



Tajikistan: Using Technology to Improve Governance – Evidence from the Introduction of Electronic Tax Filing

Many e-government initiatives introduce technology to improve efficiency and avoid potential human bias. Electronic tax filing (e-filing) is an important example, as developing countries increasingly adopt online submission of tax declarations to replace in-person submission to tax officials. This study examines the impact of e-filing on compliance costs, tax payments, and bribe payments using experimental variation and data from Tajikistan firms.



Photo: Gennadiy Ratushenko / World Bank

Context

Tajikistan offers a fitting context to study the impact of electronic tax filing on compliance costs and (perceptions of) corruption in tax administration. In 2014, it had one of the lowest rankings on the Ease of Paying Taxes (178/189) and on the overall Ease of Doing Business (143/189). In the absence of e-filing, businesses submit their monthly tax declarations in person at local tax offices with otherwise productive time spent waiting in line for multiple checks and signatures. Corruption is also a major concern - Enterprise Survey 2013 reports that 41 percent of firms expect to give gifts in meetings with tax officials and CPIA rates Tajikistan as 2.5/6 in its transparency, accountability and corruption in the public sector. The introduction of e-filing in this context has the potential to transform the tax administration process - reducing the tax compliance burden and reducing the opportunities for rent-seeking behavior by tax officials.

In order to tackle these issues, Tajikistan introduced tax E-filing in 2012, with the support of the World Bank Group.

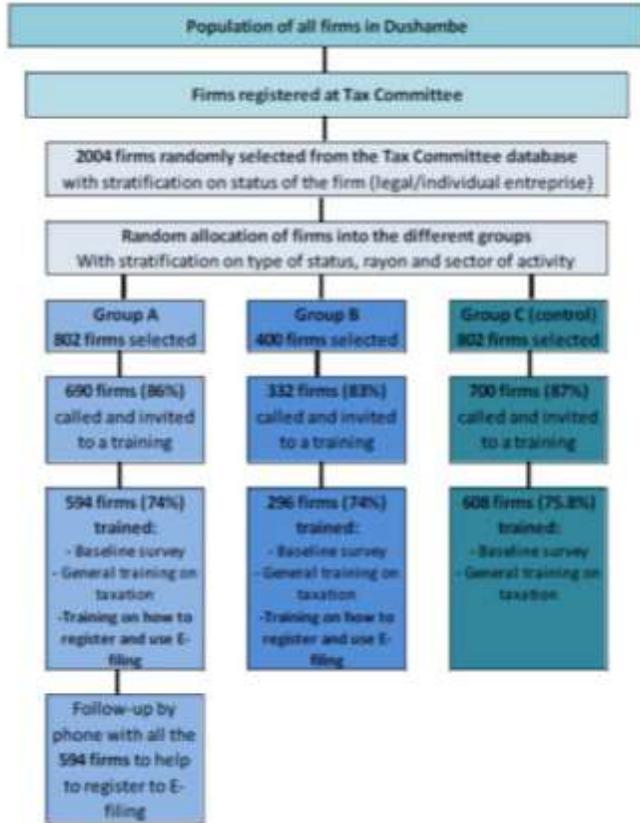
However, despite the Government carrying out public information campaigns, trainings for business associations and discounts in order to encourage take-up, only 6000 firms had switched to the new system by June 2014. The researchers on this Impact Evaluation are helping the government to test alternative measures to increase adoption, and to assess the benefits of e-filing adoption.

Interventions

Three different levels of intervention were implemented in this study. At the first level, firms only received general training on taxation. This group served as the control. At the next level, firms received both the aforementioned general training and information about e-filing, registration procedures, and instructions on how to use the system. At the next level, firms received what the previous group received, but also logistical help with a trained specialist.

Impact Evaluation Design

The impact evaluation was designed as a randomized controlled trial with two treatment groups and one control group:



Policy Relevance

Corruption in tax administration is a significant problem worldwide and these two interventions will shed light on the role that the introduction of technology can play in addressing this problem. Many countries adopt e-filing systems primarily to reduce compliance costs and modernize tax administration. However, a potentially crucial benefit lies in its ability to disrupt collusion and/or other rent-seeking behavior between tax payers and tax officials. This intervention will provide valuable evidence on this potential channel of increasing transparency and reducing corruption in tax administration.

Results

Firms that e-file have lower compliance costs, spending five fewer hours each month on fulfilling tax obligations. There are no significant average effects of e-filing on tax or bribe payments, but significant heterogeneity exists across firms by their baseline likelihood of tax evasion. Among firms previously more likely to evade, e-filing doubles tax payments, likely by disrupting collusion with officials. Conversely, among firms less likely to have been evading, e-filing reduces tax payments, suggesting that officials had previously required them to pay more. These firms also pay fewer bribes, as e-filing reduces opportunity for extortion. In all, the results indicate that e-filing reduces compliance costs and makes the distribution of tax payments across firms arguably more equitable

Materials

- [Methodology Note](#)
- [Questionnaire](#)
- [Monitoring Plan](#)
- [Endline Report](#)

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Research Funding Partners

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