ATAF NEWS

AFRICAN TAX ADMINISTRATION FORUM
FORUM SUR L'ADMINISTRATION FISCALE AFRICAINE

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The ATAF team, comprising (from left) Directors Mary Baine and Raphael Kamoto and Executive Secretary Logan Wort, in discussion with Professor Victor Harison, the Commissioner of Economic Affairs at the Department of Economic Affairs of the African Union Commission in Addis Ababa.

Closer ties on tax agreed at AU Commission talks

ATAF's mission to strengthen tax systems in Africa was boosted by a number of meetings held by the executive team of the the ATAF Secretariat with key stakeholders in October.

The Secretariat team, comprising Executive Secretary Logan Wort, Director of Tax Programmes Mary Baine, Director, Strategic Partnerships, Planning, Monitoring and Evaluation Raphael Kamoto and senior consultant Alfred Akibo-Betts, kicked off their schedule with a meeting on 3 October with a team from the Department of Economic Affairs (DEA) of the African Union Commission (AUC) at its headquarters in Addis Ababa, Ethiopia.

The DEA team was led by Professor Victor Harison, the Commissioner of Economic Affairs and

Dr Dossina Yeo, head of Economic Policy and Research Division. The DEA outlined its plans to step up its work on mobilising domestic resources and curbing illicit financial flows, particularly focusing on implementing the recommendations made in the report by the Thabo Mbeki High-Level Panel on IFFs.

Dr Yeo said, given the work already being done by ATAF, the organisation was "an excellent fit" to collaborate with the AUC on these issues, as it was already doing with the OECD and IMF.

He said the the AUC's approach in combatting was aimed at strengthening good governance in member states, building capacity for negotiations and identifying stolen assets and collaborating with partners to recover and return stolen assets in foreign banks.

Mr Wort emphasized ATAF's willingness to work with the AUC and said the organisation was ready to provide technical support to AUC. He gave the DEA team a brief outline of ATAF's work and achievements since its establishment in 2009. He pointed out that ATAF has worked with 11 African countries on issues related to minerals and extractives and would be happy to collaborate with the AUC on this.

The ATAF team highlighted the need for more leadership and political support on tax matters and felt that the AUC was the ideal body to provide this, especially on the current global tax debate about taxing the digital economy. ATAF urged the AUC to take leadership in pursuing African interests politically as these proposals will be taken to the G20 Heads of States, where only Nigeria, and South Africa represent Africa. ATAF's concern is that African countries will lose out when the allocation of taxing rights is determined if their voice is not strong enough politically.

The meeting concluded with an agreement to further the engagement between the DEA and ATAF. The two organisations agreed to hold a one-day technical workshop on tax matters in Africa for DEA and ATAF staff aimed at bringing the DEA up to speed with all the tax issues and challenges facing African countries.

As the key role of the DEA is coordination of economic matters in Africa, ATAF will provide technical support as a preferred partner on taxation matters in Africa. The technical support from ATAF will include the provision of feedback on policy issues and promoting policy positions of the AUC.

It will also provide regular updates on international tax issues. As ATAF provides technical support to the 24 African countries that are members of the OECD's BEPS Inclusive Framework, ATAF will regularly send updates to the DEA on issues that emanate from the Inclusive Framework meetings and from other international tax issues that impact on African countries. Additionally, ATAF will provide technical support to the AUC if the DEA starts attending Inclusive Framework meetings, as it has indicated it intends to do.

In addition, ATAF will partner with the AUC and other organisations on the hosting of a High-Level Dialogue on Taxation of the Digital Economy during the 2020 Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration on 12 March 2020 in Accra, Ghana.

African Continental Free Trade Agreement a key priority

Later the same day the ATAF team met with Simon Mevel, Economic Affairs Officer in the Regional Integration and Trade Division of the African Trade Policy Centre (ATPC) at the United Nations Economic Commission for Africa (UNECA). Mr Mevel shared with the ATAF team the work done by the ATPC, most of which is research oriented.

