

Review of: "Sectoral GDP and Tax Revenue: a Panel Data Analysis"

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How different sector affect tax revenue performance is an interesting topic. However, I find some limitations of the study to fully analyze the questions raised in the paper.

Abstract: The motivation of why a sectoral focus is important is not addressed. Why is it important?

Literature review: The review is short and leave out a huge literature on tax revenue performance. Most studies on tax revenue performance find a positive association between revenue and GDP per capita. Most studies also find that a high share of agriculture GDP or informality reduce tax revenue performance. The literature review should also motivate choice of theoretical model. If we want to analyze revenue performance across regions the dependent variable should be tax/GDP not the absolute value of tax revenue. Is it total tax revenue that is the main focus in the paper? A sectoral focus would also benefit from a discussion on different types of taxes. For example, it would be interesting to explore how business income taxation or value-added tax is affected by sectoral composition. In the model it is not clear which variable that capture the sectors. Descriptive statistics should be presented and discussed. It is not clear on how variables are measured. For example, are sectors measured as gross output? It may be good to measure its relative importance in each region (as a share of GDP). In the discussion it is mentioned that agriculture is tax-exempted, is this for all taxes? Are other formal sectors exempted? This can be discussed when presenting the data used in the model. I would recommend the authors to read the tax-effort literature which seems to be the relevant literature in this type of study. Finally, in the conclusion it is argued that a sectoral approach can be used to implement policies to increase tax revenue. This leaves out an important several aspects of revenue mobilization such as labor force participation and the composition of tax instruments (including exemptions) that tax authorities use to exploit the tax base.