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Review of Contemporary Best Practices in Tax Revenue Mobilization from Underground Economies

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Abstract: Countries of the world are facing increasing challenges in funding their national budgets, and this has placed much pressure on nations' tax authorities to up their skills in expanding the tax net with special focus on underground economies. This study adopted a literature review approach on contemporary tax revenue mobilization approaches around the world. Data were collected from online sources using phrases such as tax collection from informal sectors; tax revenue collection from shadow economies; taxation of underground economies; methods of taxation on traditional economies. In line with reviewed literature as well as the collaborative synergy expected from governments, tax authorities, labour/employees associations, and informal sectors' associations, the work adopted the stakeholder theoretical framework. The study identified the following as the mostly applicable international best practices in tax revenue mobilization from underground economies: indirect taxes (that is value added tax (VAT) and withholding tax (WHT)); presumptive tax; the formalization of informal sector; and collective tax collection regimes. It is the recommendation of the study that governments of the world (most especially those of emerging economies and third world countries) should improve their synergy with tax payers and associations in the informal sectors. This is because they form the largest population of qualified tax payers outside the tax dragnet.

Keywords: Collective tax agreement, tax best practices, tax revenue, underground economies.

I. Introduction

The Coronavirus disease (COVIC-19) has worsened world economies; thrown many countries and economic blocks into multiple recessions; enlarged governments' expenditure and reduced revenue generation from taxation as many households are out of work as companies' shops were closed (Wahua, Mkombo, Okai & Acquah-Yalley, 2022). To remain in governance, borrowings and grants have become the major sources of government revenues. The situation was not palatable before 2020; but, COVID-19 pandemic and its unexpected protocols have worsened the situation. Taxation, which is the traditional source of governments' revenue, is being threatened due to untapped tax revenues from underground economies of the world. Presently, economies across the globe are taking conscious and concerted efforts towards enlarging their tax nets as government expenditures keep rising geometrically while government aggregate revenue continues to rise arithmetically (Armah-Attoh & Awal, 2013). Scholars are united in their assertion that tax revenue mobilization from underground economies continues to be both problematic and discouraging (Lupi, 2018) as the attention of governments / tax authorities have been drawn to international best practices of increasing tax revenue from underground economies (Onwe, 2013; Tshuma & Jari, 2013). The perception that countries' tax systems and administration are perceived to be ineffective and inefficient (Armah-Attoh & Awal, 2013; Keen, 2012) is worsened as underground economies worldwide has been identified as the worst offenders in terms of tax evasion and avoidance (Thompson-Junior, 2014). In conclusion, Joshi, Prichard and Heady (2013) strongly believe that little progress has been made in increasing countries' tax revenue due to non-compensatory contribution from their underground economies despite their size and potential to lift the world out of financial crunch.

Underground economies are marked by their non-registration and non-regulation by the Registrars of Companies in their respective countries of jurisdiction (Enahoro & Olabisi, 2014); they are not regulated; they do not adhere to the principles of international financial reporting standards (Oduwole & Sanni, 2014); they employ limited but specialist workers according to their lines of trade (Adesoji & Chike, 2016); they are mostly engaged in the production of goods and rendering of services as means of generating revenue; and they mostly operate informally (Lupi, 2018; Onwe, 2013). Underground economies play significant roles in countries' economic development in many spheres: (i) they create majority of self-employment for the teaming unemployed citizens of the world; (ii) they boost national incomes of countries as they are engaged in numerous production of goods, and creation of services for local and foreign; (iii) they help in the reduction of poverty around the world; (iv) they reduce hunger, violence and the chronic differences between the poor and the rich; and (v) they are the catalysts for technological development of countries (Tshuma & Jari, 2013). Regrettably, operators in underground economies are not protected by their respective countries; they have no secured minimum wage; there is no national social security coverage for them; they are abysmally protected by their respective trade associations; their daily or weekly or monthly pay-checks are very small just as they do not enjoy security of jobs (Osei-Boateng & Ampratwum, 2011). Underground economies are classified into two due to the nature of economic activities they carry out: rural underground economies are mostly engaged in agricultural oriented activities; urban underground economies are mostly known for the rendering of services; and rural-urban underground economies are characterized by construction and manufacturing activities (Yeboah, 2021). To Olabisi, Afolabi, Olagunju and Madariola (2020), informal sectors or underground economies do not have one universally accepted definition in all countries.

