

Entrepreneurial Views to the (Tax) Accountability of Taxpayers in Madagascar

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Abstracts:- No country can live without autarchy or can develop fully without autonomy. However, each country is classified according to its stage of development, whether it is underdeveloped, developing or developed. This classification depends on the economic, political and social strength of the country in question. The objective of this article is to present the perspective of entrepreneurship vis-à-vis economic policy, with particular emphasis on the country's fiscal management. In this context, many entrepreneurs are impacted by this policy, and we can see that the current social inequality in Madagascar is largely justified by the purchasing power of its population. This situation will lead to a proliferation of informal companies and tax evasion. This is an opportunity for decision-makers, including politicians, to make a thorough assessment. It is also a crucial moment for the Malagasy population to wake up and remain united in the interest of the country. The aim of this work is therefore to highlight the place of entrepreneurship in a country like Madagascar and to promote its role.

In this regard, recommendations are made to all decision-makers, notably politicians and the State, with a view to establishing a fair and efficient tax system in Madagascar.

Keywords:- Entrepreneur , Liable, Taxation, Taxpayer.

I. INTRODUCTION

Since June 26, 1960, Madagascar was declared independent and began to celebrate this independence. This means that sixty-three (63) years have passed since French colonization, marking the official start of this country's autonomy, although it is still underdeveloped. At the time, Madagascar was a first Republic, and to this day, we are in the Fourth Republic. The successive leaders of this country have continued to seek solutions to enable Madagascar to progress towards the status of a developed country. Unfortunately, the country still remains underdeveloped ¹. It should be noted that Madagascar's position in relation to other countries continues to decline, particularly with regard

¹https://web.facebook.com/GascarMandrindravivony/posts/pfbid023BvqKw8ZdySKEy1Nxxh2N2Qo6ggxkfVRrwJpLT5Bx7rD2SpMFGvPuh7wz6LMvXJ5l?_rdc=1&_rdr of 10/30/2023

to its Gross Domestic Product (GDP). ². Despite its wealth of natural resources ³and the various aids from other countries, for example: " \$134.9 million to improve pandemic preparedness and the delivery of essential health services " ⁴, Madagascar is among the five countries most poor people of the world ⁵. The development of a nation depends largely on the policy adopted by its leaders , hence the importance of the General State Policy (PGE). Madagascar's abundant natural resources attract the interest of many foreign investors looking for investment opportunities in the country. Among these investors, there are also entrepreneurs, whether local or foreign.

Entrepreneurship, generally associated with the concepts of business creation and entrepreneurship, Currently, entrepreneurship is becoming the subject of several studies, especially those of large organizations international organizations such as UNIDO, OECD and the World Bank. The role of entrepreneurship in the economy has changed radically over the over the last half century. It turns out that after the Second World War, the importance of entrepreneurship and small business has faded but in recent years, entrepreneurship is considered a driver of social and economic development across the world (Audretsch , 2006).

In addition, taxation is an important means of financing the State, it is used to fill the budget deficit through an increase in tax revenue. For this, it is necessary to collect taxes optimally. However, any tax has a negative impact on growth. Theories relating to taxation and poverty reduction are very numerous. Jean Bodin (1576) is one of the first economists to be interested in the question of taxation since the 16th century. Other authors followed from the 17th century, but they were interested in the financial role of taxation. This was the case until the birth of the classical school in the 18th century. It was from the 18th century that taxation was perceived as being able to influence economic activity.

² <https://www.banquemondiale.org/fr/about/annual-report>

³<https://www.geo.fr/voyage/a-madagascar-les-richesses-naturelles-ne-profitent-pas-a-la-population-169498>

⁴<https://www.banquemondiale.org/fr/news/press-release/2022/03/30/madagascar-134-9-million-to-improve-pandemic-preparedness-and-basic-health-services-delivery>

⁵ <https://www.google.com/search?client=firefox-bd&q=rang+de+madagascar+sur+la+pauvret%C3%A9+2023>

Nowadays, taxation constitutes an essential pillar of the regulatory framework which conditions the investment and growth of a country. So it is necessary to inform civil society and political decision-makers that a fair and efficient tax system is important to encourage development, that is to say, to improve the financial situation of developing countries.

