

Togo

FY24 Progress

Component: Revenue

Module: RM – I Tax Policy

Project Manager: Benninger, Thomas

Key Progress in FY24:

A diagnostic and scoping mission visited Togo in March 2024 (endorsed by SC in Jan 2024). Tax-to-GDP stands at 14.8 percent – below the convergence criteria of WAEMU but slightly above the regional average. Since the last tax policy mission in 2017, the authorities have implemented a considerable number of recommendations, in particular measures to protect the tax base of the corporate income tax and the removal of the reduced rate for the value-added tax. Moreover, the authorities have created and operationalized a tax policy unit.

In the coming months, the authorities should implement major reforms to make direct taxes more efficient and productive. This would include a full implementation of a dual income tax system which taxes labor income at progressive rates while applying a lower flat rate on capital income. Moreover, the presumptive regime for small enterprises should be simplified and the taxation of business income should increase the incentives for the incorporation of businesses to reduce informality and limit tax evasion.

The main focus for indirect taxes should be to broaden the tax base. This implies eliminating regressive exemptions from the value added tax and ending the practice of allowing reductions in the value of imports at customs.

The mission identified topics for follow-up support which are being considered by the authorities. If follow-up is requested, a full project proposal will be developed.

Cross-cutting Priority Activity:

N/A

Coordination/Cooperation:

The mission overlapped with a visit by revenue administration colleagues from headquarters and AFRITAC West. The mission identified a number of topics that should be tackled through a collaboration with expenditure policy (cash transfer and elimination of tax exemptions, petroleum pricing and taxation, PIT calibration and contributions/sustainability of the social security program). The mission met with other technical assistance partners to ensure there is no overlap with existing support received by the authorities from other providers.