Underground economies employ circa 80% of total labour force in Africa, Asia, and Latin America; their contributions to the gross domestic product (GDP) of their various countries vary across countries: 55% in Sub-Saharan African countries and 67% in Asian countries (Osei-Boateng & Ampratwum, 2011; Lupi, 2018). Despite the ubiquitous opportunities inherent in governments' generation of large chunk of tax revenues from the underground economies, tax collection from them is extremely hectic and herculean as most of them are yet to be brought into national or regional or local tax nets (Somuah, 2011). Some of the adduced reasons for this anomaly include poor technical know-how of tax operations by staff of tax authorities; corruption of tax officials; deliberate acts of underground operators to avoid and evade tax payment (Kwaako, Laribik, Appiah, Kumah & Kpodo, 2012; Somuah, 2011). According to Armah-Attoh and Awal (2013), tax authorities' integrity is being questioned as 50% of tax payers see tax personnel as highly corrupt. There is no official documentation of operators in underground economies in emerging countries; they hardly have operational bank accounts in their names because they are undocumented, unregulated and unrecognized (Onwe, 2013).

Majority of African, Asian, and Latin American countries are facing mountainous local and external debts that have pushed them to their knees at the mercy of their creditors (Thompson-Junior, 2014). It is also a fact that some of them are at the verge of losing their national assets and sovereignty to foreign power like China due to their inability to defray their loans as and when due (Joshi, Prichard & Heady, 2013; Keen, 2012). Economies across the globe have taken conscious and concerted efforts towards enlarging their tax nets as government expenditures keep rising geometrically while government aggregate revenue continues to rise arithmetically (Armah-Attoh & Awal, 2013). Again, majority of countries of the world are facing increasing challenges in funding their national budgets, and this has placed much pressure on nations' tax authorities to up their skills in expanding the tax net with special focus on underground economies. Underground economies are also called informal sectors or traditional sectors or shadow economies as operators in them lack primary documentations (regulatory and banking) to bring them into the formal tax net (Lupi, 2018; Osei-Boateng & Ampratwum, 2011; Onwe, 2013). Majority of the industries within the informal sectors are local in nature and fall under one or all of the following: agriculture, mining, manufacturing, services, quarrying, and constructions (Yeboah, 2021). Underground economies are manned by undocumented enterprises and individuals who do not make any form of payment to local, regional or national government for themselves or for any of their employees (Thompson-Junior, 2014; Rogan, 2019). The crux of this review is to ascertain the most popular international best practices adopted by different countries in increasing tax revenues from their underground economies. As such, the most salient question in this study is: what are the most popular international best practices for the collection of tax revenue from underground economies? This is because the attention of governments as well as tax authorities have been drawn to the need for adopting international best practices of increasing tax revenue from underground economic units (Onwe, 2013; Tshuma & Jari, 2013). Governments and tax authorities cannot continue to use old fashions of revenue collections as scholars are united in asserting that tax revenue mobilization from underground economies continues to be both problematic and discouraging (Lupi, 2018).

II. Theoretical and Conceptual Reviews

Contemporary international studies on how to increase tax revenue from underground economies is underpinned on stakeholder orientation;

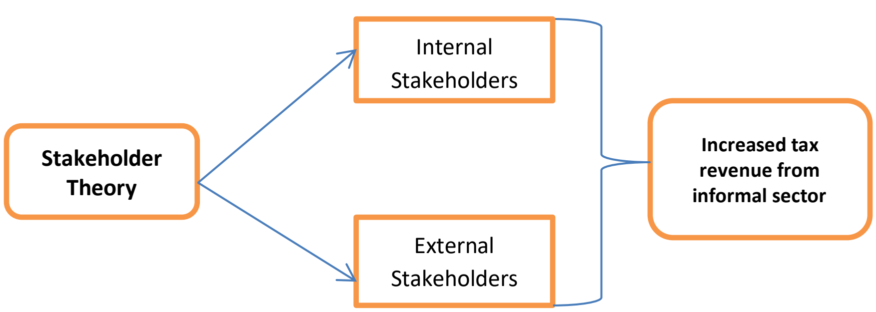

Fig. 1: Underground Economies' Tax Theoretical Framework (Source: Authors)