The reform of tax systems can contribute favorably to development by strengthening the financial autonomy of countries. It may also prompt broader reforms. Tax rates and brackets are distant concerns when one cannot afford an efficient tax collection system, as is the case for many developing countries, such as Madagascar. But despite the efforts made to generate financing resources, tax revenues still remain far from the desired objectives.

All this justifies, therefore, the choice of the theme entitled: **“Entrepreneurship perspectives in the face of tax accountability. Case of Madagascar”** this leads to the following problem: **Is fiscal accountability a factor for poverty reduction in Madagascar?** This main problem leads us to the following questions:

- Are the tax center and entrepreneurship development stakeholders for a country like Madagascar?
- What are the tax obligations of entrepreneurs as taxpayers?
- What are the relative problems between taxation and entrepreneurship?

These questions are eminently political in the fight against poverty and inequalities requiring intense and sustained commitment. The mobilization of public revenue is an essential factor in sustainable financing of development, especially the eradication of poverty.

This document aims to describe those aspects on which entrepreneurship and taxation influence poverty reduction. Because to date, only few analyzes study the consequences of taxation in terms of poverty reduction. To do this, the tax obligations of entrepreneurs will also be developed in the second part. The relative problems between taxation and entrepreneurship will be analyzed in the third part.

II. METHODOLOGY

Research work is characterized by theoretical work but also by an experimental, quantitative and qualitative approach, and by an applied dimension. A specific methodology is then necessary.

➤ *Documentary Research*

Regarding research techniques, we used written documentation relating to the theme available from the University library, French Institute of Madagascar, INSTAT, CITE and the Center d'Etude and of Research in Sociology. The search for documentation via the Internet was also of great help to us for all the journals, certain dissertations and theses, and certain general and specific works.

The documentation results provided us with insights into entrepreneurial theories and thoughts. This has provided some clarity on the fundamental notions and concepts of entrepreneurship through a diversity of definitions, theories and forms of entrepreneurship and to highlight the relationship between entrepreneurship and economic growth through a brief review of literature. Then, an effort to summarize the conditions favorable to entrepreneurship is initiated through a review of the incentive factors for entrepreneurship and then the essential conditions to be retained.

For access to tax information, official documents from the documentation service of the DGI of the MFB. Statistical data research and several documents from administrative establishments (INSTAT) and various libraries as well as searches on websites were carried out. This allowed us to know the overall overview of taxation in Madagascar while dissecting one by one the facts on the mechanism of Malagasy taxation, the realities of this taxation, the main modalities of the Tax Administration, and the provisions which give hope for development.

➤ *Living Research*

As for living techniques, the free interview was carried out with entrepreneurs. Interviews based on a guide were carried out with the heads of support organizations, business leaders, with the head of consulting and expert firms, with entrepreneurs belonging to groups, with the representative of the General Directorate of Taxes, Regional Business Service in the Analamanga Region and the Boeny Region and some Tax Centers in the province of Mahajanga and Antananarivo. The interview based on a questionnaire was used with entrepreneurs in order to verify the assumptions made.

Table 1 Number of Target Groups According to their Entities

No.	Designation	Number
1	Entrepreneur	39
2	Firm (Consultant and Expert)	4
3	General management of taxes	1
4	Regional Business Service	2
5	Tax Centers	6
TOTAL		52

Sources: Author

➤ *Sampling*

Questioning all the Malagasy companies present in Antananarivo is not feasible. Also, is it necessary to carry out sampling in other Regions?

Random method and quota method were used during sampling. The quota method was used to represent different sectors of activity out of a total of 25 entrepreneurs. The random method was used in the choice of the company to be investigated. On this we targeted entrepreneurs according to:

- Business classification: Small and Medium Business / Large Business
- According to sectors of activity: primary, secondary and tertiary
- Depending on the activity itself: import/export

Table 2 Number of Entrepreneurs Interviewed According to their Classifications

No.	Size of the Company	Number
1	Small and medium enterprises	25
2	Large companies	14
TOTAL		39

Sources: Author

Table 3 Number of Entrepreneurs Interviewed According to their Sector of Activity

