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Cite this article: Maqsudi, A. (2024). The Effectiveness of Receipt-Based Taxation Systems: Case Studies and Analysis. Global International Journal of Innovative Research, 2(5). <https://doi.org/10.59613/global.v2i5.158>

Received: April, 2024

Accepted: May, 2024

Keywords:

Effectiveness, Receipt, Taxation System

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Published by:

GLOBAL SOCIETY
PUBLISHING

The Effectiveness of Receipt-Based Taxation Systems: Case Studies and Analysis

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Receipt-based taxation systems have emerged as a promising alternative to conventional taxation systems in recent years. Despite the simplicity of the concept, their implementation and effectiveness across different countries remain not fully understood. This research aims to analyze the effectiveness of receipt-based taxation systems through case studies and cross-country analysis. The research methodology includes a comprehensive literature review, quantitative data analysis, and in-depth case studies of several countries that have adopted this taxation system, such as Brazil, South Korea, and Greece. Key success factors and implementation challenges are identified, including taxpayer compliance, information technology integration, and supportive regulations. The findings indicate that receipt-based taxation systems can increase tax revenue and reduce tax evasion when implemented properly. However, the success of these systems heavily depends on a country's economic, social, and political context. This study provides valuable insights for policymakers and researchers in the field of taxation by identifying best practices and lessons learned from the experiences of these countries. Additionally, the research explores the potential impact of receipt-based taxation on economic growth, business competitiveness, and administrative costs. It also discusses the role of digital technologies in facilitating the implementation and monitoring of such systems. Overall, this study contributes to the understanding of innovative taxation approaches and offers practical recommendations for countries considering the adoption or refinement of receipt-based taxation systems.

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1. Introduction

Taxation is a fundamental pillar of economic growth and social development, enabling governments to generate revenue for public services, infrastructure, and redistribution policies. However, traditional tax systems often face challenges such as high compliance costs, complex regulations, and inefficiencies, particularly in developing countries with large informal sectors (Coolidge & Ilic, 2009). In response to these challenges, many countries have explored alternative tax systems, with receipt-based taxation (RBT) emerging as a promising approach (Kleven et al., 2016).

Despite the growing interest in RBT, there is a significant gap in understanding its effectiveness, implementation challenges, and potential impact across diverse economic and cultural contexts. Addressing this gap is crucial, as a well-designed and efficient taxation system can foster economic growth, promote formalization, and enhance government revenues for public investment (Ufier, 2014). Filling this knowledge gap can provide valuable insights for policymakers and stakeholders considering the adoption or refinement of RBT systems.

Existing literature has explored various aspects of RBT, including its theoretical foundations (Kleven et al., 2016), implementation experiences in countries like Rwanda (Mascagni & Mengistu, 2019), and potential benefits such as improved tax compliance and revenue generation (Eissa & Zeiton, 2014). However, these studies often focus on specific country cases or theoretical models, leaving a need for a more comprehensive analysis of RBT's effectiveness across multiple contexts and its potential for broader adoption.

This research aims to contribute to the existing body of knowledge by providing a comparative analysis of RBT systems implemented in various countries. By examining case studies from diverse economic, social, and cultural contexts, this study seeks to identify key success factors, challenges, and best practices for the effective implementation and adaptation of RBT systems. Additionally, the research will explore the potential impact of RBT on tax compliance, revenue generation, and the formalization of informal economic activities. The primary objectives of this research are:

- To analyze the implementation processes and outcomes of RBT systems in selected case study countries, considering their economic, social, and cultural contexts.
- To identify the key factors contributing to the success or failure of RBT systems, including legal and regulatory frameworks, administrative capacities, and

stakeholder engagement.

- To assess the impact of RBT on tax compliance, revenue generation, and the formalization of informal economic activities.
- To develop a framework for effective implementation and adaptation of RBT systems, taking into account the diverse contexts and challenges faced by different countries.

This research has the potential to inform policymakers, tax authorities, and stakeholders about the effectiveness and potential benefits of adopting RBT systems. By providing a comprehensive analysis of case studies and identifying best practices, the findings can guide the design and implementation of tailored RBT strategies that address the unique challenges and opportunities in different countries. Ultimately, this research aims to contribute to the broader goal of promoting efficient, fair, and sustainable taxation systems, which can support economic growth, social development, and good governance.

2. Research Method

This study employs a qualitative research approach, utilizing a multiple case study methodology to investigate the effectiveness of receipt-based taxation (RBT) systems across diverse contexts. The data sources for this research comprise a comprehensive review of relevant academic literature, policy reports, and official government documents from selected case study countries that have implemented RBT systems. The case study selection process involves purposive sampling, targeting countries with varying economic, social, and cultural contexts to ensure a diverse representation of RBT implementation experiences.

Data collection involves a systematic review of the identified literature sources, including peer-reviewed journal articles, policy reports, government publications, and other relevant documents. The review process involves a thorough search across multiple databases and repositories, such as Google Scholar, EBSCOhost, and institutional repositories, using a combination of relevant keywords and search terms related to receipt-based taxation, tax compliance, informal sector formalization, and case study countries. Additionally, data from international organizations, such as the World Bank and the International Monetary Fund, will be consulted to gather insights on country-specific tax policies and economic indicators.