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Underground economies tax theoretical framework (Figure 1) rests on stakeholders as the nexus of increased tax revenue generation from the informal sectors of countries. Internal stakeholders are governments and tax authorities as well as their staff and agencies while the rest are external stakeholders. Tax collection is a function of soft and hard laws which connects governments (through their tax authorities) to the people (the tax payers who are human beings and legal entities). As a matter of importance, tax authorities need the cooperation and partnership of multiple stakeholders and the law to collect tax from operators in underground economies (Ghana Revenue Authority, 2019). Tax stakeholders include tax payers as well as those who are affected directly and indirectly by tax payments (Wahua, 2018). To the Tanzania Revenue Authority (stakeholders, n.d.), tax stakeholders include government ministries, departments, and agencies (MDAs), revenue courts and special tribunals, tax payers, tax practitioners and consultants, private and financial institutions that handle tax matters, tax boards, non-governmental organizations and developmental partners that are related to tax matters, and the public. To the National Revenue Authority of Sierra Leone (building tax compliance, n.d.), effective and efficient tax revenue generation rests on partnering with multiple but interconnected stakeholders. Yeboah (2021) concludes that positive tax revenue collection from underground economies must be multi-stakeholders-oriented. According to Ghana Revenue Authority (2019), its stakeholders are tax payers, central government, donor partners, World Bank, International Monetary Fund, ECOWAS Commission, Staff of Ghana Revenue Authority, Banks, Service providers (FinTech, DigTech, and BigTech companies), Ghana's Shippers Association, Freight Forwarders, Ghana Port and Harbour Authority (GPHA), Ship Owners and Agents Association of Ghana (SOAAG), and trade and professional associations. No country with inevitable-over-bloated public expenditure, mountainous public debt stock, and shrinking revenue generation would fail to adopt stakeholder-oriented tax revenue collection method. In 2010, the International Monetary Fund advised countries of the world to engage critical stakeholders in their genuine quests to increase tax revenue generation. Adaletey, Raju and Phung (2018) opined that tax authorities should optimise tax revenue generation by complying with tax laws and policies, motivating tax papers to comply with tax laws, and by enforcing tax laws without fears or favours.

In line with the underground economies' tax theoretical framework, the underground economies' tax conceptual framework aims at increasing tax revenue generation from informal sectors through the following interrelated canons: and hover around indirect taxation (which covers value added tax, and withholding tax), presumptive tax regime, the formalization of underground economies in order to bring them into the tax net, and state-bargain-with underground operators in order to increase their propensity to pay taxes (Yeboah, 2021).

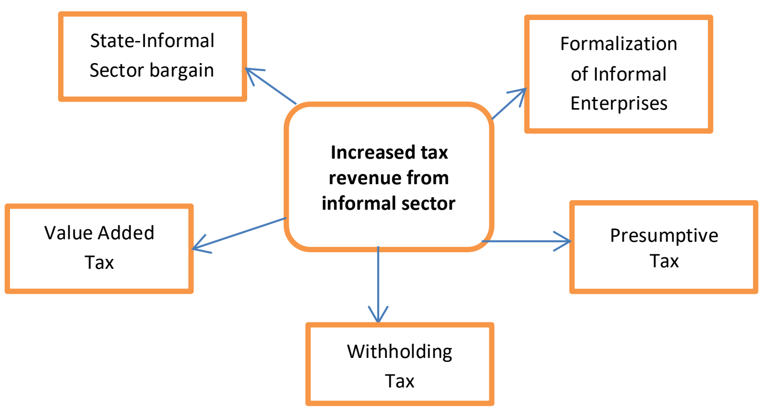

Fig. 2: Underground economies' tax conceptual framework (Source: Yeboah, 2021)

Using Figure 2 (Underground economies' tax conceptual framework), Yeboah (2021) classified value formalization of informal businesses as 'economic factor'; added tax, presumptive tax, and withholding tax as 'tax systems'; and state-informal sectors collective bargains as 'politico-economic factor'. The summary of the underground economies' tax conceptual framework goes thus:

> ***"the role of the state through political will to increase tax revenue from informal sector; the role of tax authority to increase tax revenue mobilization from informal sector; and the role of informal sectors' associations and representatives to increase tax revenue mobilization from informal operators. As could be observed, these different but common roles call for spirited understanding, cooperation, and unity of purpose of all stakeholders involved"*** (Yeboah, 2021; p. 13)