No.	Designation	Number
1	Primary	22
2	Secondary	5
2	Tertiary	12
TOTAL		39

Sources: Author

Table 4 Number of Importer and Exporter Entrepreneurs Interviewed

No.	Designation	Number
1	Importer	5
2	Exporter	7
TOTAL		112

Sources: Author

III. RESULTS

A. Part I: Entrepreneurship and the Tax Center: Two Shareholders in Economic Development

Tax policy constitutes one of the instruments through which public action can have an impact on poverty reduction. This can be reflected both in its impacts on growth but also in its effect on the redistribution of wealth. Fiscal issues are at the heart of the role of the State in the development process. Failure in this political area; whether it concerns taxation, public spending or even management of the budget deficit and public debt; can quickly undermine growth, and therefore hinder poverty reduction. The fiscal instrument can be considerably effective in curbing the rapid deterioration of the environment in developing countries. To be able to find enough resources to provide public services such as education and health for all, poor countries must collect more taxes, progressively and fairly. It is urgent that the governments of poor countries manage to put in place a tax system that is progressive and based on redistribution.

The contribution of entrepreneurship to the creation of wealth within current societies. On the other hand, its evolution within the society to which it belongs generates social consequences due to the interaction of the company with society and vice versa. Indeed, entrepreneurship plays a major role in improving community life. Entrepreneurship ensures that society meets its needs in terms of employment, food, health and education. Man is thus at the center of

concern for any entrepreneur. From the conception of his business project to its start-up and its implementation, the entrepreneur creates at each of these stages a dynamic both at the level of his business and at the level of society.

➤ Section 1: Innovative Entrepreneurship for Economic Growth

The concept of entrepreneurship is difficult to define since it falls within a broad and interdisciplinary field. In general, the literature refers this term to the notions of creations and entrepreneurship. However, the terms “business” and “entrepreneurship” can take on all kinds of meanings in different contexts (Bridge, et al., 2003) so it is complex and its definition cannot be limited to these notions. . This is why various authors have focused more on the definition of the characteristics of “an entrepreneur” than on those of entrepreneurship.

The role of entrepreneurship with respect to economic growth seems to be unavoidable and is at the heart of several studies. The act of entrepreneurship is vital in the creation of economic and/or social wealth and the improvement of collective well-being. The multiplicity of entrepreneurial initiatives contributes to a more refined adaptation of the economy to the needs of society in terms of employment, health, the environment or even the fight against exclusion or social inequalities (Coster, 2009). One of the main determinants of economic growth is the level of existing or created jobs, but the level of employment is conditioned for its part by the number of existing companies, mainly SMEs. The latter generate jobs but with different levels depending on their size and type (Schreyer, 1996). In fact, according to studies, the impact of the entry of new companies on job creation reaches its peak between four and seven years after their creation (Steel and Storey , 2002) and that the increase in production and Employment is more felt in younger sectors as new companies enter the market and existing companies expand by seizing previously unexploited commercial and technological opportunities. Furthermore, there is a positive correlation between the level of entrepreneurship, that is to say the entry of new businesses, and the level of labor productivity as well as total factor productivity (Brandt, 2004b).

From this idea, entrepreneurial capital is considered to be at the origin of a significant part of growth that traditional models of simulation of production functions fail to explain (Baumol, 2002).

An OECD study (Scarpetta et al. 2002) shows that the entry and exit of companies from the market contributes to intensifying the progression of overall productivity by redirecting resources that went to old companies, which had become less productive, towards the news which is more so. Indeed, competition forces less efficient companies to exit the market while young companies that manage to survive improve their productivity (Baldwin and Gu , 2003).

However, in relation to these economic roles of entrepreneurship, we must not forget that it also represents a necessary tool to fight against poverty and social

opportunities. These are forms of social entrepreneurship which offer more opportunities for social advancement to disadvantaged groups, in other words a social and economic alternative to endemic unemployment in developing countries (OECD, 2004).

➤ *Section 2: Role of Taxation in Economic Development*

Taxation plays a vital role in the current development agenda. It provides a stable revenue stream to finance development objectives, such as the provision of physical infrastructure, and is interwoven with many other public policy areas, ranging from good governance to mainstreaming economic activity in the formal sector through the stimulation of growth. The level and effectiveness of public spending are issues of critical importance if domestic resources are to become an engine of development. Public spending is essential to develop human capital and helps finance essential public services such as education and health care. Taxation is an integral part of the development policies of different countries. National tax revenues represent an essential source for financing development.