A key priority for UNECA is the implementation of the African Continental Free Trade Agreement. UNECA is providing support to the AUC to ensure smooth implementation. Led by the APTC, this support includes technical assistance and capacity building for African countries, facilitating negotiations between countries on intellectual property rights, competition policies and e-commerce.

The meeting ended with the agreement that the APTC and ATAF will explore the possibility of collaborating on digital/ e-commerce trade and research work on the impact of the African Continental Free Trade Agreement on revenue.

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Focus is on how Africa can tackle the bane of illicit financial flows

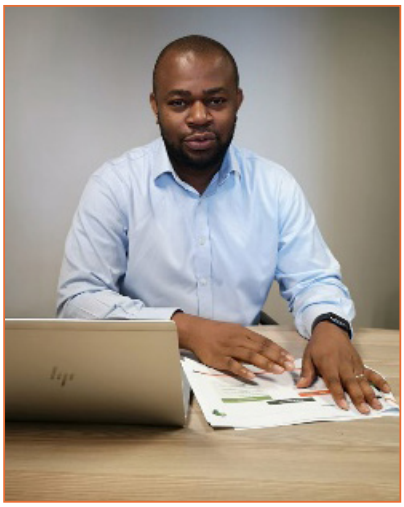
Illicit Financial Flows (IFFs) from African countries and the measures needed to combat them was at the crux of discussions at two recent events held on the continent recently.

Executive Secretary Logan Wort led a team from ATAF to the Pan African Conference on Illicit Financial Flows and Taxation held in Nairobi, Kenya, from 1-3 October.

The 7th edition of this annual conference was organised under the theme: *Taxing Intangibles, Financial Technology (FinTech) and the Digitalised Economy*: *Trends, Challenges and Opportunities for Domestic Revenue Mobilisation in Africa.*

This year's conference was convened by Tax Justice Network Africa (TNJA) in cooperation with a number of organisations including ATAF, the United Nations Economic Commission for Africa, The African Forum and Network on Debt and Development, Financial Transparency Coalition, Global Alliance for Tax Justice, Action Aid, Oxfam, Coalition for Dialogue on Africa and Trust Africa, amongst many others.

It brought together key stakeholders involved in efforts to curb IFFs and enhance domestic resource mobilisation in Africa. The focus this year was on the challenges posed by an increasingly digitalised global economy to traditional rules of taxation. Participants discussed a wide range of issues including the allocation of taxing rights in the digitalised economy, the different proposals to tax online businesses and available options for African countries.



Emeka Nakwanko presented at the Pan African Conference on Illicit Financial Flows and Taxation.

Other topics on the agenda included the advent of cryptocurrencies and mobile money platforms and the opportunities, challenges, and risks these pose for compliance and illicit transactions.

A presentation by Emeka Nwankwo, who has joined the ATAF Secretariat, dealt with the rise of ecommerce and the challenges for the administration of VAT in the digital economy.

ATAF and TJNA also worked in partnership with the Tunisian Observatory for Economy to provide training on IFFs to African lawmakers. The main objectives of the workshop were to assist and support African Parliamentarians engage more effectively in policy and legislative discourse on IFF and domestic resource mobilisation.

Sixty-seven participants from 24 member countries participated in the workshop. Countries who attended are: Angola, Botswana, Burkina Faso, Burundi, Cameroon, Chad, Central Africa Republic, Congo DRC, Ethiopia, Ivory Coast, Kenya, Ghana, Gabon, Germany, Niger, Nigeria, Mali, Malawi, Senegal, South Sudan, South Africa, Tunisia, Uganda and Zimbabwe.

This is the second such training for parliamentarians; the first was held in 2018. The aim is to equip MPs with the skills to understand, identify and monitor policies and mechanisms that facilitate IFFs from Africa and to develop the legislative capacities to combat them.

"These initiatives also help to strengthen the network of parliamentarians for continuous learning and collaborative anti-IFFs campaigns in Africa. Bringing lawmakers from different jurisdictions together promotes the sharing of insights and experiences and the exchange of peer lessons regarding successful efforts undertaken by legislatures to address IFFs," said Caroline Mutayabarwa, ATAF's Training Manager.

