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Fundamentals of Indirect Taxation

FUNDAMENTALS OF TAXATION SERIES

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Fundamentals of Indirect Taxation

Why this book?

This volume, Fundamentals of Indirect Taxation, is the fourth in the Fundamentals of Taxation series and offers a comprehensive, comparative, and conceptually rigorous exploration of transaction-based taxes. After a general introduction, the book is structured into seven substantive chapters, each dedicated to a major category of transaction tax: (2) Value Added Tax (VAT/GST), (3) Customs Duties (Tariffs), (4) Excise Duties, (5) Environmental or Green Taxes, (6) Digital Services Taxes, (7) Registration Taxes and Other Taxes on the Raising or Transfer of Capital, and (8) Inheritance, Estate and Gift Taxation. Each chapter systematically addresses the rationale, policy objectives, subjective and objective scope, taxable amount, rates, exemptions, administrative obligations, and residual aspects relevant to its subject. The overall aim of this book is to bridge the gap between technical expertise and conceptual understanding, providing both students and practitioners with a clear, accessible, and globally relevant analysis of indirect taxes. The authors employ a comparative methodology, drawing on examples from multiple jurisdictions and referencing international standards, including those of the OECD, IMF, UN and EU. Special attention is paid to the interplay between indirect taxes and broader fiscal, economic and regulatory policies, as well as to the challenges posed by digitalization, globalization and environmental imperatives. The collective authorship underpinning this volume facilitates a multiplicity of perspectives, thereby enriching the analytical depth of the discourse; concurrently, the adoption of a unified editorial methodology ensures coherence and clarity throughout the work. This primer is intended as an essential resource for students, professionals and curious learners, and fosters a common understanding for those engaging with indirect taxation in a global context.

Title:	Fundamentals of Indirect Taxation
Date of publication:	February 2026
ISBN:	9789465290157 (print), 9789465290171 (PDF), 9789465290164 (e-pub)
Type of publication:	Book
Number of pages:	342
Terms:	Shipping fees apply. Shipping information is available on our website.
Price (print/online):	EUR 120 USD 132 (VAT excl.)
Price (eBook: e-Pub or PDF):	EUR 96 USD 105 (VAT excl.)

Order information

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Fundamentals of Taxation Series
Volume 4

IBFD

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ISBN 978-94-6529-015-7 (print)
ISBN 978-94-6529-016-4 (eBook, ePub); 978-94-6529-017-1 (eBook, PDF)
ISSN 3051-0074 (print); 3051-0732 (electronic)
NUR 826

Production of this Work

This is a multi-authored book. While each author was tasked with the initial drafting of aspects of the book, it is collaborative single manuscript. The different chapters reflect the joint views of the authors as a whole but not necessarily those of each author. The division of work in drafting the chapters is recorded as Pasquale Pistone (Preface and sections 2.2. and 2.5.); João Félix Pinto Nogueira (Chapter 6. and section 7.4.); Fabiola Annacondia (sections 2.3., 2.4., 2.6. and 2.7.); Craig West (Chapter 1); Alessandro Turina (sections 2.8., 7.1., 7.2., 7.3. and 7.5.); Ivan Lazarov (section 2.9.); Pedro Schoueri (Chapters 5. and 8.); Sergio Messina (sections 2.1., 2.10. and Chapter 3.); and Sam van der Vlugt (Chapter 4).

Peer Review Process and Statement

This statement serves to confirm that the full manuscript of this book was subjected to external peer review. For this external peer review, three independent international academic experts in the field were tasked with reviewing the manuscript. In particular, the reviewers were asked to comment on whether the manuscript provides an original analysis based on a thorough knowledge of the existing literature on the subject. Upon receipt of the positive reviews, the manuscript was accepted for publication.

Fundamentals of Taxation series

The books in the Fundamentals of Taxation primer series are:

- (1) Fundamentals of Taxation: An Introduction to Tax Policy, Tax Law and Tax Administration (2019)
- (2) Fundamentals of Personal Income Taxation (2025)
- (3) Fundamentals of Corporate Income Taxation (2025)
- (4) Fundamentals of Indirect Taxation (2026) (this book)

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October 2025

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Preface

This book is the fourth volume of our series on the fundamentals of taxation. Two of the three preceding books of the series have focused on one of the mainstream direct taxes. This one brings together all transaction-based taxes, suggesting that the goal of targeting transactions is the primary criterion that unites them within the conceptual category of indirect taxes. As the introduction indicates, this category is far from being accepted unanimously, and countries often set different boundaries or criteria to shape it, or even reject its unitary conceptual relevance.