• *Development Fund*

Tax policy constitutes one of the instruments through which public action can have an impact on poverty reduction. This can be reflected both in its impacts on growth but also in its effect on the redistribution of wealth. Taxation ensures a predictable and stable flow of revenue to finance development objectives. Taxation determines the context in which international trade and investments take place. Taxation :

- ✓ Provides governments with the funds needed to finance the infrastructure on which economic development and growth are based;
- ✓ Creates the environment in which business activities and wealth creation are conducted
- ✓ Determines how public services are implemented;
- ✓ Plays a central role in mobilizing national resources.

Thus, the stability of public finances constitutes an essential element of sustainable development. After all, social coverage, infrastructure and basic services such as education and health care are key to development. To provide some stability, it is essential that the methods of financing these public goods and services come wherever possible from the government's own resources, namely tax revenues. This explains the close relationship between taxation and development.

• *Financial Independence*

Effective taxation helps reduce dependence on aid and mining rents, and represents an opportunity to free many economies from random resource flows. One of the most pressing problems facing developing countries is finding a way out of over-reliance on external capital flows such as foreign aid. In this regard, an essential condition is the strengthening of the capacity to mobilize national resources. National revenues should be one of the main sources of expansion of fiscal space due to their sustainable nature,

thereby reducing dependence on assistance from donor countries. Tax policies can have a large role to play in reducing inequality and poverty, depending on the tax policies chosen by governments. And progressive taxation is essential to creating strong, democratic and efficient states.

For several reasons, developing countries face difficulties in collecting these national tax revenues effectively. If developing countries were able to collect sufficient tax revenue, they could become more independent. Their financing would then depend less on external borrowing, which would reduce their debt problems and their dependence on international aid. Indeed, if a government depends heavily on ODA flows ⁶for its functioning and therefore its survival, it could be encouraged to respond in its budgetary choices as a priority to the conditions set by its donors rather than to the expectations of the population. Conversely, a State which draws the majority of its resources from taxes will in principle respond as a priority to the expectations of its population. For many countries, ODA constitutes a substantial part of national income and finances a large share of public spending. In some states, it can represent up to half of national income and sometimes finances two thirds or more of budgetary expenditure.

States which finance themselves massively thanks to international aid are therefore not isolated cases and the question of the accountability of States in relation to their population can be truly obvious. Public services are linked to taxation, firstly because taxation indicates to individuals the cost of these services, then because the tax burden that individuals agree to bear demonstrates their willingness to pay for the services offered to them. the state. As a result, the "taxation-public services" relationship appears to be a powerful allocative mechanism. This mechanism allows arbitration between the various possible public services while respecting citizen preferences.

B. Part II: Tax Obligations of Entrepreneurs

"Entrepreneurship is considered a major determinant of economic performance, particularly with regard to progress due to innovation. The importance of its structural role and the dynamism that it generates in all economies no longer needs to be demonstrated. Every day, public authorities increasingly admit that it constitutes an effective instrument: 1) to create jobs, 2) to increase productivity and competitiveness, but also 3) fight against poverty and achieve societal objectives, in the sense that it helps certain segments of the population to take care of themselves. », According to the OECD (2004).

From an economic point of view, the company is a production unit whose function is to produce and sell goods and services to other economic agents on a market. To do this, it combines production factors (processing, raw materials, etc.), work (personnel) and machines (tools, techniques, etc.). The company is also characterized by the fact that it has a for-profit purpose, that is to say that its

⁶Public development aid

reason for existing is profit. It therefore creates value by offering jobs and being subject to taxes.

In Malagasy tax legislation, small businesses are those which generate a figure annual turnover of less than 50 million Ariary while micro or very small enterprises (VSE) are those with a turnover of less than 20 million Ariary.

To better simplify what is hidden behind the taxation of these companies, we will see in detail the Synthetic Tax (IS) because not only is it the most accommodated on these types of businesses as a local tax but also it is linked to their registration.

