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978-0-521-87765-7 - The VAT in Developing and Transitional Countries

Richard M. Bird and Pierre-Pascal Gendron

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THE VAT IN DEVELOPING AND TRANSITIONAL COUNTRIES

Value-added tax (VAT) now dominates tax systems around the world. But should every country have a VAT? Is the current VAT always as good as it could be in economic, equity, and administrative terms? In developing and transitional countries the answers to such questions are critical to stability, growth, and development. VAT is a critical fiscal tool in most countries. But VAT can sometimes be better designed and almost always better administered. The key questions that must be answered in designing and implementing VAT are essentially the same in all countries. But different tax designs may best suit different countries facing different circumstances. This book reviews experiences with VATs around the world and assesses how the choice of particular design features may affect outcomes in particular contexts.

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Preface

The value-added tax (VAT) has been around for more than 50 years. A large literature dealing with various aspects of this most important fiscal innovation of the last half-century exists. One aim of this book is to review this literature and suggest some avenues for further research that should prove rewarding and yet more questions that need further examination. A more important aim is to review the extensive practical experience with VAT around the world in recent decades and suggest some ways to improve its design and implementation in developing and transitional countries.

A first version of some of this material was prepared for a project on Fiscal Reform in Support of Trade Liberalization supported by USAID. We are grateful for numerous comments received from participants in several workshops held at USAID and the World Bank during the course of this project. In addition, we are grateful to the many colleagues in governments around the world and in the International Monetary Fund, the World Bank, and the Inter-American Development Bank who have, over the years, contributed so much to our knowledge of VAT both in theory and especially in practice. Duanjie Chen, Sijbren Cnossen, Glenn Jenkins, Michael Keen, David Sewell, Carlos Silvani, Emil Sunley, and several anonymous reviewers were also most helpful in providing comments and materials that have helped us in writing this book. We are especially grateful for a very close reading of an earlier draft by Michael Keen that has, we hope, saved us from some pitfalls as well as for the helpful editorial efforts of Scott Parris, Janis Bolster, and Susan Thornton. Most of all, we are grateful for the forbearance and patience of our families in putting up with us, not just during the writing of this book but in general.