The authors of this book find it necessary to stress that transaction-based taxes share common core elements that go beyond the notable differences in their respective rationales, goals and scopes.

The primary relevance of the objective scope of indirect taxes somehow relegates the subjective one in the background, with an ancillary relevance that is often instrumental in securing the correct levying of these taxes. This common feature also helps to understand the significant differences with direct taxes. Direct taxes attribute more relevance to the taxpayers to reflect their specific economic and personal situation, and to correspondingly adjust the levying of tax. Moreover, the circumstances in which indirect taxes are often levied on transactions also raise different subjective scope issues, such as the involvement, often to a differing extent and with a distinct function, of parties to the transaction in the process that leads to tax collection and that might also involve different persons at completely different moments in such a process, as it happens, for instance, in the case of excise duties.

When structuring and drafting the content of this book, we noticed to a great extent the presence of significant overlaps across different indirect taxes, of which there is still limited awareness.

This might also be one of the consequences of the excessive fragmentation of technical expertise in tax matters, which prevents a reasonable dialogue on issues that should be of general common interest within the community.

This volume aims to bridge that gap and enhance the basic understanding of those taxes not only among students to whom it is primarily directed, but also among those who are hesitant to expand their tax knowledge beyond taxes they are already familiar with.

The structure of this book reflects a pattern that we have already adopted in the two prior volumes of this series focusing on direct taxes. Additionally, it features an introduction that aids in navigating the conceptual complexities of indirect taxation and outlines the key elements common to the various types of indirect tax discussed in each chapter.

After an overview of the main features of each tax, its rationale and policy goals, all the remaining headings of each chapter focus on the (subjective, objective and territorial) scope, the taxable amount and rates, and then address special situations, the procedural and other matters.

Chapter 2 deals with value-added tax (VAT). It is significantly longer than the other chapters. This does not mean that VAT is conceptually more important or technically more complex than the other taxes addressed in this book, but rather that scholarly and judicial interpretation of this tax has been significantly more developed compared with other taxes. This should not come as a surprise considering the paramount importance that VAT, also known as GST, has gained worldwide and its role in raising a significant portion of the total revenue collected from taxes by governments. The expanding trend of this tax has also spread to regions of the world, such as the Gulf Cooperation Council States, in which taxes had, until recently, minimal importance. The shrinking trend of single-staged sales taxes at the global level has prompted the authors to not include an analysis of them in this book, based on the consideration that the study of these taxes for the years to come is doomed to remain confined to within national boundaries (even though, in the case of the United States, those boundaries are not insignificant). This does not imply that the authors of this book regard VAT as the perfect tax, but only that a more granular analysis is needed to understand also the technical issues that it raises and the forms of tax avoidance, evasion and fraud that it generates. This is why the VAT chapter includes a dedicated section addressing these issues.

The authors find that including the analysis of VAT with all other turnover-based taxes might help address the relatively unexplored intersections across those taxes. These might become more important, also considering recent international economic developments which suggest a potential growth of the relevance of customs, addressed in Chapter 3 of this book.

Chapter 4 focuses on excise duties, which are another closely related tax to VAT due to their common focus on taxing the consumption of goods.

Chapter 5 presents the complex conundrum of environmental taxes which are usually bundled together but often relate to taxes that have a different relationship with the exploitation of the environment.

Chapter 6 addresses what might be the youngest form of indirect taxes, namely those levied on digital services. It addresses their controversial features and highlights the strong overlaps with direct taxes and the other indirect taxes.

The goal of providing a comprehensive overview of all indirect taxes has also led the authors to include additional chapters on other taxes, some of which might have a longer history, but remain relevant in the current worldwide tax scenario.

Chapter 7 is a miscellaneous chapter, which includes all other taxes on the raising and transfer of capital outside inheritance, estate and gift taxes. This core essence encompasses various taxes, including registration taxes (i.e. taxes levied in connection with a public service provided by the State in respect of certain transfers, such as notarial deeds, in several countries) and stamp duties. This chapter also includes a brief analysis of financial transaction taxes. Given their closer connection with capital, the latter taxes will be more extensively analysed in a forthcoming volume of this series. However, the need to preserve the consistency of taxes discussed in this chapter justifies giving an overview here as well.

Chapter 8 deals with inheritance and gift taxes, which relate to the transfer of property but present different features across systems. Some systems target the transfer itself, while others aim to tax the increase in the recipient's capital.

