

## The Role of Taxation in Promoting Development

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Taxation can contribute in promoting high-quality development of the Belt and Road Initiative that covers many developing countries, which rely, among others, on financial resources to accelerate the pace of development to improve the lives of their citizens. Financial resources are primarily generated through taxation, which are used to provide public goods and services, including maintaining law and order, developing socio-economic infrastructures and providing social security to the weaker section of the population. A progressive tax system also helps reduce income inequality. Taxes can also be levied strategically to divert resources to sectors prioritized for national development.

To promote high-quality development through taxation, however, Belt and Road Initiative countries should emphasize on minimizing the costs generated in the taxation process, namely compliance, administrative and economic costs. Among these, compliance costs are those borne by taxpayers while complying with the requirements of the tax system while administrative costs are borne by tax administration while collecting various taxes levied by the government. Finally, economic costs are inherent in taxes that bring distortions in the economy but can be minimized via proper design and effective and uniform implementation.

Belt and Road Initiative countries should develop a proper tax mix to generate additional revenue to finance government expenditures needed for various development and welfare activities in the country while minimizing potential distortions to promote a high-quality development of the Belt and Road Initiative region.

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