



Africa Tax Symposium – Webinar Edition

**Global tax developments
aimed at post-Covid recovery**

10am - 12pm

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Agenda

- **Introduction:** COVID-19 Impact on domestic revenue mobilization
- **Role of taxation in government responses: timing, opportunities and challenges**
 - Tax administration measures
 - Tax policy measures
- **Trends towards digitalization and automation**
 - Developments in the use of technologies in African tax administrations
- **Increased tax cooperation**



Global tax developments aimed at post-Covid recovery

Impacts of COVID-19 on Domestic Revenue Mobilization

- ▶ The COVID-19 pandemic gave rise to a greater focus on taxation, including as a crucial means for providing initial relief as an immediate response and, in the longer term, to stimulate growth that will be critical to fund the social and economic recovery efforts as well as to reduce deficits.

- ▶ African countries have lost revenues from both domestic and external sources as economies suffered the effects of the mitigation and containment measures aimed at combating the COVID-19 pandemic:
 - ▶ Decline in the prices and demand for commodities that resulted in decreased government revenues
 - ▶ Negative impact of the pandemic on specific sectors (travel, tourism, the informal sector) also resulted in declining tax revenues from these sectors.

- ▶ Necessity to stimulate a quick recovery
- ▶ Call for immediate short-term temporary measures
- ▶ An opportunity to shift to a greener economy and/ or contemplate innovative taxes (digital services tax, property taxes, wealth taxes, etc)
- ▶ Covid-19 revealed that domestic resource mobilisation needed to be further expanded through stronger tax administration and better enforcement of tax laws
- ▶ Formalisation of informal trade to capture actors left outside the tax pool



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Role of taxation in government responses: timing, opportunities and challenges

Tax administration measures

- ▶ **Specific practical examples from selected countries**
 - ▶ Tax relief measures
 - ▶ Tax rebates
 - ▶ Expedites tax refunds
 - ▶ Exemptions or zero rating on essential goods and services

- ▶ **Tax administration measures ATAF's suggested measures**
 - ▶ Extension of deadlines
 - ▶ Penalty and interest suspension
 - ▶ Temporary reduction of taxes
 - ▶ Suspension of compliance and enforcement activities
 - ▶ Suspension of advance payments

Tax policy measures

- ▶ **Revenue mobilization**
 - ▶ Introduction of new taxes
 - ▶ Carbon tax (i.e. South Africa)
 - ▶ Windfall taxes
 - ▶ Covid-19 levy
 - ▶ Broadening the tax base
 - ▶ Taxation of the digital economy

▶ **Transfer pricing issues**

- ▶ Disruptions in the global supply chain
- ▶ Declining profits
- ▶ Effects on financial markets

- ▶ OECD guidance on Covid-19 implications on Transfer pricing
 - ▶ Comparability analysis
 - ▶ Allocations and losses of Covid-19 specific costs
 - ▶ Advance pricing arrangements
- ▶ Specific measures implemented in selected countries
 - ▶ Guidance issued by Greece, Singapore, etc.
 - ▶ Government pricing programs

▶ Tax treaties

- ▶ OECD guidance on tax treaties and the impact of the COVID-19 pandemic dealing with:
 - ▶ creation and continuation of a permanent establishment (PE), including home office, agency, and construction-site PEs
 - ▶ change of residence, including by entities and individuals, plus the application of tie-breaker rules to dual residents
 - ▶ income from employment, i.e. payments under stimulus packages, stranded workers, cross-border (frontier) workers, and teleworking from abroad.



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Trends towards digitalization and automation

Trends towards digitalisation & Automation

▶ OECD October 2021 report

Experiences during the crisis have influenced tax administrations' future strategies and ways of engaging with taxpayers:

- ▶ by providing extended payment deadlines and penalty waivers;
- ▶ by working with digital files, and platforms with electronic signatures and electronic notifications,
- ▶ by moving field audit work to a virtual / digital environment going forward;
- ▶ by looking to make additional changes to further enhance the resilience of their IT systems to be prepared for future crises.

Trends towards digitalisation & Automation

- ▶ The COVID-19 pandemic led to a boom in the use of digital commerce. The adoption of technology can:
 - ▶ enable successful and sustainable tax reforms,
 - ▶ ensure the proper taxation of the digital economy, and
 - ▶ reduce the obstacles to compliance.