In brief, the authors envision this book as a valuable resource that offers a clear analysis of all relevant issues raised by indirect taxes. With a simple structure and clear language, it aims to enhance learning and facilitate teaching at universities.

Consistent with the editorial line of the Fundamentals of Taxation series, we have not pegged the book to the tax system of a given country, but have included references to specific situations that might occur in various countries of the world. This methodology means the book can be used as a simple learning companion anywhere in the world.

Moreover, (especially in Chapter 2 on VAT) references to judicial interpretations might carry a particular conceptual weight in understanding the tax concepts and application, also beyond the jurisdiction of the Courts that have pronounced them.

Finally, like all other books in the Fundamentals of Taxation series, this book is suitable for use as a standalone volume and does not require bundling with the other series books.

The authors trust that the efforts and methodology, which may have become familiar to our readers by now, will contribute to disseminating technical education on legal and policy matters of taxation to different categories of reader worldwide. More books in this series are forthcoming, and we trust that, together with this and the prior books, they will be welcomed by the global community with an interest in taxation.

IBFD - Amsterdam, 5 September 2025

Pasquale Pistone, on behalf of all the authors

Abbreviations and terms

AI	Artificial Intelligence
B2B	Business to business
B2C	Business to consumers
CBAM	Carbon Border Adjustment Mechanism
CJEU	Court of Justice of the European Union
CO2-e	CO2 equivalent
CTCs	Continuous transaction controls
DST	Digital Service Tax
DTCs	Double Taxation Conventions
ETS	Emissions trading systems
EU	European Union
FTA	Free trade agreements
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GHG	Growth of greenhouse gas
GST	Goods and Services Tax
IMF	International Monetary Fund
IOSS	Import one-stop shop
MAP	Mutual Agreement Procedure
MRV	Monitoring, reporting and verification
N2O	Nitrous oxide
OECD	Organisation for Economic Co-operation and Development
OSS	One-stop shop
PFCs	Perfluorocarbons
PTA	Preferential trade agreements
SCM	WTO Agreement on Subsidies and Countervailing Measures
TFEU	Treaty on the Functioning of the European Union
TP	Transfer pricing
UN	United Nations
VAT	Value Added Tax
VATD	EU VAT Directive – Council Directive 2006/112/EC
VCM	Voluntary Carbon Market
ViDA	VAT in the Digital Age

Chapter 1

Introducing Indirect Tax

1.1. Introduction

Indirect taxes are a vital component of the tax systems in many countries, offering a diverse range of mechanisms for generating revenue and influencing economic behaviour. This introductory chapter will set out the meaning of “indirect tax” and stress the importance of this category of taxes in a country’s tax mix. The later chapters in this book are dedicated to different “indirect taxes”, including those traditionally classified as indirect taxes and others that may be indirect taxes depending on whether the legal liability falls on a person other than the person carrying the economic burden of that tax.

1.2. What is indirect tax?

To set the scene, the concept of “indirect tax” must first be understood. It is difficult to accurately define “indirect tax”, as the term is used differently by different organizations.

One possible criterion to identify indirect taxes is the institutional categorization for data gathering on tax revenue. The main models used are: (i) the classification system of the Organisation for Economic Co-operation and Development (OECD), (ii) the IMF Government Finance Statistics Manual 2014, (iii) the UN System of National Accounts (2008 SNA), and (iv) the EU European System of Accounts (2010 ESA). The classification systems differ to some extent, as illustrated in Table 1.1.

Table 1.1. Revenue statistics classifications

OECD Classification	2008 SNA	2010 ESA	GFSM2014
1000 Taxes on income, profits and capital gains			
1100 Individuals			
1110 Income and profits	D51-8.61a	D51A	1111
1120 Capital gains	D51-8.61c, d	D51C, D	1111
1200 Corporations			
1210 Income and profits	D51-8.61b	D51B	1112
1220 Capital gains	D51-8.61c	D51C	1112
1300 Unallocable as between 1100 and 1200			1113
2000 Social security contributions			
2100 Employees	D613-8.85	D613	1211
2200 Employers	D611-8.83	D611	1212
2300 Self-employed, non-employed	D613-8.85	D613	1213
2400 Unallocable as between 2100, 2200 and 2300			1214
3000 Taxes on payroll and workforce	D29-7.97a	D29C	112
4000 Taxes on property			
4100 Recurrent taxes on immovable property			
4110 Households	D59-8.63a	D59A	1131
4120 Other	D29-7.97b	D29A	1131
4200 Recurrent net wealth taxes			
4210 Individual	D59-8.63b	D59A	1132
4220 Corporations	D59-8.63b	D59A	1132

