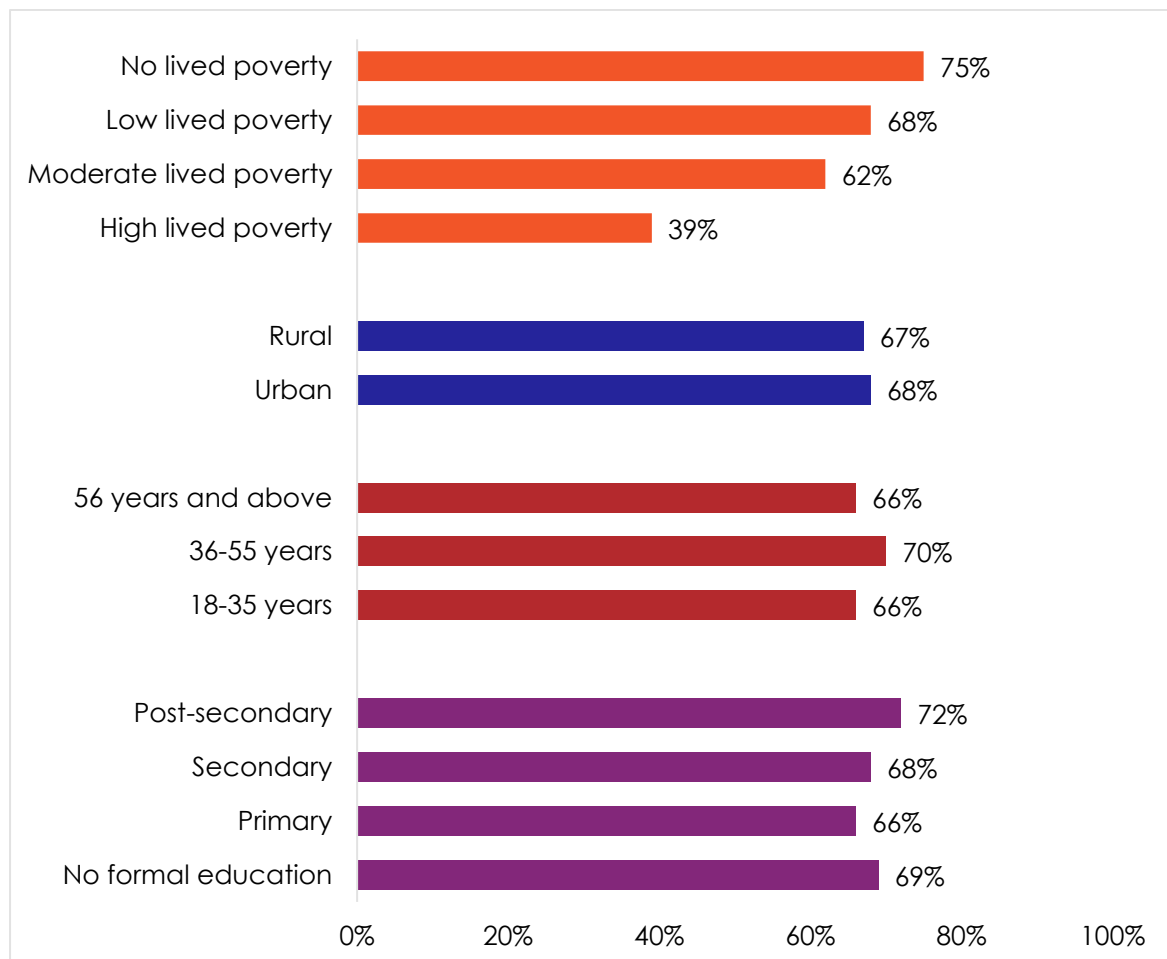
Figure 8: Refusal to pay taxes if dissatisfied with government performance
 | São Tomé and Príncipe | 2018



Respondents were asked: *Here is a list of actions that people sometimes take as citizens when they are dissatisfied with government performance. For each of these, please tell me whether you, personally, have done any of these things during the past year. If not, would you do this if you had the chance: Refused to pay a tax or fee to government?*

The tendency not to refuse to pay taxes as a way to express dissatisfaction with government performance was similar among all age groups, educational levels, and rural and urban residents. But the rich – citizens with no lived poverty – were almost twice as likely as the poorest respondents to say they “would never” refuse to pay taxes for this reason (75% vs. 39%) (Figure 9). Indeed, more than one-third (35%) of the poorest respondents said they did so during the previous 12 months, including 26% who said they did so “often.”

