



AFRICAN **TAX OUTLOOK** 2018

Executive Summary

An ATAF Publication



AFRICAN TAX
ADMINISTRATION FORUM
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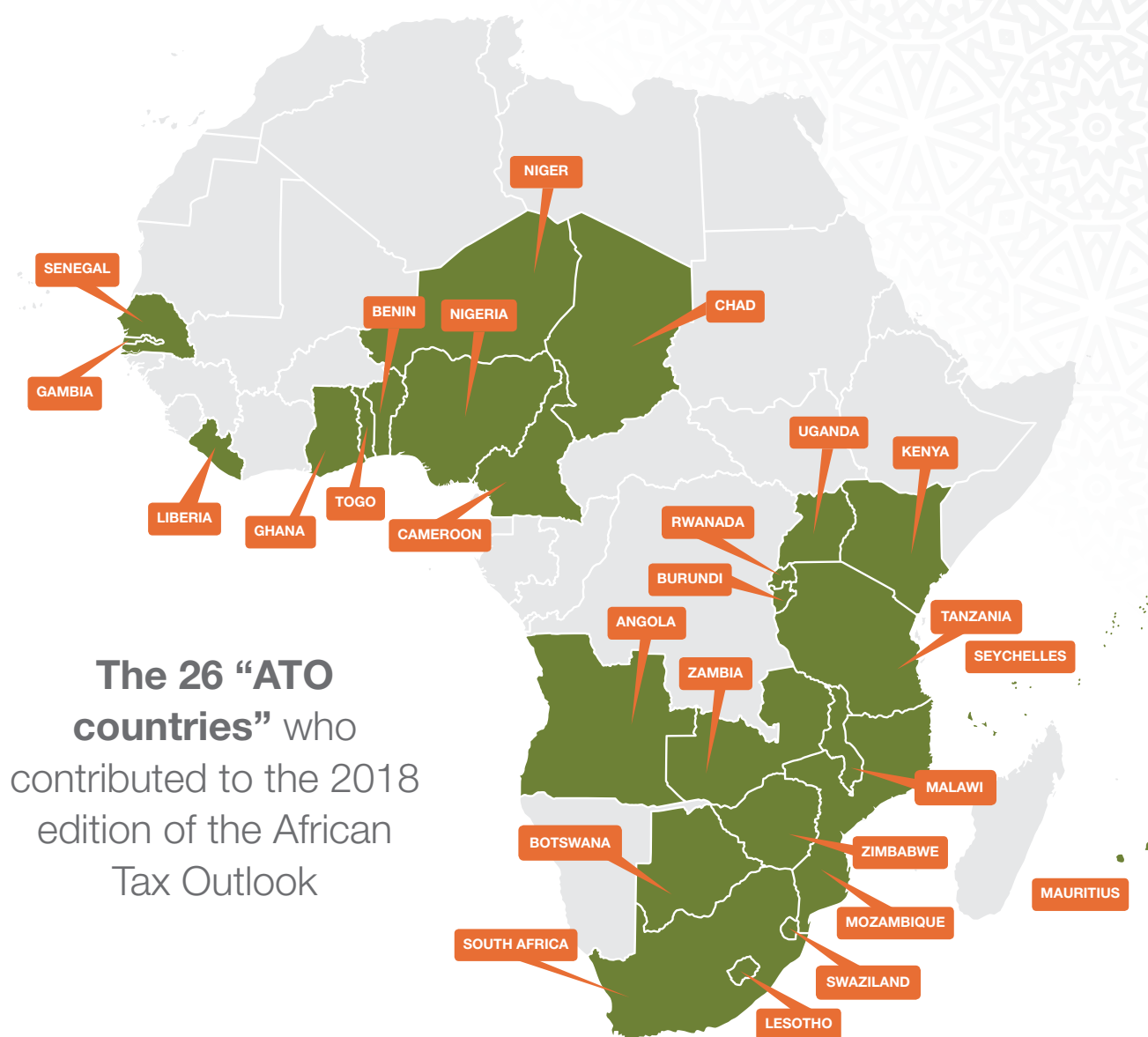


Key Results



Taxes are the most important source of revenue for all modern governments. Taxes differ from other sources of revenue in that they are compulsory levies and are unreturned – they are generally not paid in direct exchange for specific goods and/or services.

The 2018 African Tax Outlook (ATO) presents the various composites of taxation for the period 2011 to 2016 for the 26 African countries that participated. These countries are collectively referred to as the “ATO region”.