Deadline looms for digital tax proposals

ATAF's members are encouraged to review the public consultation document detailing proposals for a unified approach to taxation of the digital economy which was released by the OECD Inclusive Framework on BEPS on 9 October 2019.

In light of the tight deadlines, ATAF has prepared its technical response to the Unified Approach proposals and shared this with members and the ATAF Council. ATAF's media release and the technical response have also been published on the ATAF website.

The unified approach proposes changes to two key underlying principles of the international tax rules, that is, the nexus rules and the profit allocation rules (which determine how the MNE's global profits are allocated between jurisdictions, primarily using transfer pricing rules), in what is referred to as the programme of work under Pillar One. Pillar Two deals with artificial profit shifting and proposals aimed at tackling this are scheduled for release in November 2019.

Pillar One proposes changes to the rules for the allocation of taxing rights between residence and source jurisdictions. The current rules have been a major concern for African countries for many years. African countries are generally "source" countries and often report that they consider the current nexus and profits allocation rules as weighted too heavily in favour of the residence jurisdiction to the detriment of the source jurisdiction, explained Anthony Munanda, ATAF's technical advisor on international tax.

ATAF and many of our members are proactively participating in the work of the Inclusive Framework to reach a consensus-based solution to these challenges. ATAF is determined to ensure that the changes made to the global tax rules as the outcome of the work of the Inclusive Framework address the needs of African countries and are fit for purpose in Africa. In this regard, ATAF will work with the African Union and its Economic Commission to seek a broader African consensus.

For more detailed information on this highly technical debate members should read the technical notes that have been prepared by the ATAF Cross Border Taxation Technical Committee on taxing the digital economy. These papers highlight the critical issues that African countries should consider when negotiating through the Inclusive Framework and are available on the ATAF website www.ataftax.org. Follow this path: Home page> ATAF products> Digitalisation.

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Anthony Munanda, ATAF's technical advisor on international tax

ATAF and World Bank sign accord

ATAF and the World Bank Group signed a Memorandum of Understanding (MoU) aimed at formalising their cooperation towards promoting fair and efficient tax systems and administrations in Africa on 20 October.

Under the MoU, the two organisations intend to share knowledge and pool their expertise and resources to jointly deliver technical assistance and build capacity across Africa.

ATAF Executive Secretary Logan Wort met with Mr Marcello de Moura Estevão Filho, the World Bank Group's Global Director for Macroeconomics, Trade and Investment Global Practice on the margins of the IMF/World Bank Group's Annual Meetings which were held from 14-20 October in Washington DC.

"The World Bank is a traditional ally of ATAF and we have in the past cooperated on numerous projects, including our country programmes which aim to build the capacity of ATAF's members and improve their efficiency in tax revenue mobilisation. As we are about to step into the next decade of ATAF, consolidating ties with like-minded organisations such as the World Bank Group can only be beneficial for our membership across the continent."

ATAF Executive Secretary Logan Wort (right) and Mr Marcello de Moura Estevão Filho of the World Bank Group shake hands after the signing of an MoU between the two organisations.

Home-grown ICT systems in Africa: can it be done?

Can African countries work together to develop home-grown ICT systems for tax administrations on the continent? That is the focus of a meeting of regional experts to be held in South Africa in early November.

Organised by the African Tax Administration Forum (ATAF), the three-day meeting, from 6-9 November, is the start of an ambitious project by African tax administrations that going forward could be a gamechanger of the continent. Further similar meetings are to be held in other regions of the continent in 2020.

ICT systems are a critical element in the modernisation of tax systems in Africa as they enable the move from manual to automated processes, the implementation of risk engines, and better services through online transacting in the submission of returns and payments. This positively impacts on turnaround times and enhances service to taxpayers.

The problem for many African countries is the huge costs involved in acquiring these systems and the licences that are needed, the lack of ownership of source codes which results in dependence on service providers and experts from abroad. There is therefore a growing interest in determining whether African countries can work together to develop and implement an ICT system or systems that meets their needs and is affordable.

Dr Nara Monkam, ATAF's Research Director, addresses a workshop held in Benin to validate the data for the African Tax Outlook publication.

