

Gender Implication of Taxing the Informal Sector: What is the Reality on Ground in Sierra Leone?

by

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Outline of the Presentation

1. Overview of the Sierra Leone economy
2. The informal sector
3. Estimating the size of the informal sector
4. Contributions of the informal sector
5. Key Gender implications of the tax system
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1. Overview of the SLE Economy

- Prior to:
 - the fall in world prices of major minerals and
 - the outbreak of the Ebola Virus Disease (EVD) in 2014,
- the economy's performance was impressive : 20.7% in 2013
- 27% was projected for 2014 but only 4.6% was achieved. 2015 was a –ve growth

Table 1: Comparing Real GDP Growth

Year	S/Leone	SSA
2013	20.7%	6.3%
2014	4.6%	5.4%
2015	-21.5%	3.6%
2016 proj.	5.3%	3.2%

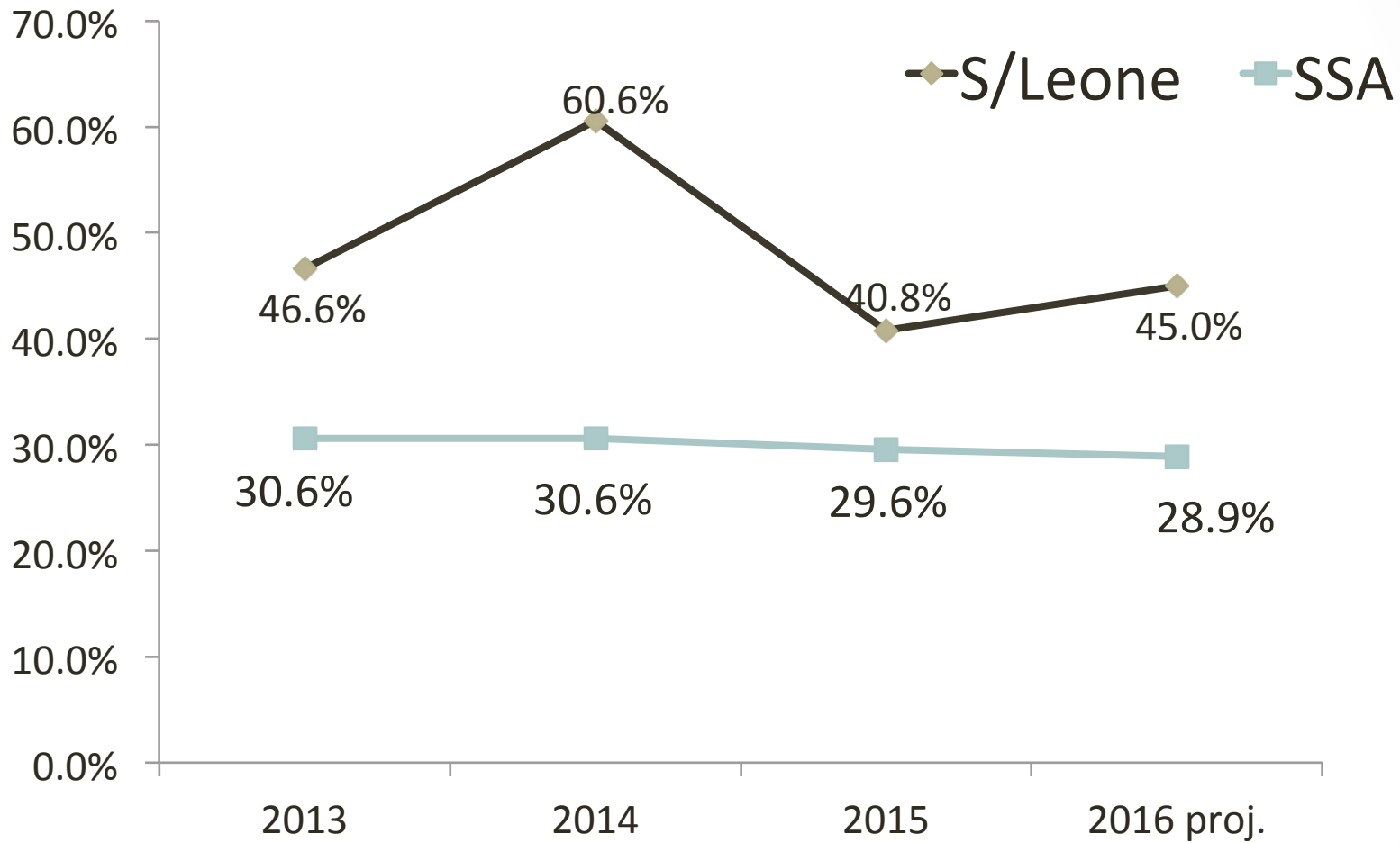


Figure 1: Comparing Imports of gds & services/GDP

- This deterioration has continued to have similar effect on domestic revenue mobilisation.
- the country's revenue remains @ 10.5 % of GDP, far below the average revenue-GDP ratio for SSA

- The low revenue performance may be associated partly to the inability of the tax administration to collect taxes from all the sectors.
- Some sector, informal sector, has often been referred to as the hard to tax sector.

2. The informal sector

Description:

- underground, shadow, black, unofficial, unrecorded, hidden, parallel, clandestine and second economy are all terminologies used to describe the informal sector.

Characteristics of the informal sector

Informal activities take place in all the markets:

- labour market,
- financial system or
- the selling of goods and services

Specifically,

Any entity not regulated by government or other agencies is classified as informal.

3.1: Estimating the size of the informal sector?

- Large proportion of every economy (especially in developing economies)
 - in Africa, over 80% of the workforce
 - Countries like: Zimbabwe, Tanzania, Nigeria, by far have the largest informal economies (over 50% of GDP)
 - Mostly women and youth.

3.2: the size of the informal sector in Sierra Leone?

- 51% of the Population is female (SSL 2015 Census report)
- Women are key players in the informal market (minimum 7/10)
- Active (20-45 yrs) age group
- Low level of education makes operation in this sector to very large & important.

4: Contributions of the informal sector

- This sector is important all over in the world (55% of SSA GDP), 50% labour force.