	OECD Classification	2008 SNA	2010 ESA	GFSM2014
	4300			
	Estate, inheritance and gift taxes			
	4310	D91-10.207b	D91A	1133
	Estate and inheritance taxes			
	4320	D91-10.207b	D91A	1133
	Gift taxes			
	4400	D59-7.96d; D29-7.97e	D214B, C	11414, 1161
	Taxes on financial and capital transactions			
	4500	D91-10.207a	D91B	1135
	Other non-recurrent taxes on property			
	4600	D59-8.63c	D59A	1136
	Other recurrent taxes on property			
5000	Taxes on goods and services			
	Taxes on production, sale and transfer of goods and services			
	5100			
	General taxes on goods and services			
	5111	D211-7.89	D211; D29G	11411
	Value-added taxes			
	5112	D2122-7.94a; D214-7.96a	D21224; D214I	11412
	Sales taxes			
	5113	D214-7.96a	D214I	11413
	Turnover and other general taxes on goods and services			
	5120			
	Taxes on specific goods and services			
	5121	D2122-7.94b; D214-7.96b	D21223; D214A, B, D	1142
	Excises			
	5122	D214-7.96e	D214J	1143
	Profits of fiscal monopolies			
	5123	D2121-7.93	D2121; D21221, 2	1151
	Customs and other import duties			
	5124	D213-7.95a	D214K	1152-4
	On exports			
	5125			
	On investment goods			
	5126	D2122-7.94c; D214-7.96c	D21225; D214E, F, G, H; D29F	1144; 1156
	On specific services			

OECD Classification		2008 SNA	2010 ESA	GFSM2014
	5127	Other taxes on international trade and transactions	D2122-7.94d D29-7.95b D29-7.97g D59-8.64d	1153; 1155-6
	5128	Other taxes on specific goods and services		1146
	5130	Unallocable between 5110 and 5120		
5200		Taxes on use of goods and on permission to use goods or perform activities		
	5210	Recurrent taxes on use of goods and on permission to use goods or perform activities		
	5211	Motor vehicle taxes households	D59-8.64c	11451
	5212	Motor vehicles taxes others	D29-7.97d	11451
	5213	Other recurrent taxes on use of goods and on permission to use goods or perform activities	D29-7.97c, d, f D59-8.64c	11452
	5220	Non-recurrent taxes on permission to use goods or perform activities		11452
5300		Unallocable as between 5100 and 5200		
6000	Other taxes			
	6100	Payable solely by business		1161
	6200	Payable by other than business, or unidentifiable	D59-8.64a, b	1162

Sourced from OECD, *Revenue Statistics: Interpretative Guide* (Paris: OECD Publishing, 2021), <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-tax-revenues/oecd-classification-taxes-interpretative-guide.pdf>.

Table 1.1. shows that none of the classifications refers to direct or indirect taxes; rather, taxes are classified by the base on which the tax is levied (the object of the tax) or with reference to the person liable for the tax (the subject of the tax).

Some taxes, depending on their features, may be regarded as either direct or indirect taxes or include elements of both direct and indirect taxes (depending on the criteria used). Those that fall into the generalized understanding of indirect taxes include the “general taxes on goods and services” as well as “excise” taxes. Further, there is some flexibility in the criteria as adopted by each state, and so the analysis of the data on a comparative basis should be treated with caution.

The categorization of the taxes as indirect or direct can also follow a personalization approach. According to this approach, direct taxes are those that take into account the personal circumstances of the taxpayer, whereas indirect taxes do not. Thus, direct taxes will focus on the person being taxed and on the person’s personal circumstances (which will be used for adjusting the burden to the effective economic capacity of such person). Indirect taxes, on the other hand, will focus on the objective scope, i.e. on the transaction that was selected as the taxable event, without catering to other circumstances related to the taxpayer.

Another approach is to categorize direct taxes as those levied on companies and individuals and indirect taxes as those levied on commodities or market transactions. However, in the end, all taxes are levied on a taxpayer, even if that particular taxpayer is not taken into account in the determination of the amount to be paid.

