



4TH HIGH-LEVEL TAX POLICY DIALOGUE: A COLLABORATION BETWEEN THE AFRICAN TAX ADMINISTRATION FORUM AND THE AFRICAN UNION COMMISSION

TAXING RIGHTS FOR AFRICA IN THE NEW WORLD & EFFECTS OF COVID-19: THE ROLE OF TAX POLICYMAKERS AND TAX ADMINISTRATORS

26 – 27 AUGUST 2020
(A VIRTUAL CONFERENCE)

CONCEPT NOTE

1. INTRODUCTION

The African Tax Administration Forum (ATAF) in collaboration with the African Union Commission, and supported by the African Development Bank (AfDB) is organising the 4th High-Level Tax Policy Dialogue, entitled **Taxing Rights for Africa in The New World & Effects of COVID-19: The Role of Tax Policymakers and Tax Administrators**. The virtual conference will be delivered over two days, bringing together tax policymakers, tax administrators, development partners, tax experts, academics, CSOs and research organisations. The meeting aims to discuss and proffer solutions for African States in light of the challenges regarding the COVID-19 crisis and what that translates into with regards to the global discussions relating to the digital economy. On the second day, a special session **on Tax and Gender – The Impact of COVID-19**; will be delivered in collaboration with the UK's Department of International Development (DFID) and the Organisation of Economic Co-operation and Development (OECD).

2. BACKGROUND

Since March 2020, the world and our way of life have been disrupted by the COVID-19 crisis. As the virus spread across the globe, governments implemented unprecedented measures to curtail the pandemic, global economic activity plummeted, resulting in a worldwide recession, reduced tax revenues and increased unemployment. Although until now, Africa has been less affected, from the perspective of infections and mortality rates, our economies have been affected. International trade and trade between African states and other countries have drastically reduced as a result of lockdowns, movement restrictions and closure of borders and airports. According to the AU (2020b), Africa's GDP growth is projected to contract by between -4.9% and -2.1% in 2020; which would lead to a reduction of between US\$135 billion and US\$204 billion from pre-COVID-19 GDP of \$2.59 trillion. The crisis has also increased poverty, as the African Development Bank (Revised AEO, 2020b) estimates that COVID-19 will push between 28.2 million and 49.2 million more Africans into extreme poverty.



As would be expected, the effects of the pandemic have adversely impacted Domestic Revenue Mobilisation (DRM) efforts, as African countries are reporting a reduction in tax revenues. Additionally, the pandemic has deepened the loss of tax revenues as we see a decline in revenues from especially the non-digitalised sectors, which African countries mainly depend on for tax revenues. The decline in the prices and demand for commodities and the impact of the pandemic of the travel and tourism sectors have led to revenue losses for many African countries. Oil-producing African countries have mostly been affected, with revenue losses of up to 80 per cent.¹ To close this fiscal gap, African countries have to rethink their economic and fiscal policies to ensure that the recovery after COVID-19 is faster, with a more significant impact on the lives of their citizens. Regarding tax policy and tax administration measures, now more than ever is a critical time for tax practitioners on the continent to collaborate and pursue tax measures that will shore up revenue that will not only contribute to the economic development of African states but will bridge the gap from reduced aid, considering that this too is likely to drop as donors work on their own recovery.

Although the COVID-19 crisis has impacted our lives, economies and livelihoods, the crisis has also made us more dependent on digital services as these remain most feasible given the need for social distancing. For example, in the last few months, we have seen a boom in the adoption of video conferencing services such as Zoom. As African citizens continue to acquire more digital services, the growth, expansion and remote presence of digital multinationals in Africa, will continue to impact tax revenues across the continent. In the past few years, through the OECD's Inclusive Framework on BEPS, one hundred and thirty-seven (137) countries, of which there are twenty-five (25) African countries, are working together to find a global consensus-based solution on the tax challenges arising from the digitalised economy. However, although it was planned that a solution would be reached by October 2020, the disruption of the COVID-19 crisis and disputes between the United States and other countries like France that plan to implement an interim digital services tax measure have affected that timeline.

As African countries seek to expand their tax base to collect adequate revenues to recover from the economic downturn caused by COVID-19, some have considered various options on taxing digital services. In recent times, ten (10) African countries – Kenya, Nigeria, South Africa, Egypt, Tanzania, Mauritius, Uganda, Cameroon, Ghana and Zimbabwe have either implemented or indicated that they plan to implement unilateral direct or indirect tax approaches in taxing the digital economy.

¹ AU (2020). Report of the Teleconference of the Committee of Fifteen (F15) Ministers of Finance and Special Envoys for COVID-19, 6 May 2020.