➤ *Section 1: Synthetic Tax (IS)*

- *General Principles*

Law No. 2007-033 of December 14, 2007 relating to the finance law for the year 2008, applicable from January 10, 2008, includes provisions repealing the Professional Tax (TP). From now on, the tax legalization of a small business in Madagascar is obtained by registering with the Tax Center service. The latter initially pays a synthetic tax as a provisional deposit. Then, the company must register again with another service in the same center in order to obtain the synthetic tax card or CIS (professional card or red card before 2008). But since Law No. 2008-026 of December 18, 2008 relating to the finance law for the year 2009, this IS has become completely declarative and follows the lag rule. It is therefore no longer payable prior to carrying out the activity. Indeed, for the first financial year, the taxpayer is immediately entitled to a synthetic tax card (CIS) when he obtains his tax registration number (NIF) 10 while for the following financial years, he will not obtain this card only after having filed before March 31 of the current year their tax declaration relating to the previous financial year and paid the corresponding tax to the territorially competent Tax Center.

The survey showed that, in the Mahajanga agglomeration, 5% of UPIs were registered with the IS service, and held the CIS. In principle, like the professional card, holding the CIS allows access to formal wholesalers.

Article 01.02.01 of the General Tax Code (CGI) stipulates that: *“are subject to tax Synthetic (IS) natural persons and individual companies carrying out an independent activity, when their annual turnover, gross income or estimated gain excluding tax, which constitutes the taxable base, is less than or equal to 11 to 20 million Ariary.* In other words, the tax base for the synthetic tax is constituted by the turnover (CA), gross income or gain as the case may be. Therefore, it targets small taxpayers since it applies to companies, natural or legal persons carrying out an independent activity whatever the field and whose annual turnover or gross annual income is less than or equal to Ar 20 million. Its implementation has a dual objective. On the one hand, it tends to simplify taxation on small taxpayers, which is why people liable to IS are subject to the simplified regime based on receipt and disbursement and not to the General Accounting Plan (PCG 2005). They are only

required to keep a revenue and expenditure notebook. On the other hand, it makes it possible to finance regional investment programs.

- *Rates and Allocation*

As part of the progressive reduction in the tax rate, Law No. 2008-026 of December 18, 2008 relating to the finance law for the year 2009 modified article 01. 02. 05 of the CGI as follows in its first paragraph: *“the tax rate is set at 5 percent of the taxable base. The tax cannot in any case be less than Ar 16,000”.* In other words, the IS is set at 5% of annual turnover, gross income or estimated gain excluding tax, with a minimum collection of 16,000 Ariary. However, for any taxpayer whose tax base is less than 120 thousand Ariary per year does not give rise to taxation. Concerning the allocation, the IS is collected for the benefit of the budget of the Decentralized Territorial Communities (CTD) at the rate of 40% for the Region and 60% for the Municipality. It has the double advantage of a simplified declaration since it is calculated on the turnover or gross income, and of a single declaration, as it is dischargeable from Income Tax (IR) and Tax on Value Added (VAT).

- *Particular Case*

For small businesses that carry out their activity in public markets or in public pavilions (case of vegetable and fruit sellers, etc.), the method of payment is by withholding tax at a rate of 5 o / oo (or 5/1,000) of the CA upon registration of the contract. They must also pay tickets and seat fees (these are non-fiscal or parafiscal resources) apart from the IS. These tax products appear in the annexed budget of the Municipality or even the budget on public markets. According to the survey, 3% of IPU's carry out their activity in these localities and pay the ticket and the seat fee.

➤ *Section 2: The Synthetic Tax Card (CIS) and the Tax Registration Card (CIF)*

Following the abolition of the Professional Tax, a certain number of measures must be adopted to distinguish taxpayers who are in compliance with their tax obligations from those who are not. Thus, since 2008, two types of cards have been put into service depending on the tax regime to which the taxpayer falls: either a synthetic tax card (CIS) for a company which is subject to IS, that is- that is to say the one which generates a turnover less than or equal to 20 million Ariary; either a tax registration card (CIF) for a company which is subject to IR or one which produces a turnover of more than 20 million.

- *The Synthetic Tax Card (CIS)*

In accordance with the provisions of article 01.02.06 of the General Tax Code, a card will be issued to the taxpayer subject to synthetic tax to justify the regularity of his tax situation. This card is valid for a single financial year, and must be renewed each year. On the one hand, for new taxpayers, they obtain the CIS at the time of their registration or their identification by the Tax Administration; on the other hand, for taxpayers wishing to continue their activities, they must renew their card before March 31 of the tax year. The tax registration number (NIF),

as well as the receipt number justifying the payment of the Synthetic Tax must be entered on the card.