2.1 Tax Collection from Underground Economies

Countries have intensified efforts towards generating proportionate tax revenue from underground economies (that is, informal sectors) in order to bridge the gulf between rising public expenditures versus dwindling public revenue in one hand; and rising public debts versus dwindling public revenue in another hand (Joshi, Prichard & Heady, 2013). Governments across the world are finding it very difficult to generate proportionate tax revenue from underground economies due to multiplicity of factors. This is worrisome when one considers the fact that underground economies of developing countries have the potential to pull them out of the woods in this trying time (Schneider, Buehn & Montenegro, 2010). Taxing underground economies faces multitude of challenges; and chief among which are the stupendous cost of human, material, and financial resources required to pull operators in underground economies into formal tax net (Joshi, Prichard & Heady, 2013). Another salient reason advanced by Pimhidzai and Fox (2012) is all it is economically suicidal to commit scarce financial resources to generating tax revenue from underground economies as the bottom-line is most likely to be a dry hole at the end of the tunnel. They further explained that taxing the informal sectors of developing countries is counter-progressive as the cost would most probably exceed the revenue.

Keen (2012) argued that underground economies have ubiquitous of operators who hardly keep proper books of accounts; as such, tax officials are generally perceived to engage in frivolous under-assessing of their tax liabilities in exchange for financial kickbacks or inducements. At the end of the day, the tax officials end up getting richer while the State gets poorer. The seemingly surest bet to improved tax revenue generation from underground economies is via consensus building between the administrators of tax and taxpayers (prospective and current). This proposed approach is to be anchored on indirect tax mechanisms of value-added-tax and withholding tax (Joshi, Prichard & Heady, 2013). The debate concludes that the overall objective of taxation of underground economies is the united efforts of all stakeholders to bring taxable entities in underground economies into the formal tax corridor (Yeboah, 2021).

2.2 Value Added Tax (VAT) from Underground Economies

Operators in underground economies are not recognized by the government as they are not documented by countries' tax administrators because they lack incorporation/registration documents (they mostly use their personal names and open bank accounts in their names). Conversely, their products and services are known and most often exported to foreign countries. Indirect taxation of goods and services from underground economies has become a feasible window of opportunity of taxing informal sectors' operators. The most pronounced indirect tax applied on shadow or underground economies is what is technically known as goods and services tax or value added tax or consumer tax (Yeboah, 2021). Value added tax (VAT) or goods and services tax (GST) or consumer tax (CT) have different rates across different countries of the world; the implementation of this type of taxation has helped greatly in boosting annual tax revenue by countries that keyed into it (Joshi, Prichard & Heady (2013). The burden inherent in GST or VAT or CT is naturally carried by the final consumer of the product or service; hence, it is called indirect tax system.

2.3 Withholding taxes (WHT) from Underground Economies

Apart from GST or VAT or CT, governments around the world have also introduced another indirect tax mechanism (called withholding tax, WHT) to increase revenue generation from underground economies (Yeboah, 2021). Withholding tax regime is punitive in nature as it is also aimed at discouraging eligible taxpayers from avoiding/evading tax payments: those who have already paid taxes are credited by the tax authority while those that have not paid are debited by the tax authority (Joshi, Prichard & Heady, 2013; Ahmed & Rahman, 2010). The efficacy of withholding tax system as a powerful instrument for taxing operators of underground economies in undeveloped, emerging, developed is that it is charged on local transactions and imports; thereby increasing tax revenue from shadow economies of countries (Joshi, et al., 2013). Once again, the IMF (2011) believes that governments around the world would optimize withholding tax benefits when they work in synergy with withholding tax accredited representatives for the good of all. Finally, Bangladesh is a good example of a country where withholding tax system has enjoyed sustainable long-term success story (Ahmed & Rahman, 2010).

According to Keen (2000) as cited by Joshi, Prichard and Heady (2013), items that fall under withholding tax are different from country-to-country: Central Africa Republic and Benin Republic charge withholding tax on goods imported into their countries; Sierra Leone charge withholding tax on rent payments made in the country; and Burkina Faso charge withholding tax on traders who do not pay taxes. The Ghana Revenue Authority (2015) listed the incomes that fall under withholding tax under non-resident category are as follows: branch profit repatriation, dividend, endorsement fees, entertainer payment, final goods services, final interest income from company, income from employment, management and technical services fee, lottery wining, royalties-natural resources payments/rents, petroleum subcontractor final, premiums, payment received from transport and telecommunication businesses, payment for services, and branch profit repatriation. Directors' fees, commissions earned and paid, dividends, endorsement fees, part-time workers' fees, interest earned and paid, lottery wining, petroleum subcontractors' payment,

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unprocessed precious minerals' payment, royalty-natural resources payments, investment-business incomes, and incomes from supplies (Residents).

