

# TAX REFORMS AND REVENUE MOBILIZATION: PATHWAYS FOR SUSTAINABLE GROWTH

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## ABSTRACT

*Tax reforms are a cornerstone of effective economic governance, providing governments with the financial resources necessary to fund infrastructure, social services, and development programs. Revenue mobilization through an efficient and equitable tax system is critical for sustainable growth, particularly in developing economies where fiscal gaps often hinder progress. Tax reforms aim to broaden the tax base, improve compliance, and ensure fairness in the distribution of the tax burden. However, challenges such as tax evasion, weak administrative capacity, and overreliance on indirect taxes remain obstacles. This article examines the role of tax reforms in revenue mobilization, exploring global experiences, opportunities, and challenges, and highlights pathways to achieving inclusive and sustainable growth.*

**Keywords:** Tax Reforms, Revenue Mobilization, Sustainable Growth, Fiscal Policy, Public Finance, Economic Development.

## INTRODUCTION

Taxation plays a pivotal role in economic development by financing public goods and services, redistributing wealth, and stabilizing economies. For nations seeking sustainable growth, tax reforms are essential to enhance revenue mobilization and ensure efficient allocation of resources. Without effective reforms, governments often face fiscal deficits, debt accumulation, and limited capacity to invest in long-term development (Ackom et al., 2025).

Revenue mobilization is the backbone of public finance. It enables governments to invest in infrastructure, healthcare, education, and social protection, thereby fostering inclusive growth. For many developing countries, domestic revenue mobilization reduces dependency on foreign aid and external borrowing. A sustainable tax system provides economic resilience and enhances fiscal sovereignty (Ackom et al., 2025).

Tax reforms are designed to address inefficiencies, inequities, and distortions in existing systems. The primary objectives include broadening the tax base, simplifying tax structures, ensuring fairness, and improving compliance. Reforms often involve shifting from distortionary taxes to growth-friendly ones, such as reducing trade tariffs while strengthening value-added tax (VAT) and income tax collection (Ajeigbe et al., 2024).

One of the most effective pathways to sustainable revenue mobilization is broadening the tax base. Many economies struggle with narrow tax bases where a small portion of the population or businesses bears the majority of the tax burden. By incorporating informal sector activities, strengthening property taxation, and expanding digital tax frameworks, governments can increase revenue without excessively raising rates (Francis et al., 2024).

Tax reforms must also strengthen compliance and improve administrative efficiency. Technology-driven solutions such as e-filing systems, digital payment platforms, and data analytics have revolutionized tax administration in many countries. For example, India's Goods and Services Tax (GST) reform not only unified the indirect tax system but also improved transparency and compliance (Halim & Rahman, 2022).

A sustainable tax system must balance equity and efficiency. Overreliance on indirect taxes like VAT disproportionately affects low-income households, while weak enforcement of corporate taxation allows wealthier entities to avoid their fair share. Progressive income tax systems, coupled with targeted subsidies, help achieve equity while maintaining economic efficiency (Heine & Black, 2019).

Global experiences reveal the transformative potential of tax reforms. In Latin America, reforms to improve VAT collection significantly boosted fiscal revenues. Rwanda, in Africa, successfully expanded its tax base through modernization of its revenue authority and digitalization of tax services. Meanwhile, Scandinavian countries demonstrate how high tax compliance combined with robust social spending fosters both equity and growth (Kamasa et al., 2025).

Despite successes, tax reforms face challenges. Tax evasion, corruption, weak enforcement, and political resistance hinder progress. In many developing countries, powerful interest groups oppose progressive taxation, while administrative limitations constrain the effectiveness of reforms. Additionally, globalization and digitalization pose challenges to taxing multinational corporations fairly, leading to significant revenue leakages (Mpofu, 2022).

Tax reforms must be aligned with broader fiscal policy objectives. Mobilized revenue should be channeled into productive investments such as infrastructure, innovation, and human capital development. Effective utilization of tax revenue strengthens the social contract, increases citizen trust, and encourages compliance, thereby creating a virtuous cycle for sustainable growth (Olubunmi et al., 2025).

The digital economy presents both challenges and opportunities for tax reforms. While digital platforms facilitate tax evasion through cross-border transactions, they also provide governments with tools to expand tax collection. Implementing digital service taxes, leveraging big data, and international cooperation on taxing digital giants are emerging trends in revenue mobilization strategies (Prichard, 2010).

## CONCLUSION

Tax reforms and revenue mobilization are indispensable for achieving sustainable economic growth. While challenges such as evasion, inequality, and political resistance persist, global experiences demonstrate that effective reforms can yield significant dividends. By broadening the tax base, leveraging digital technologies, and aligning revenue mobilization with development priorities, governments can foster inclusive and resilient growth. Ultimately, the success of tax reforms lies not only in raising revenue but also in ensuring that revenues are used effectively to improve the well-being of citizens.

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