Press release: New UK support to help improve tax systems in developing countries

Developing countries will benefit from a new package of support aimed at improving tax systems, the Department for International Development has announced today. The move is aimed at helping end their reliance on aid.

The Organisation for Economic Co-operation and Development (OECD) estimates the average developing country generates tax revenues of around 14% of GDP. This is way below the 35% average for developed countries. Less tax revenue means less funding for public services.

This new DFID assistance will help developing countries generate greater revenues to support increased spending on essential services such as health, education and infrastructure. It will help support stronger, more transparent and more accountable governments.

The support will also contribute to economic growth by helping tackle tax avoidance and evasion and creating a more level playing field for businesses.

International Development Secretary Penny Mordaunt said:

> This new UK support will help countries collect more taxes and leave them less reliant on aid. It will turbo charge their development.
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> Governments in the developing world want to move beyond aid and we want to help them get there faster. We are supporting their efforts to implement a fairer, more transparent tax system which is vital in helping our aid money go further.
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> We are helping developing countries create the right environment for foreign investment and giving British businesses the confidence to invest in them. This is a win for the developing world, as well as a win for the UK.

As part of the new package of support, additional funding will be provided for the Tax Inspectors Without Borders Initiative (TIWB). This is an Initiative by the OECD and the United Nations Development Programme. TIWB assists developing countries to implement international tax standards by sending experts overseas.

The programme has also proved to be great value for money: for every £1 spent on operating costs an additional £100 is returned in tax revenues.

DFID will continue to use the UK’s world class expertise to raise the standards of tax systems of developing countries to create a more stable environment for investment.

Notes to editors

- The announcement is part of the Addis Tax Initiative (ATI), which the UK helped co-found, and committed donor countries to double their efforts on building tax capacity, alongside a commitment from partner countries to step up their efforts in raising taxes to support the delivery of the global goals.
- It is a £47 million package of support broken down as follows:
- £10.3 million to the OECD to assist Developing Countries implement International Tax Standards to tackle international tax evasion and avoidance. This includes support to Tax Inspectors Without Borders.
- £7.4 million to the World Bank's Global Tax Programme to work with countries to build effective tax systems.
- £3.7 million to support the Platform for Collaboration on Tax (PCT). The PCT was launched in April 2016 by the International Monetary Fund (IMF), the OECD, the United Nations and the World Bank Group . The Platform is designed to intensify the cooperation between these organizations on tax issues. The UK's leadership at the G20 helped to establish the PCT.
- £4.2 million to the African Tax Administration Forum (ATAF). ATAF provides leadership of the tax reform agenda on the African continent and represents the needs of developing countries in international forums. HMRC will provide up to two tax experts for four years to help ATAF's members states build a sustainable and impactful organisation.
- £2.25 million to the Intergovernmental Forum for Mining, Minerals, Metals and Sustainable Development (IGF). IGF will assist Developing Countries tackle tax avoidance in the mining sector, which many developing countries rely on. This will support resource rich countries to implement international standards and unlock the opportunities to increase government revenues and economic activity in the mining sector.
- Around £1 million to the IMF Tax Administration Diagnostic Assessment Tool (TADAT), designed to provide an objective assessment of the health of key components of a country's system of tax administration.
- Around £13 million of support to the IMF's Africa Regional Technical Assistance Centres' (AFRITACs). AFRITACs support African countries to build capacity in tax administration, public financial management, economic and financial sector management, and national statistics. Around £2.6 million of this funding will specifically support boosting tax revenue.
- Around £5 million will be provided to the Institute for Fiscal Studies. This will deliver the development of tax policy analysis in four developing countries and a research fund. This support will help countries deliver tax policy, which will help reduce poverty and inequality. The research fund will increase knowledge of tax collection in developing countries.