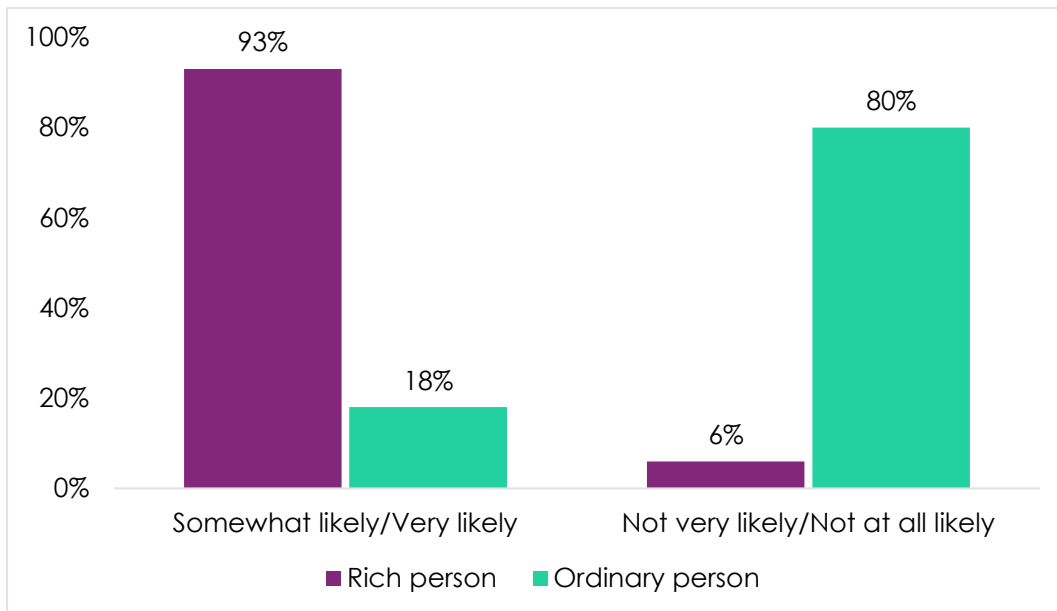
Figure 9: Tax compliant even if dissatisfied with government performance
 | by socio-demographic group | São Tomé and Príncipe | 2018



Respondents were asked: Here is a list of actions that people sometimes take as citizens when they are dissatisfied with government performance. For each of these, please tell me whether you, personally, have done any of these things during the past year. If not, would you do this if you had the chance: Refused to pay a tax or fee to government? (% of respondents who say “No, would never do this”)

However, nine in 10 (93%) São Toméans said the rich are likely to be able to pay bribes or use personal connections to get away with not paying tax duly owed to the government. Only 18% said the same about people who are not wealthy (Figure 10).

Figure 10: Likelihood of getting away without paying taxes: rich vs. ordinary people
 | São Tomé and Príncipe | 2018



Respondents were asked:

