Abstract

This paper discusses the feasibility of mobilising tax revenue from the informal sector in a developing country context where the informal sector is growing but is largely going un-taxed. The expansion of the tax base may be enhanced by supporting the productive capacities of the informal sector activities through innovative formalisation interventions that seek to break the growth-constraints faced by more enterprising informal sector operators. While the impact of tax rates and tax administration on the informal sector is better understood (shared with formal small and medium enterprises to some extent), more research is needed about the determinants of tax non-compliance of the sector. Because of the heterogeneity of the sector, it is proposed that in studying the impact of formalisation interventions and the tax compliance behaviour selection be made of specific activities (informal sector sub-sectors) for better management of research and design and implementation of tax regimes for the informal sector.