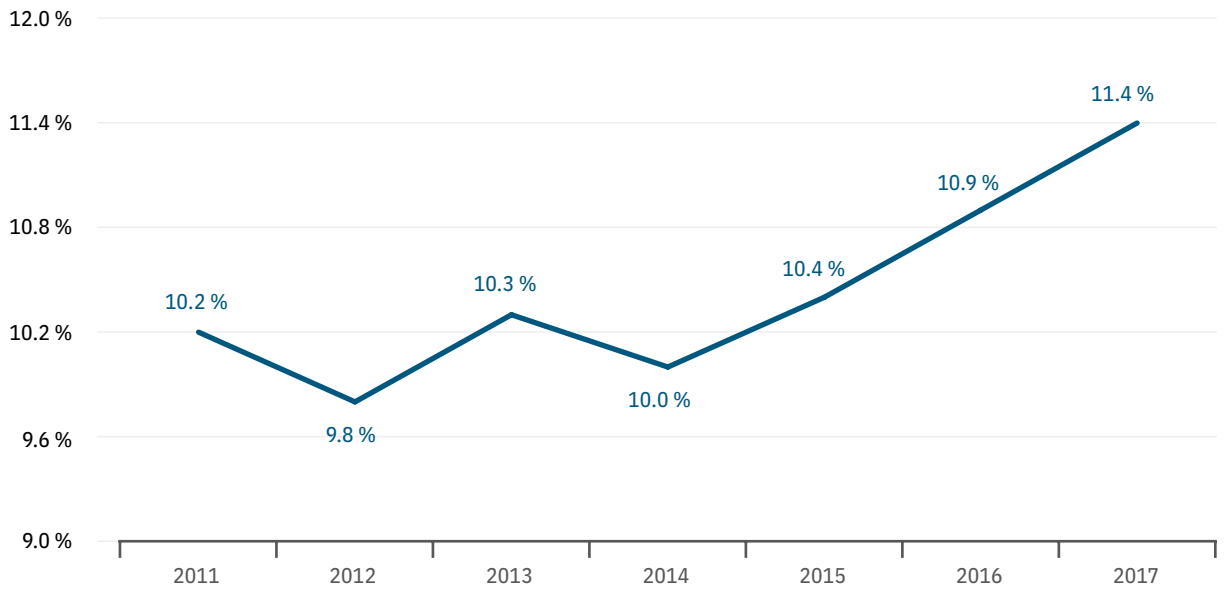


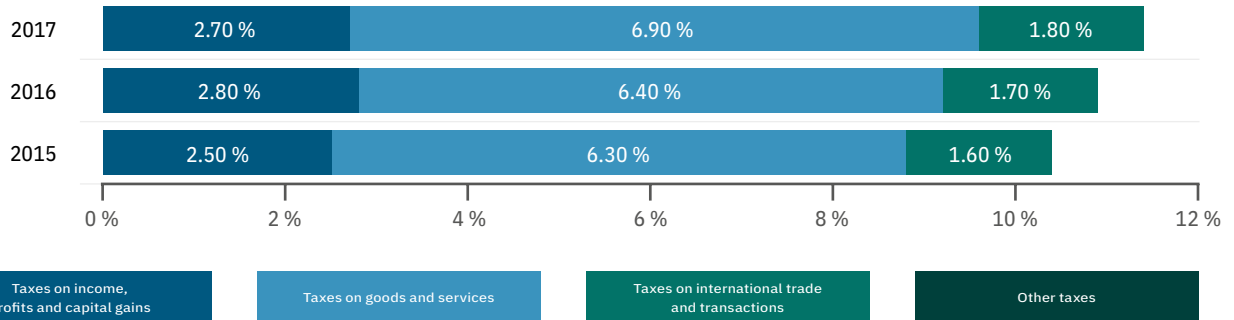
Madagascar

Stepping up domestic revenue mobilisation



Tax revenues (% of GDP) (2011-2017)

Source: Government Finance Statistics (2018)



Tax revenues, by sources (% of GDP) (2015, 2016 & 2017)

Public Expenditure and Financial Accounting (PEFA)

2018 (2016 framework)

- C** Revenue administration
- D+** Accounting for revenue

2014 (2011 framework)

- B** Transparency of taxpayer obligations and liabilities
- B** Effectiveness of measures for taxpayer registration and tax assessment
- D+** Effectiveness in collection of tax payments

*A = internationally-recognised level of good performance
D = performance is below the basic level*

Doing Business, Ease of Paying Taxes 2017 (DB 2018), values from 2016 (DB 2017) in parentheses

Payments (number per year)	Time (hours per year)	Total tax rate (% of profit)	Postfiling Index (0-100)
23 (23)	183 (183)	38.1 (38.1)	21.84 (30.21)

Overall ranking
131 / 190 (117 / 190)

Global Competitiveness Report (2017-2018), values from 2016-2017 in parentheses

Effect of taxation on incentive to work
4/7: Rank 63/138 (4/7: Rank 58/138)