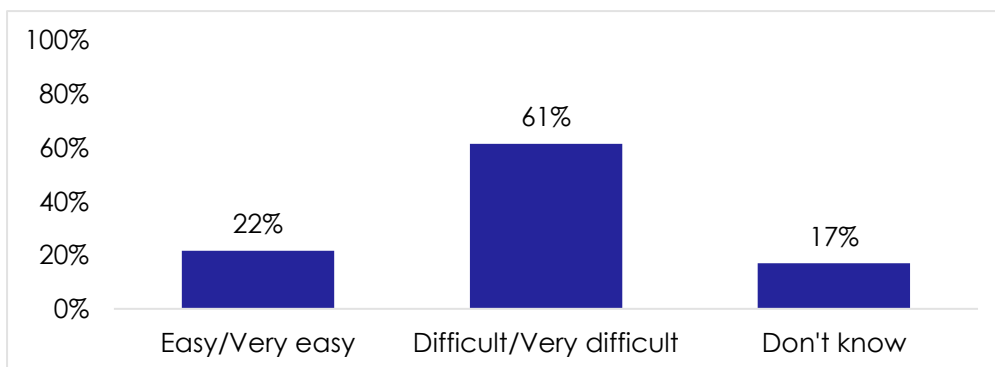
*In this country, how likely do you think it is that an ordinary person could pay a bribe or use personal connections to get away with avoiding paying taxes they owe to government?
 And in this country, how likely do you think it is that a rich person could pay a bribe or use personal connections to get away with avoiding paying taxes they owe to government?*

Ease of compliance

Experts who study the impact of tax systems on economies say that well-designed tax systems can minimize efficiency losses and even raise the economic growth rate (Barro and Sala-i-Martin, 1992).

In São Tomé and Príncipe, even citizens willing to pay their taxes may find it difficult to do so correctly. About six out of 10 survey respondents (61%) said in 2015 that it is “difficult” or “very difficult” to access information on which taxes or fees to pay to the government. In addition, 17% said they “don’t know.” Only three in 10 (29%) described it as “easy” or “very easy” to access such information (Figure 11).

Figure 11: Access to information | São Tomé and Príncipe | 2015

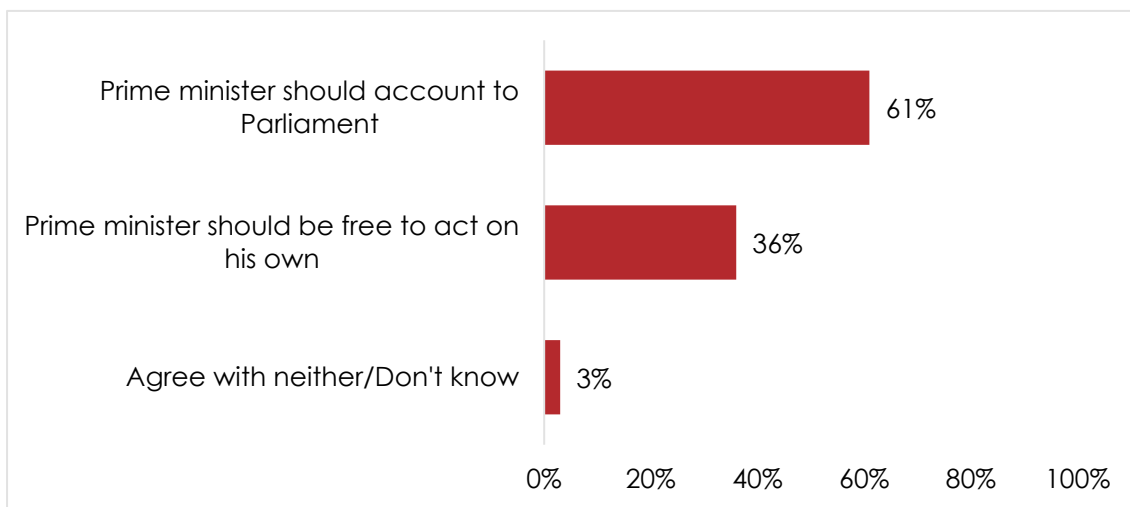


Respondents were asked: *Based on your experience, how easy or difficult is it to do each of the following? To find out what taxes and fees you are supposed to pay to the government?*

Should government account for the use of tax revenue?

