

IMF Working Paper
African Department

Electoral Cycles in Tax Reforms
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ABSTRACT: We examine electoral cycles in tax reforms using monthly data over the period of 1990-2018 for 22 advanced economies and emerging markets. We show that governments tend to avoid announcing tax reforms during the months running up to elections. In addition, they become more likely to announce those reforms in the first few months following elections, indicating that “political capital” plays a role in the timing of reforms. These patterns are broad-based regarding the changes in tax base and rate, and for various types of taxes. We also find that the pre-election decrease in the likelihood of tax reform announcements is stronger in emerging markets, and weaker in the countries with relatively better institutional quality. Finally, our results indicate that neither fiscal rules nor IMF programs appear to have differential effects on electoral cycles in tax reforms.

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WORKING PAPERS

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