- ▶ Digital tax administration and transparency expected to drive the next wave of litigation



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Tax cooperation aimed at improving revenue mobilization

Overview – Tax cooperation

▶ International tax cooperation

- ▶ Tax transparency issues
 - ▶ Exchange of information implies effective digital and automated processes (i.e. OECD report October 2021)
 - ▶ Country by Country reporting
- ▶ Combating illicit financial flows (IFFs)
 - ▶ Increased cooperation between Tax Authorities

Overview – Tax cooperation

- ▶ **Tax policy and Capacity building programs**
 - ▶ OECD: assistance to developing countries through on site programs, increased online trainings, toolkits
 - ▶ The Platform for Collaboration on Tax (PCT)
 - ▶ IMF and World Bank latest reports on compliance gaps
 - ▶ UN



Global tax developments aimed at post-Covid recovery

Thank you

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**Financing the post-Covid
recovery: Tax policy challenges
and prospects in Africa**


Babatunde Oladapo


Executive Secretary, WATAF

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- ▶ **Domestic Revenue Mobilization in Africa: an age long priority.**
- ▶ **Trend in domestic revenues and external flows to Africa are insufficient to support the Sustainable Development Goals (SDG)**
 - ▶ COVID-19 pandemic and multiple lockdowns exacerbated the funding challenge—due to both the freeze in economic activity as well as tax forbearance measures implemented to help businesses survive
 - ▶ Most African countries now in dire search for alternative revenue source to finance development.

- ▶ **Countries are now providing more incentives/palliatives to taxpayers by way of extensions and exemptions on their direct taxes as well as reduction in compliance costs.**
- ▶ **Refocusing on digitalization of tax services**
- ▶ **Widespread experimentation on the use of tax incentives to promote development of small businesses/underdeveloped sectors and low-income earners**
- ▶ **Taxation of digital services now a go to.**

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- A stylized graphic of the Nigerian flag, with green and white vertical stripes, set within a yellow outline that forms a large letter 'M' shape.
- Late Returns Penalty (LRP) waived for taxpayers who pay early and file later.
 - Remittance of VAT on or before 21st of every month extended to the last day of the month

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- A large yellow arrow pointing downwards, located on the left side of the slide.
- Field Audit, Investigations and Monitoring visits were suspended till further notice
 - Enactment of the innovative Finance Act 2020 with key provisions such as:
 - 1. Exemption from payment of CIT and VAT taxes of companies with gross turnover of N25 million and below;
 - 2. Provided further reduction in minimum tax under the Companies Income Tax Act to 0.25% for tax returns prepared and filed for any year of assessment falling due 2020 and 2021
 - 3. Exemption of Personal Income Tax and minimum tax on Persons earning the National Minimum Wage or less from an employment.

Country Specific Approaches: Senegal



- Tax debt reduction for individuals and corporates operating in the tourism, catering, hotels, passenger transport, education, culture, agriculture and the press
- Flexibility of VAT payment



- Extension of the VAT payment deadline suspended from 12 to 24 months
- Review of tax treaty: termination of treaty with Mauritius

Country Specific Approaches: Kenya



- 100% waiver on income taxes to individual who receive less than KES24,000 (\$225) per month.
- Review of tax rates i.e PAYE, CIT and Turnover Tax rate for small businesses.



- Taxation of Digital Marketplace Supply: Digital Service Tax at 1.5 percent on the gross transaction value (exclusive of VAT)
- Automation of tax administration processes et al

- ▶ **Balancing the need for short term revenue gains vs long term gains**
- ▶ **Low level of citizen's tax morale**
- ▶ **Inadequate political will to support tax administration and policy reforms**
- ▶ **Capacity building of government officials in Tax policy and administration**
- ▶ **Transparency issues in the management of our government's tax expenditure**
- ▶ **Harmonisation of taxes**

- ▶ **Opportunity exists to access global cooperation on tax matters: OECD, UN Committee of Experts on Tax Matters, etc.**
- ▶ **Space to broaden the tax base exists in most African countries**
- ▶ **Improvement in the social contract between government and citizens has attendant domestic revenue benefits**
- ▶ **Wealth, property and consumption taxes are viable but yet unexplored avenues for raising revenue for African governments**
- ▶ **Renegotiate unproductive treaties**

Conclusion

- ▶ **As the world recovers from the onslaught of the COVID-19 and the attendant economic hardship, it is pertinent for African governments to begin to take measured steps towards promoting long-term inclusive development through institutionalizing domestically stable, broad-based and fair tax systems.**
- ▶ **Africa must not be left behind again!**