Effect of taxation on incentive to invest
3.3/7: Rank 95/138 (3.3/7: Rank 99/138)

Recent reform steps

Major reforms in Madagascar since 2017 involve:

- Creating **transparent measures** to broaden the tax base by:
 - Introducing minimum collection requirements for each synthetic tax category of activity and modifying the Intermittent Income Tax to an Intermittent Synthetic Tax for the benefit of the Decentralised Territorial Authorities;
 - Taxing companies' property income and income from business activities separately and collecting income tax payments for all import and export transactions by newly registered taxpayers.
- Introducing tax incentives to ensure **economic recovery and environmental protection**, such as:
 - Reducing the ED rate on new vehicles to 5% and VAT exemptions for solar batteries and non-electric solar water heaters;
 - Ensuring deductibility of certain expenses of mining companies as well as of VAT on the purchase of fuel for shipping lines and of hydrocarbons;
 - Extending the benefit of a tax reduction on investments to the agricultural sector;

- Tackling the eligibility of approved leasing companies for VAT credit refunds;
- Reducing the registration fee for vehicle sales by dealers and for cruise passengers' visas.

In addition, the following improvements in securing and improving revenue were reached in 2018:

- Modification of the registration fees for purchases of commercial vessels and aircraft;
- Separation of the taxation of companies' property income from the income derived from professional activities;
- Implementation of measures to foster transparency on taxes payable to double taxation agreements by including them in the Finance Act in line with the provisions in Act No. 2014-020 of 27 September 2014 on the resources of the decentralised territorial authorities.

Progress achieved

As a new member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, Madagascar has not yet taken any concrete legislative action. There are plans for a preliminary assessment of the existing legal framework, followed by recommendations on aligning the tax legislation with international standards on transparency and the sharing of information. Madagascar has committed to taking the necessary steps, including amending the tax legislation, to ensure these standards are properly implemented.



Outlook: DRM priorities in 2019

The Ministry of Finance of Madagascar has developed a comprehensive and coherent ten-year Public Finance Modernisation Strategy Plan (PSMFP). The PSMFP sets itself the overall objective of “establishing an effective, efficient and transparent public finance management system to consolidate its fundamental role and contribute to the credibility of the National Development Plan and the General State Policy”. The PSMFP centers around nine specific objectives, two of which concern domestic revenue mobilization directly. It identifies three phases of reforms:

1. 2017–19, in which the priority is to fully restore budgetary discipline and the provision of key basic public services, while gradually rolling out capacity for the strategic allocation of the administration's resources;
2. 2020–22, in which the priority is to consolidate budgetary discipline and the strategic allocation of resources, as well as to guarantee the provision of basic public services to all citizens;
3. 2023–26, in which the priority is to create the conditions for a sustainable and continuous improvement in public finance management and the quality of public services.

<i>Priority activities</i>	<i>Expected outcomes</i>
<ul style="list-style-type: none"> • Roll out the Integrated Tax Administration System (SAFI) developed by the Tax Directorate team • Implement electronic payment (Hetra e-payment) • Schedule audits by risk analysis • Training and tax audits for the natural resources sector (mining and petroleum) and telecommunications sector in partnership with Tax Inspectors Without Borders (TIWB) • Set up a call centre and create a website for the Large Corporations Division • Implement a tax recovery campaign • Submit the multilateral convention to the higher authorities, implement the steps required for the agreement to be signed and begin the ratification procedure 	<ul style="list-style-type: none"> ▶ Enhanced domestic revenue mobilisation ▶ Improvement in the Tax Directorate's performance and the services offered to taxpayers ▶ Improvement in the quality of the process to target taxpayers for inspection ▶ Increase in tax revenue from the natural resource sector ▶ Availability of transparent procedures, local service available and taxpayer assistance ▶ Recovered remaining sums and reaching of forecast ▶ Improvement in recovery for tax inspections that are international in scope, achieved by having access to an instrument-sharing network comprising more than 100 countries

Ensuring policy coherence for development

The Tax Directorate has a few specialised directorates and departments that coordinate cooperation between the different agencies.

Managing reforms

The Steering and Communication Department reports to the Director General of Taxes and coordinates aid with development partners. This approach has been adopted 1) to prevent operations from being duplicated or to avoid possible conflict between partners, and 2) to steer major reforms at the central level.

Combating money laundering and illicit flows

The Research and Tax Inspection Office has a research department that serves as direct contact for the various agencies, namely BIANCO (an independent anti-corruption agency), SAMI-FIN, the Customs Directorate etc.

International taxation

The task of the international tax department is to liaise, on the Tax Directorate's behalf, with the international tax departments of foreign governments. It is also in charge of studying, developing, negotiating and implementing the tax provisions in bilateral or international treaties, as well as proposing the strategy for registering Madagascar according to the main guidelines on international taxation.

Coordinating taxation at the local-authority level

The Local Taxation Coordination Service (SCOFIL) provides support and technical assistance to the decentralised territorial authorities by training and building the capacity of officials from these authorities to improve recovery rates and the coordination of local tax collection.