Taxation Role in Sustainable Development

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Abstract: The concept of sustainable development is about ensuring that the costs of onegeneration's activities do not compromise the opportunities of future generations. It stresses the long term compatibility of the economic, social and environmental dimensions of human well-being. There are tax aspects of various significances in these four dimensions, some of which are under the primary responsibility of developing countries. These are;
(a) Providing a fiscal environment that is favourable to Foreign Direct Investment and international trade in developing countries,
(b) At the international level, cooperation between developed and developing countries to ensure that developing countries get a fair allocation of tax base in relation to the Foreign Direct Investment they attract,
(c) Helping developing countries to develop efficient and fair tax policies and tax collection mechanisms that allow their governments to effectively fund sustainable policy measures in the economic, social and environmental fields, and
(d) At the international level and in particular in investors' home countries, involving civil society by encouraging taxpayers and in particular MNEs(Multinational Enterprises) to behave in a responsible way when managing their taxes.
The key challenge for for countries especially for developing countries is to establish a strong policy and institutional framework that will help developing countries to attract increased trade and investment and to ensure that these flows benefit their societies and promote sustainable forms of development.
The most important features for a tax system in terms of sustainability would be:
- transparency in administrative decisions;
- stability of tax rules / reasonable certainty for taxpayers; and
- availability of fair jurisdictional recourses.

This paper aims to investigate tax and tax system role on the sustainable development. Finally gives some detailed example for developing and developed countries.

Keywords: taxation, sustainable, foreign direct investment

1.Tax System and Sustainable Development

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A partial re-orientation of taxes from taxation of income to taxation the use of natural resources and pollution of nature. The broader goal of the tax reform concept is to improve the competitiveness in lot of country, support the economic development and reduce unemployment. Another basic principle is that the overall tax burden has to remain the same – this means that the rise of environmental taxes and fees has to be balanced with decreasing of income tax

Tax System Role;

a) Collection From Business:

Collecting taxes from businesses, rather than individuals, makes use of the economies of dealing with a smaller number of larger units, many of which have sophisticated accounting systems.It is morecostly, as a fraction of revenue raised, to collect taxes from compared to larger busiensses.

b) Trade off

- Raising taxes from entails high collection costs per revenue.

- Collection costs include both administrative and compliance costs, but the former should beweighted more heavily.
- But taxing SMEspreferentially creates inefficient incentives for resources to flow to them (where they are difficult to tax).
- Thus, economizing on the costs of collection may exacerbate the distortion costs of taxation.

c) Distortion types

- a size-related exemption discourages businesses from getting big, a production inefficiency.
-It also favors goods and services whose production technology involves small businesses, a consumption inefficiency.

d) Cost-benefit framework

The potential collection costs savings and the distortion costs depend on to which tax the preferences apply, and on the nature of the preferences.

-Special treatment can take many forms, including exemption, a lower rate schedule, a simplified base, and relatively lax enforcement.

-Key question: what about a tax system delivers lower collection costs?

e) Tax system problems

- Administration
- Competitiviness
- Impact to wealth distribution
- Measurement (indicators)
- Political fluctuations

f) Poverty Considerations

Assessing equity issues requires careful consideration of the ultimate incidence of tax policies.

-Both tax liability and compliance costs can be shifted away from the apparent beneficiaries via market adjustments.

-For example, not necessarily owned by people with small incomes.

2. Tax System Role

Special tax regimes for may be appropriate policy instruments for minimizing the cost of collection.The objective should be to achieve collection cost savings while minimizing the revenue loss, disruption to the economy, and the inequity and capriciousness of the tax burden.

3. Conclusions

The role of taxation in sustainable development covers many aspects. The most commonly discussed ones are the use of taxes or tax incentives designed to encourage or discourage specific behaviour that affect economic, environmental or social sustainability. However, there is a more fundamental, although less often advocated, dimension to thisissue. Taxation is essential to sustainable development in that it provides governmentswith the necessary finance to effectively implement development policies. Objectives interms of improving infrastructures, education, health, or environmental protection, cannotbe achieved at no cost. There is a joint responsibility for developing economies, wealthycountries, investors and international organisations to promote fair and efficient taxsystems, administrations and attitudes that will ensure each country derives the fruits ofits own economic growth. This contributes to the wider objective of policy coherence.

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