2.4 Presumptive Tax from Underground Economies

The payment of taxes by operators of underground economies as well as the collection of taxes from operators of shadow economies are both unreasonably expensive economically speaking; and this is because the amount of time, money, and risk put in are not compensated by the meager amount of revenue collected (Bird & Vazquez-Caro, 2011; Joshi, Prichard & Heady, 2013). In the light of the operational reality after considering both political and administrative imperatives, governments (through their respective tax authorities) designed an estimated tax computation model in order to assess tax liabilities of operators in underground economies (IMF, 2011).

Estimated tax liabilities based on salient fundamentals are technically known as presumptive tax system; and it has become indispensable in assessing the tax liabilities of underground economies because they do not prepare proper accounts, just as they do not keep proper records/books of accounts (Yeboah, 2021). In democratic climes, presumptive tax system is a collaborative tax assessment regime between the tax collector and the tax payer in order to arrive at a win-win approach; and it a nexus of: (i) simplified tax assessment methodology; (ii) tax liabilities not based on profit-or-value added; (iii) based on non-financial indicators like size of operating hall, staff population, number of operating equipment, etcetera (Bird & Vasquez-Caro, 2011; IMF, 2011; Yeboah, 2021).

Presumptive or estimated tax policy is mostly applied on underground economies due to lack of reliable financial statements for the computation of tax payable by businesses and individuals. The rate of presumptive tax is not uniform across countries; and so many factors are responsible for this (from politics to economics; and from culture to religion, among others). Some of the bases of computing presumptive taxes in selected countries of the world are: (i) Ethiopia applies 2% of total revenue as presumptive tax on shadow economies; (ii) Kenya charges 3% of total revenue as presumptive tax on underground economies; (iii) Tanzania applies progressive presumptive tax system: as revenue increases, tax rate increases; and vice versa; and (iv) Ghana charges 3% of turnover as presumptive tax on underground economies (Joshi, Prichard & Heady, 2013).

2.5 Formalization of Underground Economies' Taxation

Shadow or underground economies are outside the formal system of taxation; and governments in emerging countries are very cautious in their attempts to bring operators in underground economies into the documented and regulated taxing scheme for various reasons which include desire not to cause indirect harm to their central economies (Yeboah, 2021). It is the considered opinion of silent majority of tax experts that the politicization of taxation of underground economies has gone too far, as the benefits of formalizing the taxation of underground economies far outweigh its political colorization (Joshi, Prichard & Heady, 2013). McCulloch, Schulze and Voss (2010) are of the strong opinion that every concerted efforts should be put in place to bring all taxable persons to the national tax net in order to increase national revenue, fully account for national outputs, improve national economic growth and development.

The critical demand of the formalization of underground economies' operators is to register their businesses with the government, document their operations in line with international accounting standards, get them documented by the national/regional/local tax authorities, and help them open bank accounts with their business names (Yeboah, 2021). Despite all the numerous reasons advanced by underground operators for not willing to formalize their operations, the benefits are more than the fears in the following areas: accessing bank credits, government loans and grants; linkage with national and international donors and technical experts in their lines of businesses; ability to operate openly without fear of real and fake government task-forces; and synergy with other formalized entities which would translate to profit maximization, better operating models, and more sustainable performance (De Mel, McKenzie & Woodruff, 2012; Joshi, et al, 2013; McKenzie & Sakho, 2010; McCulloch, Schulze & Voss, 2010).

Despite the numerous operational, financial, technical, and networking benefits firms derive when they go formal, there are numerous challenges confronting them in towing that way. Theses challenges take different forms as we move from one country to another (particularly in South American, Sub-Saharan African, and South-Asian countries). For example, some of the factors hindering operators in underground economies of South America and South-Asia countries from going formal are: (i) poor culture business education, (ii) poor corporate governance systems, (iii) poor level of industrialization, (iv) high cost of going formal; (v) lack of confidence in the government as a whole and officials of national tax authorities in particular; (vi) dominance of cash transactions over banking transactions; and poor economic policies against small-and medium-scale firms (Kus, 2010; Jonasson, 2011; Jaramillo, 2010; Joshi, Prichard & Heady, 2013; De Mel, McKenzie & Woodruff, 2011;)). In North and Sub-Saharan African countries, it has been empirically established that: (i) Majority of operators in underground economies chose to remain undocumented/unregulated/informal for reasons beyond political leanings, socio-economic considerations, and for other inexplicable reasons (Abor & Quartey, 2010; Kanbur, 2011) despite their been aware that formalized underground economies reformed national tax systems, opened up the operations of operators in underground economies, and increased the overall productivity and profitability of firms that were hitherto in the informal sectors (Coolidge, 2010).