"African tax administrations have historically deployed outsourced systems. The result has been the deployment of multisource applications, infrastructure and hardware, often incompatible with each other. The costs of the systems themselves and any maintenance, changes and upgrades that are required are prohibitive for many African countries, especially as they have to be paid in dollars," said Dr Nara Monkam, ATAF's Director of Research.

The workshop, to be attended by ICT experts from across the continent, aims to determine what an ideal ICT system for African tax administrations should look like, what capacity there is in Africa to develop such a system and what the costs involved are likely to be.

Mr Frankie Mbuyamba leads the team that compiles the African Tax Outlook

Participants will consider the strengths and weaknesses of the ICT systems already implemented in African countries, the lessons learnt and the problems that were encountered.

"The deliberations at this and subsequent workshops will inform the research that ATAF plans to conduct to guide the development of an African framework for ICT systems implementation. ATAF's consultants will present the proposed research questions to workshop participants for review and also solicit their views on methodology to be used for the study and the quality of data that ATAF must collect," Dr Monkam, explained.

The intention is to develop, as a baseline, an African ICT tax systems field guide, i.e. a check list of keys steps African countries can follow when implementing a tax ICT system, whether home-grown or outsourced.

The initiative is one of several projects being undertaken by ATAF's Research Directorate in its efforts to provide relevant research on matters of interest to African tax administrations.

"ATAF is committed to building an African repository of high quality, relevant scientific knowledge on tax to change and/or influence the discourse, the narrative and thought leadership around taxation on the continent, Dr Monkam said.

"Our aim is to promote tax research by Africans for Africans on issues that are of relevance to the continent. We want to build up a solid body of research and knowledge for Africa which can complement and balance the existing body of scientific knowledge from other continents with the perspective from Africa too," she added.

Also coming up is the annual Africa-wide tax research congress which will be held in Dakar, Senegal, from 27 to 29 November. This is the fifth annual congress hosted by the ATAF African Tax Research Network. The theme for this year is: *Digitalisation: Challenges and opportunities – Discussing the African Tax Landscape*.

The congress presents an opportunity for academics, researchers, tax administrators, students, tax practitioners, consultants and decision-makers on fiscal and tax policy in Africa, to share insights and experiences and promote Africa-based research.

In the pipeline too is the 2019 edition of the *African Tax Outlook*, ATAF's flagship publication, which comprises provides tax administration and economic data from 34 African countries.

"This is more than double the number of countries who participated in the inaugural edition in 2016. The fact that participation in the publication has grown from 15 to 34 – and to 37 in 2020 – illustrates the fact that the ATO has become a valuable source of data on African tax and other economic indicators," said Frankie Mbuyamba, the programme specialist for tax statistics at the ATAF Secretariat, who leads the team that compiles the ATO.

An exciting new development is the implementation of an interactive online data portal comprising all the revenue statistics collected for the ATO project which will become available to researchers, policymakers and other interested persons in Africa and the globe.

"This portal will provide access to accurate, verified data for 34 countries in Africa in a single repository at the click of a button. It will provide a one-stop-shop for comparable harmonized national data on tax and customs administration. In addition to country profiles, users will find information on a range of indicators. They will also be able to "slice and dice" the data to customize it for their own purpose. The interactive portal is in the final stages of testing and should become live shortly," Mr Mbuyamba said.

Digital economy taxing rights: Africa must fight its corner

The critical importance of the nexus between tax administration and tax policy was emphasized at the High-level Tax Policy Dialogue conference organised by ATAF and hosted by the Zimbabwe Revenue Authority.

The theme of the two-day conference, which started on 31 July, was *Ensuring Africa's Place in the Taxation of the Digital Economy,* mainly as a result of the urgent need to position African interests on the global stage on this issue.

The main objective was to bring together all the relevant stakeholders that are concerned about pursuing African interests on taxing the digital economy and dissecting the various proposals currently being discussed on the global stage, to ensure that member countries are prepared for the policy changes that may occur in 2020 as a results of deliberations at the Inclusive Framework (see box).