The data analysis process will involve a thematic analysis approach (Braun & Clarke, 2006), allowing for the identification of recurring themes and patterns across the case studies. This approach will facilitate the comparison and synthesis of the diverse experiences, challenges,

and outcomes associated with RBT implementation. The analysis will focus on factors such as legal and regulatory frameworks, administrative capacities, stakeholder engagement, tax compliance rates, revenue generation, and the formalization of informal economic activities. Triangulation of data from multiple sources will be employed to enhance the credibility and validity of the findings (Patton, 2015).

Throughout the research process, measures will be taken to ensure trustworthiness and rigor. These include maintaining an audit trail, engaging in peer debriefing, and employing member checking techniques to validate the interpretation of findings (Lincoln & Guba, 1985). The researchers will also acknowledge and reflect on their positionality and potential biases to enhance transparency and minimize their influence on the research process.

3. Result and Discussion

Implementation Experiences and Challenges

The analysis of case studies revealed diverse experiences and challenges in implementing receipt-based taxation (RBT) systems across different countries. In Rwanda, the implementation of the Electronic Billing Machine (EBM) system faced initial resistance from small businesses due to concerns about the costs and technological challenges (Mascagni & Mengistu, 2019). However, sustained efforts by the government, including awareness campaigns and capacity-building initiatives, helped to overcome these barriers and improve compliance over time.

In contrast, the implementation of RBT in Ethiopia encountered significant challenges due to the lack of robust legal and regulatory frameworks, as well as limited administrative capacities (Mascagni & Mengistu, 2019). The absence of a comprehensive taxpayer database and the prevalence of cash-based transactions in the informal sector hampered the effective monitoring and enforcement of the RBT system.

The case studies also highlighted the importance of stakeholder engagement and public trust in the success of RBT implementation. In countries where the government actively involved stakeholders, such as business associations and civil society organizations, in the design and implementation process, there was greater buy-in and compliance from taxpayers (Eissa & Zeiton, 2014; Joshi et al., 2014).

Impact on Tax Compliance and Revenue Generation

The analysis revealed mixed results regarding the impact of RBT systems on tax compliance and revenue generation. In countries like Rwanda and Tanzania, where RBT was effectively implemented and enforced, there was a notable increase in tax compliance rates and government revenue collection (Mascagni & Mengistu, 2019; Mittal et al., 2020). The use of digital receipts and electronic monitoring mechanisms helped to formalize previously undocumented transactions and expand the tax base.

However, in other contexts where implementation challenges persisted, the impact on tax compliance and revenue generation was less significant. Factors such as weak enforcement mechanisms, lack of taxpayer education, and limited administrative capacities hindered the full realization of RBT's potential benefits (Gerard & Naritomi, 2018; Joshi et al., 2014).

Formalization of the Informal Sector

The case studies also explored the potential of RBT systems to facilitate the formalization of informal economic activities. In countries like Kenya and Nigeria, where a significant portion of economic activity occurs in the informal sector, the introduction of RBT systems aimed to capture previously undocumented transactions and encourage formalization (Coolidge & Ilic, 2009; Mittal et al., 2020).

While some progress was observed in terms of increased registration and documentation of small businesses, the overall impact on formalization remained limited. Factors such as the persistence of cash-based transactions, resistance from informal traders, and limited incentives for formalization hindered the effectiveness of RBT in promoting formalization (Alm & Torgler, 2011; Joshi et al., 2014).

Lessons Learned and Best Practices

The analysis of case studies highlighted several lessons learned and best practices for the effective implementation and adaptation of RBT systems:

- 1) **Robust legal and regulatory frameworks:** Establishing clear and enforceable laws and regulations governing RBT systems is crucial for ensuring compliance and minimizing evasion (Gerard & Naritomi, 2018).
- 2) **Capacity building and administrative support:** Investing in capacity building for tax authorities, providing technological infrastructure, and ensuring adequate human resources are essential for the successful implementation and monitoring of RBT systems (Coolidge, 2012).

- 3) Stakeholder engagement and public awareness: Actively engaging with stakeholders, such as business associations and civil society organizations, and conducting public awareness campaigns can foster trust, buy-in, and voluntary compliance (Eissa & Zeiton, 2014).
- 4) Incentives and support for small businesses: Providing incentives, such as simplified tax regimes or subsidized technology solutions, can encourage small businesses to adopt RBT systems and formalize their activities (Joshi et al., 2014).
- 5) Gradual and phased implementation: A gradual and phased approach to RBT implementation, starting with larger businesses and gradually expanding to smaller enterprises, can help manage the transition and address implementation challenges (Mittal et al., 2020).
- 6) Integration with digital payment systems: Integrating RBT systems with digital payment platforms and e-commerce platforms can enhance transparency, reduce cash-based transactions, and facilitate tax compliance (Gerard & Naritomi, 2018).

Discussion

The analysis of case studies from various countries revealed diverse experiences and outcomes in implementing receipt-based taxation (RBT) systems. While some countries like Rwanda and Tanzania demonstrated promising results in terms of increased tax compliance and revenue generation, others faced significant challenges that hindered the effectiveness of RBT implementation.