- provides source of income for significant number of people
- Contribute to tax revenue (directly or indirectly)
- yet ignored in several ways (lack of proper coordinating policy to regulate their activities).

4: Contributions of the informal sector

though considered small but large and undefined:

- Numerous taxes/contributions
 - Presumptive type
 - Indirect taxes (*see import/GDP ratio*)
 - Market dues (*on daily basis*)
 - Contributions (*Unions, organisations, pressure groups, etc*)
- All these are unregulated

5: Key Gender implications of the tax system

➤ this sector being informal & undefined has various implications -

Such as

- bribes,
- confiscation of goods/properties,
- sexual harassment (by tax, regulatory, law enforcing officials).

5: Key Gender implications of the tax system

Sources of harassment:

- taxes paid are mostly not regulated.
- Delay in assessment (at cross border posts, refuse to accept documents)
- Too many organisations, agencies, individuals with varying laws for one sector.

✓ *Causes of delay:*

- more hrs/days to be spent at the border posts
- damage to perishable goods

Revenue collectors

The agencies that collect revenue/charges from one sector are:

- Organisations – official tax office-NRA, district councils, local councils, etc.
- Agencies – law enforcing (police), sanitary officials, community people,
- groups - unions, local organisations
- Individuals – regular cleaners, security men.

Additional implications

These numerous contributions when put together is substantial:

- Most times these costs are not properly determined by players in this sector.
- Affects their profit margin
- Hence their livelihood

6: Conclusion & Area for future research

This presentation clearly showed that there is/are problems in the informal sector:

Contributions from the informal sector in terms of revenue is not recognized

Due to lack of knowledge of the various revenue to individuals and institutions.

Area for future research

this discussion has shows that little or no attention has been paid to the role of this sector in:

- promoting growth through labour
- contributing to domestic revenue.
- poverty level,
- gender implications.

Area for future research

There is need to research into activities of the informal sector to assess:

- the true picture of their operations,
- the numerous contributions in the form of fees, dues, taxes, tokens, informal payments,
- Policies/regulations binding their operations
- frequency and levels of harassments
- provide policy recommendations

**I thank you all
for your
attention**