



## **ATAF HIGH-LEVEL TAX POLICY DIALOGUE: REINFORCING AFRICA'S POSITION TO BENEFIT FROM THE GLOBAL TAX AGENDA**

### **SUMMARY OF THE MEETING**

**31 July 2018**

- 1. Over 120 officials from Ministries of Finance and African tax administrations of 21 countries, Members of Parliament, Civil Society, business, ACDF, AFDB, CATA, IGF, OECD, TJNA. UNECA, academics and individual tax policy experts met in Kigali, Rwanda on 30<sup>th</sup> and 31<sup>st</sup> July 2018 for the second ATAF High-Level Tax Policy Dialogue to discuss how to reinforce Africa's position to benefit from the global tax agenda. The event was hosted by the Rwanda Revenue Authority (RRA) and supported by the African Development Bank (AfDB).**
- 2. Dr. Uzziel Ndagijimana, Minister for Finance and Economic Planning, Republic of Rwanda** who opened the meeting welcomed this vital joint African initiative and **confirmed the need for Africa to start to determine the tax policy and administration decisions it needs to make in the context of the global tax agenda** if it is to effectively stem Illicit Financial Flows (IFFs) and improve Domestic Resource Mobilisation (DRM) which is central to development on the continent.
- 3. He noted the need for Africa to start taking action now not later and to build more effective tax regimes.** The financial crisis at the end of the last decade and the digitalisation of the global economy had highlighted that the global tax rules were not working effectively.
- 4. It is vital that Africa is not left behind in this transformation of tax systems and grasps this unique opportunity to tax more effectively and start to fund its own development needs through its own tax revenues. He urged the meeting to set a clear roadmap for how Africa will undertake this tax transformation.**

5. In supporting the need for increased African decision making and influence on these issues the Minister proposed that the participants consider the following issues:
- **African tax to GDP ratios are far below those of OECD countries so there is a need for Africa to improve its tax position.** To do so it must act now to improve both its tax policy making and the capacity of its tax administrations.
  - **Tax policy and tax administration do not face mutually exclusive challenges issues and a coordinated response is needed if Africa is to meet these challenges**
  - **Africa needs to move from being reactive to changes in the global tax agenda to a more proactive role where Africa is setting not following the global tax agenda.**
6. **He stressed the need to bring together in a more cohesive manner all of the key players who are able to influence and take action to bring about these changes.** This must include politicians, legislators, Ministries of Finance, tax administrations, business and civil society. He stressed his full support for ATAF taking the lead in driving forward this initiative which will be a vital element in Africa achieving the African Union 2063 agenda.
7. **The participants welcomed this call for action and applauded ATAF for taking the initiative in leading the work on taxation changes in Africa.** They agreed that Legislators, Ministries of Finance and tax administrations need to immediately start more closely working together to design new tax policies for Africa and rapidly build tax administration capacity. African tax experts, academics and Civil Society had a key role to play in pioneering African tax solutions. **There is a need for a framework to be established where African tax issues can be discussed and addressed.**
8. **The meeting commended ATAF for its work in influencing the global standard setting processes such as the OECD BEPS Inclusive Framework.** However, as laudable and important as this work has been in starting to ensure that global standards reflect the specific needs of African countries the work has largely been of a reactive nature due to existing resource constraints. **There is now a need to step up this work and for Africa to stop following and start initiating change in the global tax agenda.**

9. Vital global tax issues such as the BEPS outcomes will be reviewed in 2020 and the OECD report on the tax challenges of digitalization will be completed in the same year. **It is crucial that the African Union, Ministries of Finance, tax administrations, Civil Society and business participate actively in this work and influence its outcomes to ensure they are fit for purpose in Africa and assist in improving DRM on the continent.** The meeting noted that the African Union in its July Summit had endorsed ATAF as the lead technical advisory body for Africa on this work as it has a proven track record of success in influencing the global tax agenda.
  
10. **The meeting agreed that ATAF should monitor and evaluate progress on the global tax work carried out by Africa.** It called upon ATAF to set targets for that work and as soon as possible report progress on those targets to Finance Ministers at the next African Union meeting.
  
11. The meeting highlighted that to make this step change will require African countries to work collaboratively ensure the outcomes meet the needs of all African countries. To do so Africa countries will need to pool their resources to create the capacity needed to deal with these highly complex technical tax policy issues. **Africa must have an African inter-government tax policy body with ATAF as its technical support.**
  
12. Participants called for greater innovation in African tax co-operation and **welcomed the recent initiative of the African Innovation Fund.**
  
13. **It was recognised that the tax policy objectives of African countries vary in accordance with their economic profile and the priorities of each African country will be different. The meeting noted that for example numerous African countries have implemented VAT regimes. However, the question should be asked whether this is the appropriate tax for all African economies.** It is therefore vital that all of the various views and priorities of African countries are fully represented and reflected in the global tax agenda.
  
14. The meeting called on ATAF to assist African countries to undertake research on their economic profile and tax base to ensure each country is in a position to make a fully informed decision on its strategy for setting its objectives to improve its domestic resource mobilization.

- 15. This meeting congratulated ATAF for its technical assistance work and noted the tangible impact it was already having including additional tax collected of over USD160 million** and the introduction of new transfer pricing and interest deductibility legislation by some African countries in the past few years. However, these successes were only in a few countries and in specific areas of tax. **The meeting called on ATAF to broaden the scope of the technical assistance it provides to its members in partnership with the various development partners.** The technical assistance should be holistic in its approach covering all the various taxes that are identified by the country as important contributors to its tax base. Data gathered for each country should be used to inform the scope of the work.
- 16. The meeting commended ATAF for the various tools it had developed** to assist member enact new legislation on international tax matters and renegotiate treaties to provide a more appropriate balance between the taxation rights of the resident country and source country. **These were good examples of developing home grown African solutions and further work should be done to develop more African solutions.** However, it also recognized that only a few African countries were using these tools. It called on ATAF and its partners to explore ways of increasing awareness of the tools available and their value to African countries.
- 17. The meeting noted that good tax policy is based on good tax data.** Policymakers need data and rigorous data analysis on the impact of tax policy changes and tax administration reforms. if they are to make a fully informed decision on building effective tax regimes. **The ATAF's African Tax Outlook publication is a tool that provides such in-depth data analysis and the meeting commended ATAF for this seminal publication and encourage its broader use at African and global level**