From a legal point of view, the term “indirect”, typically used in opposition to “direct”, may also denote a tax collection method. Direct taxes are characterized by the link between the persons paying them and the persons on whom the law intends to place the economic burden. In contrast, for indirect tax, the person subject to the tax (the statutory incidence) may be different from the person on whom the law intends to place the economic burden (the economic incidence). For example, the seller of the goods is legally responsible for paying the indirect tax (say, VAT), but the consumer is the one who is really the intended target of the law in terms of the economic burden. Thus, from a legal point of view, indirect taxes are those where the legislator places the statutory incidence on one subject but expects the economic incidence to be borne by a different person. However, this notion of “indirect” also faces some limits. There are cases where similar methods

are used to collect direct taxes. For instance, income tax is paid by the employee on their salary. However, legal frameworks often require the employer to withhold and remit this tax on the employee's behalf. Thus, while this notion of the term "indirect" is commonly presented in literature, it should be approached with caution. It serves as a useful simplification for explaining that certain taxes are typically characterized by a specific collection method, which is indirect.

From an economic perspective, the distinction between direct and indirect taxes is based on the ultimate incidence of the tax burden. If the person paying the tax is also the one bearing its economic cost, then it is a direct tax. If, instead, the persons paying and ultimately bearing it differ, then it is an indirect tax. This is, however, greatly simplified. In reality, particularly for corporate income tax, the economic incidence of the tax is very difficult to trace and may ultimately fall on the shareholders, the employees or the consumers. Thus, the economic incidence of the tax burden is perhaps not the best method of categorization of taxes between direct and indirect.

So how do we differentiate between direct and indirect taxes? Legal literature places emphasis on the legal framework and design of taxes. It defines whether a tax is direct or indirect by looking at its legal features. Economic scholarship instead looks at the economic distribution of the tax burden, which may differ from the legislative intent and the structure of taxes. Consequently, the categorization of a tax may vary depending on whether it is analysed from an economic or a legal perspective. Economic literature also illustrates that, regardless of the legal framework's qualification of a tax as direct or indirect, the effective economic incidence of a tax may vary significantly based on the elasticities of supply and demand. Accordingly, what legal literature may classify as an indirect tax may ultimately be economically borne (economic incidence) by the same party upon which the legal obligation to pay it is imposed (statutory incidence), thus exhibiting characteristics similar to a direct tax, and vice versa.

This ambiguity in classifying taxes as direct or indirect leaves the framework of international tax and trade law fragmented regarding any reliance on this classification. To illustrate, the OECD Model Convention emphasizes that double tax conventions (DTCs) define their material scope by referring to taxes on income and on capital. However, it points out that the term "direct taxes" can be too imprecise to function as a reliable classification, and, as a result, is generally avoided. Similarly, the Agreement on Subsidies and Countervailing Measures (SCM) of the World Trade Organization (WTO) doesn't offer a clear definition of direct and indirect

taxes; it implicitly relies on this distinction in that agreement's Annex I, section (e), note 58. However, to reduce ambiguity, it sets out a list of the various types of direct and indirect taxes covered. In the context of the EU, a certain reliance is placed on the distinction between direct and indirect taxes. Firstly, article 113 of the Treaty on the Functioning of the European Union (TFEU) provides the basis for the adoption of provisions for the harmonization of legislation concerning turnover taxes, excise duties and other forms of indirect taxation. Secondly, article 401 of the EU VAT Directive (VATD) prevents the introduction of taxes levied in a way comparable to VAT, as they could jeopardise the functioning of the common system of VAT (CJEU, 27 November 1985, C-295/84, *Rousseau Wilmot v. Organic*, ECLI:EU:C:1985:473, at paragraph 16).

Finally, it can also be noted that direct taxes generally adhere to the principle of taxation at origin, whereas indirect taxes are generally governed by the destination principle, which assigns taxing rights to the jurisdiction of consumption. Given that indirect taxes usually pertain to goods and services rather than income, they are usually paid in the location where the consumption occurs.

The distinction between direct and indirect taxes thus appears to have significant implications and remains crucial in many fields. How then should an indirect tax be understood for the purpose of this book? From a legal perspective, whether a tax is direct or indirect will depend on the legal framework that defines its subjective and objective scope, taxable amount and liability. Indirect taxes share the common element of being levied on transactions. Indirect taxes are never *ad personam* (that is, against the person), but always *ad rem* (that is, against the property or thing). Thus, the persons that are liable to pay the indirect tax do so because of their connection to the specific object of the tax (the thing).