2.6 State-Bargained-Tax with Underground Economies

State-bargained-tax with representatives of underground economies' associations has become critically imperative in the wake of difficulties encountered by governments to collect tax revenue from operators in underground economies. This democratic approach to collecting tax revenue from underground economies is a litmus test of acceptability as well as the legitimacy of the government in power by the citizenry (Joshi, Prichard & Heady, 2013). Governments bargain for tax payment from operators of underground economies by reaching out to them, and agreeing with them on the quantum as well as how they would pay their periodic tax (daily, weekly, monthly, quarterly, or yearly). State-bargained taxes employ tactfulness, diplomacy, and moral suasion in committing unwilling segment of the society to develop the culture of paying their taxes regularly, and as at when due (Yeboah, 2021; Prichard, 2010).

Technically, state-bargained-tax regime is productive, and long-lasting, and equates politics with economics for the interest of governments and the citizenry and according to work of Joshi and Ayee in 2008 (as cited by Joshi, Prichard & Heady, 2013). When governments engage representatives of operators in underground economies, as was the case in Ethiopia, Sri Lanka, and Ghana, tax revenue increases proportionately with the size of the underground economies (Prichard, 2010; De Mel, McKenzie & Woodruff, 2012). It is therefore expedient on governments in generally, and democratically elected ones in particular to robustly engage with formal and underground sectors periodically for the primarily purposes of increasing government revenue from taxation; build critical synergy with taxpayers; and deepen democratic culture in their countries (Josh, Prichard & Heady, 2013).

One salient tax-compliance-related advantage of states bargaining with representatives of underground economies is that it brings operators in shadow economies closer to formalized tax system with its attendant benefits to governments (Daly & Spence, 2010; Jaramillo, 2010). They also advised that such high-level bargain should be devoid of intimidation, dishonesty, inequitable as it must be carried out with the true representatives of the operators in the shadow economies.

2.7 Empirical Review

This section of the work gives an exposition of some recent studies on taxation of underground economies. First, indirect taxation schemes (value added tax and withholding taxes) can positively increase tax revenue mobilization from underground economies by circa 58 – 100% if well-coordinated; (ii) presumptive tax regime can help in increasing tax revenue mobilization from traditional economies by circa 68 – 88%; (iii) the 'formalization of informal enterprises' portends great capacity to increase tax revenue mobilization from shadow economies by about 74 – 98%; and (iv) collective agreement between the states and informal operators can increase tax revenue from underground economies by circa 79% (Yeboah, 2021). Armah-Attoh and Awal (2013) penned down some structural fundamentals required for increased tax revenue mobilization from both formal and underground economies: (i) fair and equitable tax systems; (ii) certainty of tax computation method as well as the amount of tax to be paid periodically; (iii) the convenience of tax payment to the taxpayers; and (iv) efficient administration of the whole tax architecture. So, tax is a solemn burden on the state and the tax payers (Ameyaw (2016).

Olabisi, Afolabi, Olagunju and Madariola (2020) and Ofoegbu, Akwu and Oliver (2016) advised governments to take the taxation of underground economies very seriously (but) with human face in order not to overheat the polity or cause political instability. Government must not overlook its underground economies in her legitimate pursuit mobilizing tax revenue therefrom; but, caution and decorum must be applied all stage on the way: policy making, planning, executing, sustaining, and reporting (Adeleke, 2015). This is centrally so because shadow / underground economies are untapped fields of tax revenue waiting to be properly harvested (Adegboyega, Olabisi, Kajola & Asaolu, 2019). The need for caution in the taxation of underground economies is that the taxpayers therein are mostly poor and struggling to survice (Obara & Nangih, 2017; Ramot & chihashi, 2015). Obara and Nangih (2017) just like Ramot and chihashi (2015) are strongly in support of taxation of underground economies based on proper understanding of the background of the prospective taxpayers. They also advised governments to use revenues from taxation (formal and informal sectors) for the primary purpose of developing their countries as a whole (national, regional, and local). It is therefore apt to state that compliance to tax responsibilities is made up of "attitudes, subjective norm and perceived behavioural control" (Ameyaw, Oppong, Abruquah & Ashalley, 2016; p. 1478).

