

ABSTRACT

Countries in the South Asian region continue to face the problem of low tax revenue, as reflected in their suboptimal tax-to-Gross Domestic Product (GDP) ratios. One of the measures undertaken by governments to increase tax revenue is the implementation of tax amnesty programs. However, tax revenue is determined not only by tax policies but also by macroeconomic conditions proxied by GDP, inflation, and trade openness, as well as the level of corruption proxied by the Corruption Perceptions Index (CPI), on tax revenue in three South Asian countries: India, Pakistan, and Sri Lanka.

This study uses secondary panel data combining cross-sectional data from three countries and annual time-series data for the 2002-2024 period. Accordingly, the dataset consists of 69 observations covering three countries over 23 years. The analysis employs the Panel Autoregressive Distributed Lag method with the Pooled Mean Group approach (Panel ARDL/PMG) to estimate short-run and long-run relationships.

The analysis result indicate two main groups of findings. First, the variables that have a positive and significant effect on tax revenue in the long run include GDP, trade openness, and CPI. Second, the variables that do not show a significant effect consist of tax amnesty, which has a negative effect, inflation, which has a negative effect in both the short and long run, and GDP in the short run, which has a positive effect. The implications of this study suggest that efforts to increase tax revenue should focus on strengthening economic capacity, optimizing trade activities, and improving institutional quality, while tax amnesty should not be relied upon as the primary instrument for increasing tax revenue. This study contributes by integrating tax amnesty policy, macroeconomic conditions, and the level of corruption within a single dynamic analytical framework to explain the short-run and long-run determinants of tax revenue in three South Asian countries.

Keywords: *tax revenue, tax amnesty, macroeconomic conditions, Corruption Perceptions Index, Panel ARDL/PMG.*