An effective tax regime must also ensure transparency and accountability if citizens are expected to see paying tax as a civic responsibility. When asked about the need to ensure accountability in the use of tax revenue by the government, about six in 10 São Toméans (61%) said they support Parliament's mandate to ensure that the prime minister explains to it on a regular basis how his government spends taxpayers' money (Figure 12). But a significant proportion (36%) said the prime minister should be able to devote his full attention to developing the country rather than wasting time justifying his actions.

Figure 12: Popular preference for accountability in the use of tax revenue | São Tomé and Príncipe | 2018



Respondents were asked: Which of the following statements is closer to your own views?

Statement 1: The National Assembly should ensure that the prime minister explains to it on a regular basis how his government spends taxpayers' money.

Statement 2: The prime minister should be able to devote his full attention to developing the country rather than wasting time justifying his actions.

Conclusion

As São Tomé and Príncipe's government seeks to broaden its tax base, reduce tax evasion, and introduce a VAT, this study reveals broad popular support for taxation as a tool for development. Most citizens see tax compliance as their civic duty and tax evasion as a wrong and punishable act.

However, to enhance prospects for success, the government will need to develop strategies to address substantial public doubts about the integrity and trustworthiness of tax officials and make it easier for citizens to access information they need in order to comply.

Do your own analysis of Afrobarometer data – on any question,
 for any country and survey round. It's easy and free at
www.afrobarometer.org/online-data-analysis.

References

- Barro, R. J., & Sala-i-Martin, X. (1992). Public finance models of economic growth. *Review of Economic Studies*, 59, 645-661.
- Cowell, F. A. (1992). Tax evasion and inequity. *Journal of Economic Psychology*, 13(4), 521-543.
- International Monetary Fund. (2019). IMF staff completes program negotiation mission to São Tomé and Príncipe. 6 August.
- Kangave, J. (2005). Improving tax administration: A case study of the Uganda Revenue Authority. *Journal of African Law*, 49(2), 145-176.
- Mattes, R., Dulani, B., & Gyimah-Boadi, E. (2016). Africa's growth dividend? Lived poverty drops across much of the continent. Afrobarometer Policy Paper No. 29.
- Nisreen, F. (2009). São Tomé and Príncipe: Domestic tax system and tax revenue potential. International Monetary Fund. Working Paper No. 09/215.
- Slemrod, J. (1992). Why people pay taxes: Tax compliance and enforcement. Ann Arbor, MI: University of Michigan Press.
- Tanzi, V., & Zee, H. H. (2000). Tax policy for emerging markets: Developing countries. International Monetary Fund, Fiscal Affairs Department. Working Paper No. 00/35.
- Wenzel, M. (2003). The social side of sanctions: Personal and social norms as moderators of deterrence. Centre for Tax System Integrity, Canberra Conference, Australian National University.

Samuel Adusei Baaye is Afrobarometer monitoring, evaluation, and learning specialist, based at Ghana Center for Democratic Development (CDD-Ghana) in Accra. Email: sbaaye@afrobarometer.org.

Afrobarometer directs a pan-African, nonpartisan research network that conducts public attitude surveys on democracy, governance, economic conditions, and related issues in African countries. Seven rounds of surveys have been completed in up to 38 countries since 1999. Afrobarometer conducts face-to-face interviews in the language of the respondent's choice with nationally representative samples.

Financial support for Afrobarometer Round 7 was provided by the Swedish International Development Cooperation Agency (SIDA), the Mo Ibrahim Foundation, the Open Society Foundations, the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation, the U.S. State Department, the U.S. Agency for International Development via the U.S. Institute of Peace, the National Endowment for Democracy, and Transparency International.

Donations help the Afrobarometer Project give voice to African citizens. Please consider making a contribution (at www.afrobarometer.org) or contact Felix Biga (felixbiga@afrobarometer.org) to discuss institutional funding.

For more information, please visit www.afrobarometer.org.



Afrobarometer Dispatch No. 316 | 21 August 2019