



ATAF HIGH-LEVEL TAX POLICY DIALOGUE: ENSURING AFRICA'S PLACE IN THE TAXATION OF THE DIGITAL ECONOMY

OUTCOME STATEMENT

1 AUGUST 2019

- 1. Over 110 officials from Ministries of Finance and African tax administrations of 21 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, Zimbabwe on 31st July and 1st August 2019 for the 3rd ATAF High-Level Tax Policy Dialogue, with the theme “Ensuring Africa’s Place in the Taxation of the Digital Economy” to discuss building a stronger nexus in Africa between tax policy and tax administration. The Zimbabwe Revenue Authority hosted the event and supported by the African Development Bank (AfDB).**

- 2. His Worship, the Mayor of Victoria Falls, Mr Somvelo Dhlamini, welcomed all participants to Victoria Falls, stating that as one of the **seven (7) Wonders of the World**, it is an appropriate location for African countries to meet and make decisions that will benefit the continent. He stated that it is a privilege for his city to host this High-Level dialogue of African tax experts, and hoped all would have time for some tourist attraction, and the meeting was declared open by the ATAF Chairman Mr Tunde Fowler.**

- 3. The other three speakers in the opening session: Madam Faith Mazani (Commissioner-General, ZIMRA), Mr Logan Wort (Executive Secretary, ATAF) and Mr Tunde Fowler (Chairman, ATAF Executive Council) highlighted the following:**
 - All African countries are faced with the challenges of taxing the digital economy. Therefore, it is more prudent to work together on a continental solution than implementing unilateral solutions as some countries have done worldwide.

- Digital multinational enterprises easily operate with little or no physical presence, with no taxing rights for African countries. Therefore, we aim to push for more taxing rights to contribute to our Domestic Revenue Mobilisation efforts.
 - Since discussions on tax are not held at the Head of State level in Africa, ATAF continues to take the lead on taxation matters on the global stage.
 - Most of the global proposals on taxing the digital economy reduce taxing rights for African countries, therefore, if African countries do not technically articulate their positions in the Inclusive Framework working groups and through the UN Committee on Tax, then African will lose once the global rules are developed.
4. The key message from the opening session was the need for African countries to ensure that they invest in information technology and necessary digital platform to improve the tax administration in addressing issues like taxpayer filing, payment, gathering of intelligence and for risk assessment. Further, tax administrations need to invest in retraining the tax officers to equip them with the necessary tools to address the challenges of digitalisation. Further Africa needs to address other tax issues such as taxing the informal sector, extractive industry and agriculture.
 5. The meeting noted that since we are moving from the 3rd industrial revolution which relied on taxing physical presence like mining and manufacturing to the 4th industrial revolution which moves us to remote presence through the digital space, African countries should be prepared for the challenges digitisation will bring about. This calls upon African countries, particularly the members of Inclusive Framework need to be actively involved in the global decisions on taxing the digital economy to ensure that the outcome of these discussions is favourable to Africa. Participants agreed that there need for more technical dialogue within African to help Africa reach a consensus on what solution will work best for Africa instead of being trapped in the global tax agenda.
 6. The meeting agreed that since Africa has **twenty-three (23) members** on the Inclusive Framework on BEPS with a representation in the IF Steering Group, it is vital that they represent African interests for more taxing rights. Importantly, African countries should send representatives to Working Party meetings, which are crucial to finding a global consensus on taxing the digital

economy. Additionally, ATAF will continue to support African countries through channels such as the Cross-Border Taxation Technical Committee.

7. Participants highlighted that critical to our quest for new taxing rights, is the need for simplicity in the new rules that will allow African countries to tax the digital economy efficiently. ATAF, through its technical notes, highlight critical issues that African countries should consider during discussions at the Inclusive Framework on BEPS.
8. **Three proposals** are being discussed through the Inclusive Framework on BEPS to grant new taxing rights to countries. **“User participation”, “Marketing Intangibles” and “Significant Economic Presence”**, to deliver a long-term and consensus-based solution in 2020.
9. Therefore, African countries should also use political pressure through the **African Union and the Pan-African Parliament** to ensure that we have an African solution to taxing the digital economy. The meeting noted that this would be facilitated through the support provided by ATAF as the leading tax organisation in Africa to ensure that the outcome of the discussions is favourable to Africa.
10. The sessions unpacked the three proposals being considered by the Inclusive Framework, and all participants had a fair understanding of these proposals. Participants urged ATAF to continue providing support to African countries through the Cross-Border Taxation Technical Committee, presence at Inclusive Framework meetings and capacity building, to ensure that the twenty-three (23) African countries on the Inclusive Framework pursue African interests. African countries on the Inclusive Framework were urged to review the technical analysis and recommendations from the three (3) Technical Notes developed by ATAF’s CBT as they build awareness of the issues, identify the key policy positions for Africa and also make recommendations for African countries to consider in respect of the ongoing international debate.
11. The meeting noted that ATAF should consider the work being done on digitalisation by other bodies such as the United Nations to have a broader view of the issues instead of relying on OECD Inclusive Framework.

- 12.** Further, the meeting observed that it was important for African countries to consider introducing interim measures to address the tax challenges caused by digitalisation. Such rules may be similar to the equalisation levy introduced by India.
- 13.** The meeting noted that new taxing rights would provide additional tax revenue for African countries towards their Domestic Revenue Mobilisation efforts. This is critical in most African countries that have low tax to GDP ratios, compliance challenges and inconsistent revenue flows from the extractive sector.
- 14.** Participants recognised the need for African tax policymakers and tax administrations to collaborate to implement laws and regulations that will tackle the digital economy, however, noting that countries should be well prepared for the implementation of these new rules. This preparation includes capacity building for staff and implementation of simple tax administration systems that will facilitate compliance.
- 15.** It was noted that the “African Solution” should not stifle economic growth as the solution should consider the growth of digital start-ups in Africa that drive innovation on the continent. The new solution should also not limit cross-border trade, especially within the African continent, as we are better off when we trade with each other.
- 16.** The meeting also noted that to support the discussions, African countries should have data and economic analysis of the impact of the proposed rules on the current tax base in Africa, to establish the extent to which the proposed revisions to the rules will lead to the allocation of new taxing rights to African countries. Participants urged ATAF and African countries to partner and collaborate in collecting the appropriate data for this analysis.
- 17.** Participants committed to strengthening the framework in their country for the Ministry of Finance and tax administration to work together on revisiting the country’s domestic resource mobilisation strategy and agreeing on their plans for implementing that strategy. This work should take account of changes in the economic outlook of the country and the rapid changes taking place in the global tax environment, especially concerning taxing the digital economy and other BEPS issues.