The contribution of underground economies to job creation in Sub-Sahara Africa was captured by Oduwole and Sanni (2014) to be 90% of general job placements; 80% of agro-allied related job placements; and circa 60% urban-related job placements. Despite these statistics, the contribution of underground economies to aggregate tax revenue of the Sub-Saharan African countries is very poor, to say the least. Once again, some factors have cropped up as the possible causes of poor revenue mobilization from underground economies in Sub-Saharan African countries: poor data, poor book-keeping, and absence of internal audit and control systems (Oduwole & Sanni, 2014; Adeleke, 2015; Kundt, 2017). Some scholars are equally in agreement that governments are yet to maximize tax revenue mobilization from underground economies for two twins problems: (i) inability to really access tax liabilities of informal operators due lack of properly prepared accounts; and (ii) difficulty in accurately quantifying tax compliance and those who are tax compliant too (Adeleke, 2015; Kundt, 2017;Olabisi, Afolabi, Olagunju & Madariola, 2020). Experience from Asia indicates that operators in underground economies are basically afraid of going formal because of fear of high tax liabilities. This was disclosed by Guillermo and Deyve (2019) in a work that investigated the impact of underground economies on countries' tax revenue and economic growth using Peru, Latin American countries, and member countries of the Organisation of Economic Cooperation and Development as case studies. They estimated that underground economies accounted for 37% of gross domestic product (GDP) in Peru, 34% OF GDP in Latin America, and 20% of GDP in member countries of the Organisation of Economic Cooperation and Development. These figures statistical show that tax revenue from underground economies are more important to African, Asian, and Latin American countries than to the advanced economies of the world than to advanced or emerged countries (Yeboah, 2021).

2.8 International Best Practices in Collecting Tax from Underground Economies

Countries committed to maximizing optimum tax revenue collection from shadow / underground economies should understand that no single tax system is a 'best-fit-for-all-countries'. As such, what worked in one country might not work in another country and vice versa (Yeboah, 2021). Countries should therefore apply intertwined tax regimes: a blend of direct and indirect tax regimes for both formal and shadow economies (Kanbur, 2011). According to Joshi, et al. (2013) and Prichard (2010), it is very imperative for countries desirous of increasing their tax revenues to institutionalize and uphold a blend of tax systems that: (i) motivates people to work and pay tax; (ii) encourages governments to use tax money judiciously; (iii) creates jobs by growing businesses; (iv) increases national gross domestic product; (v) bestows honours and integrity on taxpayers (individuals and firms); and (vi) reduces national debts.

As a matter of practical exigency, decentralization of tax collection is an innovation with strong positive correlation with tax compliance and tax revenue stock. Yeboah (2021) and Prichard (2010) observed that tax collection decentralization has worked effectively and efficiently in countries like Ethiopia, Peru, Tanzania, and Uganda; and they added that it is a good model for adoption by other countries struggling with increasing their revenue mobilization from both formal and shadow economies. Another economic policy that has upped revenue mobilization from underground economies is the privatization of tax collection; and Joshi, et al. (2013) see it as an old approach of increasing tax collection from underground economies even though it is marred by corruption, lack of capacity, and low morality of tax collectors (Iversen, et al., 2006). Countries that have experimented the privatization of tax collection are India, Tanzania, and Uganda. See Iversen et al. (2006), and Fjeldstad et al. (2009) as cited by Joshi et al. (2013).

The GRA (2019) stated that the strengths, weaknesses, opportunities, and threats analysis of the capacity of Revenue Authority's effectiveness in collecting taxes from underground economies includes the following: full backing of government and Minister of Finance, strong effective and knowledgeable staff, sound legal framework, wide spread of geographical presence, unique tax payers identification number, integrated audit, well defined and documented procedure across core tax functions, collaborations with other institutions, and strong relationship with developmental partners (Strengths); segmentation taxpayers and ineffective monitoring of large informal sector, over-centralization of authority at the head office, inability to harmonize related tax laws, inconsistencies in tax procedures leading to use of discretion, poor internal communication systems and knowledge sharing, incomplete-inadequate and fragmented automation, weak IT skills of staff and continuing integration challenges, ageing workforce and lack of succession planning, poor performance management system, and insufficient management information systems (weaknesses); making extensive use of digital channel to support the taxpayer base, potential to match data between Customs and domestic tax, untapped large informal sector, enhancement in Customs and domestic tax automation, making extensive use of national builders corps, global drive to tackle abuses in international taxation, available and wiling development partners to work with, making extensive use of digital address system, and strong collaboration with other agencies of government (opportunities); and Challenging border controls and abuse of suspense regimes, poor record keeping and payment culture of taxpayers, negative public perceptions of staff integrity and on use of tax revenue, lack of structured risk management program and menace of transfer pricing, imposition of trade facilitation agreements-conventions-instruments, high level of non-compliance to Customs procedures by Customs Agents, misclassification-undervaluation and fraud, tight schedules for implementing government policies, non-compliance of large informal sector and ineffective tax payer education, aggressive tax avoidance and evasion schemes by taxpayers, and wide scope of exemptions in the tax law (Threats). The underground economies is a difficult area for tax authorities to effectively and efficiently police and administer as a source of tax revenue generation for many obvious reasons: (i) the underground economies are very