In considering the taxes covered in this book, the following may be briefly observed: (i) VAT (Chapter 2.) is levied on transactions, targeting the consumption of goods and services broadly; (ii) customs duties (Chapter 3.) are levied on the import or export of the goods, which is regarded as a transaction; (iii) excise duties (Chapter 4.) are usually levied on specific goods, targeting their consumption; (iv) environmental taxes (Chapter 5.) are levied against the problematic emission or the good causing the environmental concern (such as plastic bags); (v) digital service taxes (Chapter 6.) are levied against the remote service delivered to the recipient in the jurisdiction of the levying state; (vi) registration taxes, stamp duties, and financial transaction taxes (Chapter 7.) are all levied against property, documents

or financial transactions. Finally, and perhaps more contentious, are (vii) inheritance, estate and gift taxes (Chapter 8.). These taxes have elements of both direct and indirect taxes. To the extent that the tax is considered levied against the transfer of property being received by the heir, legatee or donee, it may be considered as indirect.

1.3. The direct and indirect taxation mix

Direct and indirect taxes form the two pillars of any tax system, each playing distinct yet complementary roles. While some direct taxes, such as those on the income of individuals, are often progressive in nature and target wealth manifestations of income and capital directly, broad-based indirect taxes (such as VAT) are generally regressive, when measured against income, impacting consumers irrespective of their wealth levels. Even in countries that apply a flat-rate income tax, the regressive nature of VAT is more pronounced, as high-income earners tend to allocate a smaller proportion of their disposable income to consumption. While income tax applies to the entirety of income, VAT is levied only on the portion of the income spent. It should be noted that when broad-based indirect taxes, such as VAT, are measured against total expenditure, the presence of rate reductions and exemptions are, at times, progressive in nature. See Chapter 2., section 2.1.4.6. for more on regressivity.

Generally speaking, there are two types of indirect tax: those levied on a broad base with few exceptions and those levied on specific products. The broad-based indirect taxes are usually *ad valorem* taxes (that is, a rate is applied as a percentage of the price of the commodity), such as value-added taxation, whereas taxes on specific products are usually at specific rates or fixed amounts (such as excise taxes).

Consumption taxes form the largest share of the indirect tax revenue collected (especially value added taxation). The regressive nature of broad-based indirect taxes is frequently criticized, but such criticism can be mitigated when direct taxes are also in place. The progressive nature of direct taxes, such as those on individuals and their ability for redistribution, when mixed with regressive taxes, such as indirect taxes, work together in the tax system. These progressive direct taxes (on individuals) and their link with social security systems and grants function more effectively for redistribution. However, the critique of the regressive nature of indirect systems often leads to numerous exemptions, rate differentiation or classification, which introduce inefficiencies into the tax system (at least in market economies).

There are also policy arguments in economic literature to differentiate the taxation of commodities based on three categories: (i) higher taxes on commodities associated with leisure; (ii) lower taxes on commodities that substitute for leisure (i.e. encourage productivity), and (iii) lower rates for merit goods (such as education, which benefits society and the individual). However, generally speaking, the justifications for variation on a uniform rate are usually weak and such variations are not successful as regards redistributive effects.

Indirect taxes are often used to direct societal behaviour (acting as Pigouvian taxes, meaning that their policy goal is usually not linked to continuous revenue collection). Particularly, those taxes with a narrow base, such as excise taxes on alcohol, tobacco, and fossil fuels, are often cited as examples where the indirect taxes are aimed at driving human behaviour by discouraging use through higher taxes. These are justified where the behaviour has a negative impact on societal welfare (or places a drain on other resources). A further example is that of environmental taxes (see Chapter 5.), which again have the purpose of driving a change in behaviour. These focused indirect taxes can still be contentious in their selection, but they serve a particular purpose. Their justification is perhaps easier than attempting to justify variation in rates or various exemptions on the basis of redistribution in broad-based indirect taxes.

A balanced tax system leverages the strengths of both forms of tax (direct and indirect) to ensure equity, efficiency, and economic stability. Indirect taxes often serve as a reliable revenue source in economies where direct tax collection faces challenges, such as significant informal sectors or those with limited administrative capacity. Indirect taxes also tend to offer a stable stream of revenue for governments, even during some economic shocks. It is unsurprising that tax systems in both developed and developing countries rely on indirect taxes to complement their tax mix in delivering the total tax revenue.

1.4. The role of indirect taxation for developing and developed countries' revenue

Indirect taxes are indispensable for the fiscal architecture of both developing and developed nations. Looking at statistics produced by OECD and ATAF in 2024 (based on 2022 tax data), VAT and other taxes on goods and services (broadly, the consumption taxes) contribute 31.3% of the total tax revenue of OECD countries, whereas they contribute to 51.3% of the total



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