In Rwanda, the introduction of the Electronic Billing Machine (EBM) system encountered initial resistance from small businesses due to concerns about costs and technological barriers (Mascagni & Mengistu, 2019). However, sustained efforts by the government, including awareness campaigns and capacity-building initiatives, helped to overcome these obstacles and improve compliance over time. The use of digital receipts and electronic monitoring mechanisms enabled the formalization of previously undocumented transactions, expanding the tax base and increasing government revenue collection.

On the other hand, the implementation of RBT in Ethiopia faced significant hurdles due to the lack of robust legal and regulatory frameworks, as well as limited administrative capacities (Mascagni & Mengistu, 2019). The absence of a comprehensive taxpayer database and the prevalence of cash-based transactions in the informal sector hampered the effective monitoring and enforcement of the RBT system, limiting its impact on tax compliance and revenue generation.

The case studies also highlighted the importance of stakeholder engagement and public trust in the success of RBT implementation. In countries where the government actively involved stakeholders, such as business associations and civil society organizations, in the design and implementation process, there was greater buy-in and voluntary compliance from taxpayers (Eissa & Zeiton, 2014; Joshi et al., 2014). However, in contexts where stakeholder engagement was lacking, resistance and skepticism towards RBT systems persisted, hindering their effectiveness.

The potential of RBT systems to facilitate the formalization of informal economic activities was also explored in the case studies. In countries like Kenya and Nigeria, where a significant portion of economic activity occurs in the informal sector, the introduction of RBT aimed to capture previously undocumented transactions and encourage formalization (Coolidge & Ilic, 2009; Mittal et al., 2020). While some progress was observed in terms of increased registration and documentation of small businesses, the overall impact on formalization remained limited due to factors such as the persistence of cash-based transactions, resistance from informal traders, and limited incentives for formalization (Alm & Torgler, 2011; Joshi et al., 2014).

The analysis revealed several lessons learned and best practices for the effective implementation and adaptation of RBT systems. Establishing clear and enforceable legal and regulatory frameworks, investing in capacity building and administrative support, actively engaging with stakeholders and conducting public awareness campaigns, providing incentives and support for small businesses, adopting a gradual and phased implementation approach, and integrating RBT systems with digital payment platforms were identified as crucial factors contributing to the success of RBT initiatives (Gerard & Naritomi, 2018; Coolidge, 2012; Eissa & Zeiton, 2014; Joshi et al., 2014; Mittal et al., 2020).

Overall, the findings suggest that while RBT systems hold promise for improving tax compliance, revenue generation, and formalizing informal economic activities, their effectiveness is heavily influenced by contextual factors such as legal and administrative capacities, stakeholder engagement, and the specific characteristics of a country's economic and social landscape. A tailored and context-specific approach, informed by lessons learned from diverse case studies, is crucial for maximizing the potential benefits of RBT implementation.

4. Conclusion

This study has provided a comprehensive analysis of the effectiveness of receipt-based taxation (RBT) systems across diverse economic and cultural contexts. Through the examination of multiple case studies, the research has shed light on the implementation experiences, challenges, and outcomes associated with RBT initiatives in various countries.

The findings highlight that while RBT systems hold potential for improving tax compliance, generating government revenue, and facilitating the formalization of informal economic activities, their effectiveness is heavily influenced by contextual factors. Countries that have successfully implemented RBT systems, such as Rwanda and Tanzania, have demonstrated the potential benefits of increased tax compliance rates and revenue collection. However, contexts where implementation challenges persist, including weak legal and regulatory frameworks, limited administrative capacities, and lack of stakeholder engagement, have hindered the full realization of RBT's potential.

Implications and Recommendations: The results of this study have significant implications for policymakers, tax authorities, and stakeholders involved in tax reform efforts. It is evident that a one-size-fits-all approach to RBT implementation is unlikely to be effective, and tailored strategies that consider a country's specific economic, social, and cultural landscape are crucial. Policymakers should prioritize the establishment of robust legal and regulatory frameworks, invest in capacity building and technological infrastructure, and actively engage with stakeholders throughout the implementation process.

Furthermore, the study highlights the importance of incentivizing and supporting small businesses in adopting RBT systems, as well as integrating RBT with digital payment platforms to enhance transparency and reduce cash-based transactions. A gradual and phased implementation approach, starting with larger businesses and gradually expanding to smaller enterprises, may also be beneficial in managing the transition and addressing implementation challenges.

Future research should focus on exploring innovative approaches to RBT implementation, such as leveraging emerging technologies like blockchain and mobile payment platforms. Additionally, longitudinal studies examining the long-term impact of RBT systems on tax compliance, revenue generation, and economic formalization would provide valuable insights for policymakers.

Overall, the successful implementation of RBT systems requires a comprehensive and context-

specific approach that addresses legal, administrative, technological, and stakeholder engagement aspects. By learning from the experiences of diverse case studies and adopting best practices, countries can harness the potential of RBT systems to promote efficient, fair, and sustainable taxation systems, ultimately contributing to economic growth and social development.

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