- *The Tax Registration Card (CIF)*

In application of the provisions of articles 20.05.01 et seq. of the CGI, any taxpayer, any company whatever their legal form, whose activities, property or income are taxable in Madagascar under a tax, duty or charge provided for by the Malagasy General Tax Code, must hold a Tax Registration Number assigned only by the Administration: either in view of a special registration declaration subscribed by the taxpayer; or automatically for taxpayers listed in the event of a transaction detected by the Administration.

From now on, a registration card is issued to taxpayers other than those falling within the area of synthetic tax, instead of the registration certificate. This card must be renewed each year, at the time of filing the income tax return, with the service managing the tax file of the person concerned, in order to certify the tax regularity of its holder with regard to non-prescribed financial years. Also note that there are other administrative obligations which are not linked to the payment of tax.

C. Part III: Problems Relating to Entrepreneurship and Taxation

From this grid, we will be able to evaluate the consideration of entrepreneurship in the general policy of the State in Madagascar as well as the consideration of the tax center by entrepreneurs through an analysis of the relative problems between these two development shareholders. This concerns in particular Formal entrepreneurship is a form of entrepreneurship which has a legal character, that is to say for which administrative papers exist and which regularly contributes to the tax revenues of the State through different taxes for businesses. Thus, this seems to be the ideal and desired form of entrepreneurship so that it contributes directly to the economic growth of a country. However, we should certainly not neglect the role of informal entrepreneurship since it is strongly present.

- *Section 1: Search for Maximum Profit for Entrepreneurs*

Kirzner's theory of the entrepreneur explains the relationship between entrepreneurship and economic growth by discussing the improvement of economic well-being through the creation of new goods and services and the improvement of the quality of existing goods, their variety with lower costs, in other words, vigilance for the benefit of entrepreneurs. Entrepreneurial action positively influences the actions of economic agents on the market, the arbitration made by the entrepreneur between sales and purchase proposals allows him to seize new profit opportunities and makes the market more efficient, the economy becomes more competitive in the sense that it ensures greater customer satisfaction consumers. From the producer's angle, the evaluation made by the entrepreneur on prices of production factors corrects information asymmetry and offers other opportunities for profit for different markets (HARPER, 2003). “*The difference between the selling price and the purchase price is the entrepreneur's profit. This profit is the result of a failure for those who are selling the*

goods today because they did not see the opportunity to sell for more. The entrepreneur's vigilance for these opportunities captures these differentials and generates a tendency towards the elimination of profits” (Kirzner, 1971).

The entrepreneur reveals the existence of unexploited productivity gains: better use of production factors and improvements in capital structure, allocation of time and scarce resources (Facchini, 2007, p119). The Kirznerian entrepreneur thus contributes to the increase in economic and technological efficiency through this arbitration and also through discovery of other possibilities offered by technological progress allowing more efficient allocation of resources, in turn improving factor productivity. In short, entrepreneurial action through vigilance for profit is at the heart of an explanation of economic growth (BOETTKE and COYNE, 2003). Now this search for maximum profit among entrepreneurs sometimes leads to tax fraud.

- *Section 2: Tax Fraud by Defaults in Declaration Filings*

Tax evasion is not an option but becomes a necessity. For illustration; for the case of an SARL; the company is subject to Corporate Income Tax at rates varying from 30% to 35%. Shareholders are subject to the Capital Income Tax set at a rate of 20%. Then the company makes false declarations or understates the figures. Following the tax audit, the shareholders come to the negotiating table with the controller/inspector in the event of discovery of false declarations. This constitutes a brake on the increase in the share of tax revenues.

Among the causes of this lack of deposits is also the multiplication of informal sectors. The latter are accentuated towards small activities which are not characterized by the State such as commerce. These are small businesses and small one-person companies, most of which are created without a creation procedure that the State is unable to absorb. They still employ undeclared, that is to say informal, employees paying below 180,000 Ariary. This shows that the informal sector remains outside the tax system because fraudsters and slave traders who pay less than 180,000 Ariary do not pay salary tax.