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large; (ii) the tax authorities lack requisite knowledgeable staff to man them; (iii) operators in underground economies see no tangible reason to pay tax 9they see tax payments as money up for corruption by politicians and tax collectors.

III. Conclusions and Recommendations

3.1 Study Implications – Theory, Practice and Policy

The study observed the need for governments, tax authorities, and representatives of underground economies to work in unison as interested stakeholders in ensuring optimum collection. This brings to bear the need for stakeholders to focus on tax revenue administration: governments cannot work alone; tax authorities cannot work alone. So, there must be a synergy among all the relevant stakeholders in ensuring that appropriate taxes are paid by underground economies operators as at when due.

Practically, governments through their relevant tax authorities should map out tax collection areas based on clusters of political units (using registered voters or national identification numbers or national census figures). Tax Agents should then be engaged for each mapped out area as the tax collector or facilitator in every identified underground economic area.

The mapping out of identified underground economic areas as Tax Areas could be backed up with a government regulation or law or policy for effective compliance and administration and recognition by the people. Adequate awareness campaigns should be carried out by the tax authority as well as appointed tax agents using the policy related policy instrument as a yardstick. In simple language, tax matters should be democratized and localized (most especially as it concerns the underground economic areas).

3.2 Recommendations

As national debts are rising geometrically while government revenues are rising arithmetically, there is urgent need for the following in order to provide good governance and better wellbeing to the citizens of the world:

i. Countries should review their finance and tax laws in line with present reality of the challenges inherent in collecting tax revenue from the underground economies.
ii. Countries should decentralize their Tax Courts in order to enhance speedy dispensation of tax oriented cases.
iii. Tax Authorities should redouble efforts in their continuous engagement of associations of informal operators on the need for timely and honest payment of their tax liabilities to governments.
iv. Tax collection from the underground economies should be decentralized for easy collection of tax revenues.
v. Locals should be engaged as Tax Collectors in order to ensure that many qualified tax payers are brought into the tax net. They know their environments very well; and they can collect more revenue from the informal operators than strangers.

3.3 Conclusions of the Research

Countries of the world are facing increasing challenges in funding their national budgets, and this has placed much pressure on nations' tax authorities to up their skills in expanding the tax net with special focus on underground economies. This study adopted a literature review approach on contemporary tax revenue mobilization approaches around the world. Data were collected from online sources using phrases such as tax collection from informal sectors; tax revenue collection from shadow economies; taxation of underground economies; methods of taxation on traditional economies. In line with reviewed literature as well as the collaborative synergy expected from governments, tax authorities, labour/employees associations, and informal sectors' associations, the work adopted the stakeholder theoretical framework. The study identified the following as the mostly applicable international best practices in tax revenue mobilization from underground economies: indirect taxes (that is value added tax (VAT) and withholding tax (WHT)); presumptive tax; the formalization of informal sector; and collective tax collection regimes. It is the recommendation of the study that governments of the world (most especially those of emerging economies and third world countries) should improve their synergy with tax payers and associations in the informal sectors. This is because they form the largest population of qualified tax payers outside the tax dragnet.

3.4 Areas of Further Study

The review approach adopted in this study should be extended to qualitative or quantitative or mixed research (triangulation) paradigm using the four cardinal areas identified in this study: indirect taxation, presumptive taxation, formalization of underground economies, and collective bargain and agreement strategies. Such study should adopt a comparative approach: inter-region, cross-country, or any other line of demarcation.

3.5 Conflict of Interest and Research Ethics

The Authors declare that there is no known conflict of interest worthy of being stated in this study. Also, no unethical practice was carried out in this study.

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