Important to note is that ATAF continues to provide technical support to its members on the tax challenges arising from the digital economy. Five (5) technical notes, an opinion on the Inclusive Framework's Unified Approach and a policy brief on Digital Services Tax (available on the ATAF website <https://events.ataftax.org/index.php?page=documents&folder=18>) have been developed, as guides to members and provide options for meaningful inputs at various stakeholder engagements. It is therefore essential for African countries to meet and forge clear political direction that will guide the technical inputs and interventions in the shaping of the proposals at the global level, as well as discuss the impact of the multiple options of taxing the digital economy. It is for this reason, and the greater need to increase tax revenues resulting from the negative effect of COVID-19, that the 4th High-Level Tax Policy Dialogue will focus on the collaboration between tax policy and tax administration in ensuring African taxing rights are pursued, and what pain points Africa needs to look out for and resolve. The theme also provides an opportunity for tax policymakers and tax administrators to chart a way forward on how they can collaborate in improving tax policies that lead to increased revenues on the continent, which is the main objective of the Nexus Project.

3. HIGH-LEVEL TAX POLICY DIALOGUE

The purpose of this High-Level Dialogue is to bring together critical stakeholders from African Finance Ministries and Tax Administrations, as well as other key stakeholders to form a proposed network. This network will enhance coordinated tax policy and tax administration decisions and actions in the ever-changing global tax environment. Through a consultative process and dialogue, the meeting will outline priority as well as salient tax-related issues for collaboration between the Ministries of Finance and Tax Administrations. The framework will thus ascertain critical engagement on the objectives, impact and implementation of vital tax policies.

4. OBJECTIVES OF THE DIALOGUE

The objectives of the dialogue are summarised as follows:

- Creating a platform for tax policymakers and tax administration officials on the continent to collaborate on improving tax policy decisions that will impact Domestic Revenue Mobilisation efforts.
- Improving African tax systems by sharing ideas, innovations and strategies successfully implemented in other jurisdictions.
- Advocating for African tax challenges to be addressed on the global stage and pursuing more taxing rights for African countries, including on taxing the digital economy and BEPS.
- Enhancing the capacity of tax officials on the continent by interactions through conferences, networking, policy

papers and one-on-one collaborations.

- A discussion of gender and economic access, with concomitant implications on the broader question of gender and tax.
- Proffering solutions and sharing ideas on DRM strategies and initiatives, especially post-COVID-19 crisis.

5. TARGET AUDIENCE

The High-Level Dialogue is aimed at senior officials of African Ministries of Finance (Ministers, Permanent Secretaries/Directors-General) and Tax Administrations (Commissioner-Generals/Deputy Commissioner-Generals). Senior representatives of International and Continental organisations will be invited to contribute to the understanding of the issues at hand. At the same time, the legislature, Academia, Civil Society, Research Organisations will engage not only on legal and other policy reforms but on the advocacy required to achieve the necessary change.

6. STRUCTURE OF THE DIALOGUE

The dialogue will be conducted through debates with crucial tax policy principles (Permanent Secretaries), Finance Family Institutions (Revenue Administrations, Central Banks) and key African institutions (e.g. AUC, UNECA, NEPAD, HLP, PAP) where a specific area of taxation concerns for African countries will be presented and subsequent high-level dialogue will ensue. The meeting will be delivered **virtually** over two days and have a total of six-panel sessions.

The panel discussions will centre on topics such as:

- Is a global consensus on taxing the digitalised economy still possible: Any options for Africa?
- Domestic Revenue Mobilisation in Africa – Key lessons from the COVID-19 pandemic.
- The Impact of AfCFTA on trade and tax revenue on African States.
- Determining Tax Policy in Africa – Who should be involved?
- A Collaborative Approach to Improving Domestic Revenue Mobilisation in Africa.
- Tax and Gender and the Impact of COVID-19.

7. EXPECTED OUTCOMES

- Improved knowledge of the current global debate on taxing the digital economy and BEPS issues, and guidance on how Africa ought to proceed in the said debate
- A consensus on a framework of tax policy setting that enhances collaboration between tax policymakers and tax administrations but also considers inputs from other stakeholders such as private sector players.



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- Proferring solutions, ideas and strategies on how African countries can prepare for current tax trends, including the challenges of taxing the digitalised economy, the COVID-19 crisis and AfCFTA.
 - Recommending approaches that African countries can use to influence the debate on the new taxing rules on the global stage, to ensure African countries do not lose out when a global consensus is reached in 2020.