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Tackling tax avoidance – legislation and case law developments

by
Dr Albertus Marais

Director – Dispute and International Tax - AJM

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▶ Introduction

- ▶ Tax avoidance and COVID-19
 - ▶ Related?
 - ▶ Avoidance should receive renewed focus
 - ▶ COVID-relief measures abused
 - ▶ Corporate profits under strain

▶ Relief measures adopted

▶ Some permanent relief

▶ Kenya

▶ VAT

▶ Income tax

▶ PIT

▶ Relief measures adopted

- ▶ Most relief temporary only
 - ▶ Delayed tax obligations
 - ▶ South Africa, Mauritius, Botswana

- ▶ Compliance related relief
 - ▶ Return filings extended
 - ▶ Nigeria, Uganda, Algeria, Tunisia
 - ▶ Imposition of penalties

- ▶ Very little relief, therefore, very little to avoid
- ▶ Schemes also not necessarily susceptible to avoidance

▶ Responses to avoidance

- ▶ The responses we have seen thus far were not from the judiciary
 - ▶ Too soon on COVID-schemes
 - ▶ Very limited GAAR application
 - ▶ (Very few states have a GAAR)

- ▶ To some extent the Legislature
 - ▶ SAARs preferred

▶ Responses to tax avoidance

- ▶ The Executive is leading the charge
 - ▶ Not necessarily COVID-related, but tackling tax avoidance in general
 - ▶ Digitization of tax compliance systems
 - ▶ Transfer pricing
 - ▶ With corporate profits and tax revenues both under strain, expect
 - ▶ More aggressive Revenue
 - ▶ Increased tax controversy



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Capacity Development Initiatives on Domestic Resource Mobilization

October 14, 2014

**Emily Muyaa, Chief, Capacity Development Unit
International Tax and Development Cooperation Branch, FSDO, DESA, United Nations**

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- ▶ **Some potential ‘new’ taxes**
- ▶ **Preventing tax avoidance and evasion**
- ▶ **Supporting tax administration (including through effective dispute avoidance and resolution)**
- ▶ **Capacity development**

SOME POTENTIAL 'NEW' TAXES

The United Nations Committee of Experts on International Cooperation in Tax Matters is currently working on the following matters:

Health taxes

Wealth and
solidarity
taxes

Environmental
taxation

The United Nations and the Committee of Experts on International Tax Matters have worked on the following areas with the purpose of closing tax gaps to prevent tax avoidance and evasion:

Transfer Pricing

Indirect Taxation

Dispute Avoidance and Resolution

Others

The United Nations and the Committee of Experts on International Tax Matters are working on the following areas to build capacity of tax administrations:

Increasing tax transparency

Digitalization and other opportunities to improve tax administration

Dispute avoidance and resolution

The Financing for Sustainable Development Office (FSDO) supports especially developing countries in the uptake and effective use of UN Tax Committee guidance, through a comprehensive programme:

Tax
Cooperation

Workshops and webinars (global, regional and country level);

Online courses (existing, updates and development of new ones)

Technical advisory/assistance to requesting Member States

Tax talks

Dissemination
of Tax
Committee
Guidance

Translation of publications into UN official languages

Partner events



CAPACITY DEVELOPMENT (Cont.)

Other outreach activities include the following:

Platform of
Collaboration
on Tax

Toolkits for developing countries: Transfer Pricing Documentation and Tax Treaty Negotiation recently released

COVID-19 response

Regional workshops

ECOSOC
Special
Meeting

Important venue for advancing policy discussions and be part of a global platform for enhancing intergovernmental consideration of tax issues to achieving the, 2030 Addis Agenda and the SDGs

In the context of COVID-19 response and recovery, it is an important occasion for action-oriented discussion on fiscal policies to build back better

It brings the Council together with top-tier experts from the Tax Committee, civil society, academia, private sector and international organizations

Workshops and Webinars (Planned 2022)

- ▶ Taxation in a Digitalized and Globalized Economy
- ▶ Dispute Avoidance and Resolution
- ▶ Intermediate/Advanced Topics on Tax Treaties
- ▶ Intermediate/Special Topics on Transfer Pricing
- ▶ Attribution of Profits to Permanent Establishments
- ▶ Environmental Taxation
- ▶ Taxation of the Extractives Industries