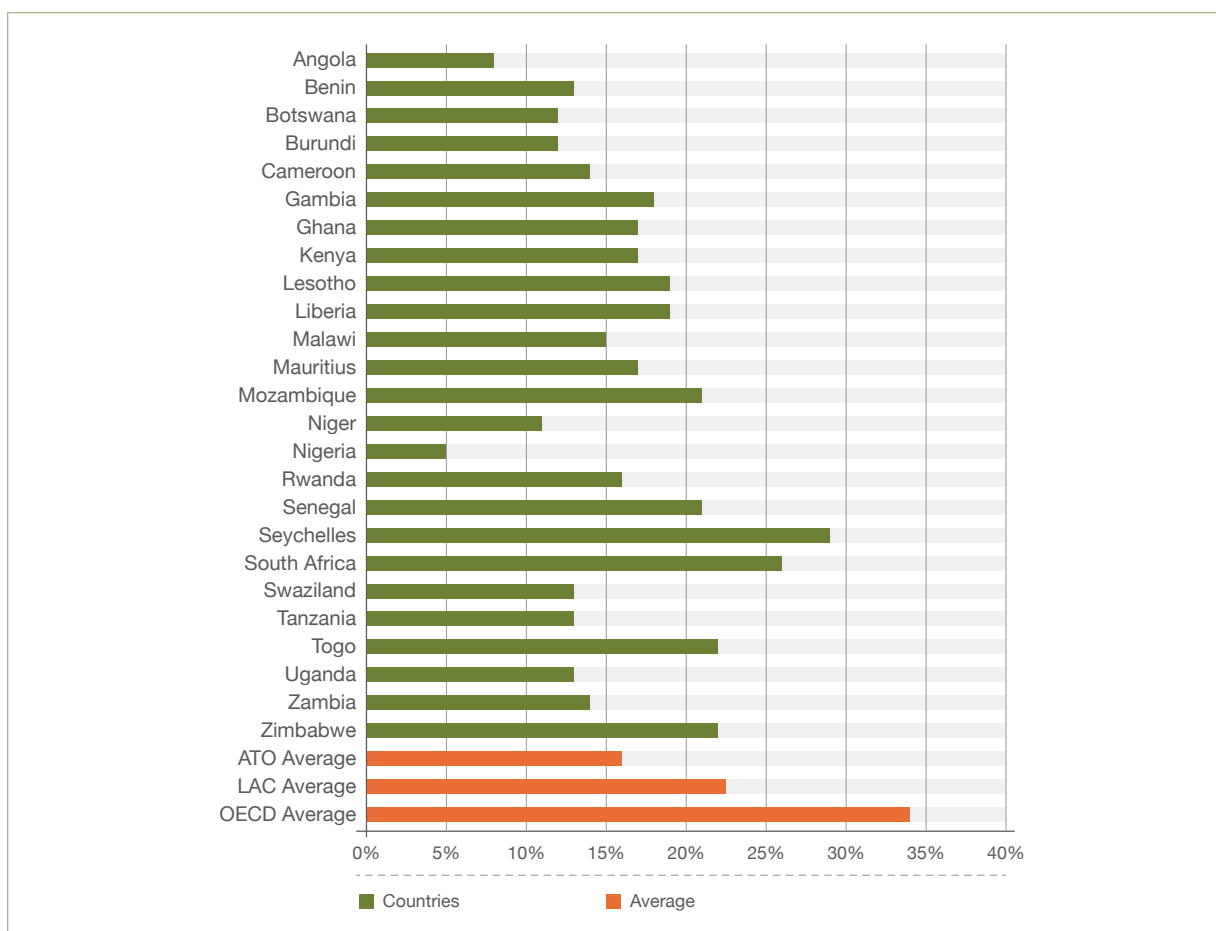


Tax revenue performance

Countries in the ATO region generally recorded nominal growth in tax revenue in line with economic growth. However, due to this nominal growth being reflective of buoyant revenues, real revenues in the ATO region tended to decrease. This suggests that tax systems can be adjusted to be more responsive to economic performance and price fluctuations. In such cases,

the use of ad valorem rather than specific taxes is recommended. Ratios of tax to GDP and contributions to total revenue vary by regional groupings. Regions with lower ratios of tax to GDP can learn from those with higher ratios for revenue-efficient harmonisation policies. By increasing domestic revenue through expanding tax bases, ATO countries will increase their ratios of tax to GDP while ensuring stability.

Figure 1: ATO tax-to-GDP ratios, 2016



VAT remains the cash cow in most countries in the ATO region, with the average ratio of VAT to total tax revenue at 31%, higher than the Organisation for Economic Cooperation and Development (OECD) average of 20%. As countries in the ATO region pursue

an agenda of regional integration, they continue to reduce their dependence on import duties. Thus, it is critical for countries in the ATO region to continue developing innovative ways to mobilise domestic revenue, especially through VAT and direct taxes,