The fight against tax evasion can increase revenue for the State and for industries. On this point, the company and the State even have an interest in cleaning up the local market. This makes it possible to increase market share to achieve an economy of scale. The tax department will use the control of sales without invoice to increase its revenue. The use of electronic declaration will thus be continued.

- *Section 3: Complexity of Administration at the Tax Center Level*

This is primarily about reducing the costs and procedures of starting a business (OECD, 2015), it is about improving legislative texts (UNIDO, 2003).

On the other hand, it involves establishing permanent or ad hoc government units which will serve as institutions taking into account the concerns of SMEs in matters of

regulation and ordering regulatory agencies to prepare impact notes to the intention of the latter when developing regulations. Taking into account proposals affecting SMEs before formulating policies and analyzing the impact of regulations is a priority. Furthermore, it is necessary to graduate and modulate administrative regulations according to needs and set precise deadlines for administrative decision-making. Administrations should provide simple forms with indications and create a central register of administrative procedures and licenses in order to also measure the burden of administrative formalities. The establishment of one-stop shops for requests for information on regulations is also important to improve the quality of services and make things easier for SMEs (OECD, 2004). In addition, tax exemptions can also be considered. In short, “simple and *inexpensive licensing and registration procedures, non-prohibitive and transparent taxation, as well as stable and enforced regulations*” will be favorable to entrepreneurship (OECD, 1998). To this can be added protection against dismissal and liability protection. property rights (OECD, 2015).

In addition, the Malagasy tax system is a declarative system (case of the IS for example, the must make a declaration to be subscribed before March 15 of each year according to the General Code of Direct Taxes). On the one hand, this reporting obligation poses a problem for small, illiterate taxpayers who will not be able to get used to the paperwork.

Else On the other hand, the declarative formula can encourage them to reduce the values or to give purely or simply incorrect information to pay less taxes. It can thus accentuate fraud despite the cross-checking carried out by the Tax Office.

IV. CONCLUSION

The analysis showed us that there are constraints linked to the Malagasy tax system and the entrepreneurship field. Obstacles to increasing the share of tax revenue have been identified, namely the existence of informal workers, tax evasion and fraud, the political crisis. Tax fraud which is the main cause of poor distribution of wealth. But the source of the problem therefore lies *in the criticism of the taxation of the informal sector*. The measures of taxation of the informal sector are opposed mainly on the basis of three types of argument. Firstly, the taxation of the informal sector is rejected by those who are opposed to taxes in general, as a consequence of calling into question the legitimacy of the State in developing countries (DCs). Secondly, some authors see it as a source of injustice, because taking away informal income amounts to taxing the most deprived section of the population. Indeed, the literature shows that informal activities generally only provide “survival” income (Lautier - 1994). The taxation of UPIs, by reducing already very low income, could worsen the living conditions of the poorest. Finally, consequence of the second argument, this is an unprofitable operation for the State as the tax base of the informal sector is low. The numerous failures to register the informal sector in most

African countries which have sought to subject it to tax reinforce the uncertainty of State services, structurally inefficient, in recovering fairly large financial amounts. The Malagasy state is looking at another path to broaden the tax base.

The Malagasy tax administration, with the support of the International Monetary Fund (IMF), has implemented established the Business Pilot Tax Center (CFPE) a few years ago. It has chosen as its primary target medium and large companies that are easily located and whose average turnover is greater than 50 million Ariary. The existence of the informal sector was completely set aside for a simple reason: “it is not certain that the financial amounts to be recovered are greater in the informal sector”; This is why there has not yet been a real policy on the taxation of this sector, which includes small activities.

Taxation, although ignored, plays a crucial role in reducing poverty and promoting sustainable development as an essential source of financing. It serves to collect revenue and regulate the economy, alongside entrepreneurship considered as a driver of social and economic development. This study reveals two perspectives: common development and the search for optimal personal gain converge towards the same principle. In Madagascar, political-economic reforms aim to improve living conditions, but poverty remains a major challenge on a global scale. In this context, the promotion of entrepreneurship becomes essential for both developed and developing countries. It is crucial to inform civil society and policy makers about the importance of a fair and efficient tax system to stimulate development and improve the financial situation of developing countries. What additional measures would be necessary when entrepreneurship in Madagascar becomes accountable?

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