Over 110 officials from Ministries of Finance and African tax administrations of 21 ATAF member countries, Members of Parliament, civil society, AfDB, OECD, UNECA, development partners including DfID, GIZ and SECO, other key partners and individual tax policy experts met in Victoria Falls.

The main points that emerged from the conference are:

Africa must be part of the global talks on tax and the digital economy

African countries must be actively engaged in the Inclusive Framework discussions on the taxing of the digital economy to ensure that they receive their equitable share of taxes and that the interests of African countries are safeguarded in the international rules that are adopted.

Most of the current global proposals on taxing the digital economy reduce taxing rights for African countries; therefore, if African countries do not articulate their positions in the Inclusive Framework Working Groups and through the UN Committee on Tax, then African countries will lose once the global rules are developed.

African countries should also consider the work being done on taxing the digital economy by other bodies such as the United Nations and G24, to have a broader view of the issues instead of relying solely on OECD's Inclusive Framework.

On the other hand, taxing of the digital economy affords African countries the opportunity to increase revenue collections by ensuring that taxes arising from profits generated in "source countries" – which most African countries are – are fairly allocated to these countries.

Political support for is a key requirement for Africa to be taken seriously

To consolidate Africa's position on the global stage, African policymakers at the highest level must be made aware of what is at stake and be encouraged to champion African interests. With the support of ATAF, African countries should work through the African Union and the Pan-African Parliament, to ensure that there is an African position on the taxation the digital economy.

Political support is also required at the African Union level through, for example, the creation of a political institution or platform, where tax policy and tax administration issues are discussed and standards set. This will facilitate the implementation of tax policy across Africa.

Collaboration is needed between tax policymakers and tax administrations

It is vital that African countries put in place laws and regulations that will tackle the digital economy so that they are well prepared for the implementation of the new rules when they are agreed upon. This preparation would include capacity building for staff and implementation of simple tax administration systems that will facilitate compliance. There is a need to improve collaboration between policymakers and tax administrations to ensure they are on the same page in effectively mobilising domestic resources.

Prepare for digitalisation to be in a position to reap its benefits

African countries must ensure they invest in information technology and the necessary digital platform(s) to improve tax administration systems and enhance taxpayer services by making it easier to file returns and make payments. Tax administrations need to invest in retraining tax officers to equip them with the necessary tools to address the challenges of digitalisation.

Technology also enhances the ability of tax administrations to analyse internal and external data to provide insights which can be used to inform policy decisions. Tax administrations must invest in data analytics to assist in, amongst others, risk and compliance management, enabling tax administrations to focus resources where they will yield additional revenues.

Consider putting interim measures in place

As there is no certainty that a global consensus on taxing the digital economy will be reached in 2020, African countries should consider what interim solutions to implement that will enable them tax digital multinationals before a long-term solution is reached. Countries who have done so include France and India who have implemented the Digital Sales Tax and Equalisation Levy respectively as short-term measures.

Closer to home, Zimbabwe has introduced a 5% final tax on Electronic Commerce Services of non-resident digital MNEs, where their revenue exceeds US$500 000 and South Africa has strengthened its tax laws similar to what South Africa has done in redefining digital services in their VAT law, ensuring Digital Multinationals register and account for VAT in South Africa.

Chair of the ATAF Council, Mr Tunde Fowler addresses the conference in Victoria Falls, Zimbabwe.

Making a pact: TJNA Executive Director Alvin Mosioma (left) and ATAF Executive Secretary Logan Wort.

Pact is a sign of closer ties

ATAF and the Tax Justice Network Africa (TJNA) signed a Memorandum of Understanding (MoU) to improve cooperation, and to collaborate on various tax issues that will promote the compliance of taxation in Africa.

The MoU was signed by Mr Logan Wort, the Executive Secretary of ATAF and Mr Alvin Mosioma, the Executive Director of TJNA at the High-Level Tax Policy Dialogue in July.

The two organisations have worked closely over the past decade on issues of mutual interest in their efforts to foster effective tax administrations and fair taxation in the interests of mobilising domestic resources for Africa.