



**OPENING REMARKS FOR THE CHAIRMAN OF ATAF MR MUHAMMAD MAMMAN NAMI  
ON THE OCCASION OF THE 4<sup>TH</sup> ATAF HIGH-LEVEL TAX POLICY DIALOGUE**

**26 AUGUST 2020**

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- Your Excellency, Professor Victor Harrison, Commissioner, Economic Affairs, African Union Commission
  - Honourable Ken Ofori-Atta, Minister for Finance and Economic Planning of the Republic of Ghana
  - Honourable Dr David Masondo, Deputy Minister of Finance of the Republic of South Africa
  - Mr Logan Wort, the Executive Secretary of the African Tax Administration Forum
  - Commissioners-General of African Tax Administrations,
  - Heads of Multilateral Organisations
  - Distinguished Invited Guests,

Ladies and Gentlemen

1. I wish to welcome you all to the 4<sup>th</sup> ATAF High-Level Tax Policy Dialogue, jointly organised with the African Union Commission. We meet at a time when the world is terribly hurting from the COVID 19 pandemic, and I wish you all, and your families well. The effects have been severe on the global economy and therefore it is fitting that we partner with the African Union in this event as Africa is at a turning point, with dealing with the pandemic but also with shaping the new world order. Never has the role of tax policy and tax administration been more important. Never have our citizens demanded and looked up to their governments as today, and never have governments had to consider tax adjustments on a universal scale such as this.

2. Ladies and Gentlemen, a new normal has commenced for the world, African countries inclusive; and we enter a new era in our work to bring about changes in the fortunes of African countries. The

covid-19 pandemic has shocked all our economies, and has resulted in large scale negative growth projections, rendering uncertain both the future, and any form of planning,. The damage to the economies caused by various lockdowns has been a hard choice for our governments. While saving lives and ensuring the healthcare systems manage and use innovation has been the primary objective, salvaging the economy has closely followed . Nonetheless, there is a need for us to revisit some of the areas pre-pandemic and improve on the outcomes moving forward.

Growth in Sub-Saharan Africa has been significantly impacted by the ongoing coronavirus outbreak and is forecast to fall sharply from 2.4% in 2019 to -2.1 to -5.1% in 2020, the first recession in the region over the past 25 years, according to the latest Africa's Pulse, the World Bank's twice-yearly economic update for the region.

Distinguished Invited Guests, Ladies and Gentlemen

3.A variety of measures have been taken by governments to reduce the burden on businesses and citizens. The analysis shows that COVID-19 will cost the region between \$37 billion and \$79 billion in output losses for 2020 due to a combination of effects. They include trade and value chain disruption, which impacts commodity exporters and countries with strong value chain participation; reduced foreign financing flows from remittances, tourism, foreign direct investment, foreign aid, combined with capital flight; and through direct impacts on health systems, and disruptions caused by containment measures and the public response.

This partnership with the African Union couldn't have come at a better time given the task ahead,. It is essential to note that this discussion fits directly in the ideals of Agenda 2063. Several initiatives are moving all at the same time including the recent handover of the African Continental Free Trade Agreement Secretariat, in Accra, Ghana. Not only is this an important step in the objectives of the African Union, but it is also an important step for future customs revenues. There is a balance of ideas, and future revenues will also depend on trade corridors and agreements, relaxation of tariffs and a deliberate boosting of local products sold by Africans to Africans.

4.To aid this wave of change, ATAF has published a range of suggestions and relief measures that can be taken by governments both in servicing their taxpayers, and in specialised areas such as mining. The reforms detail the idea that business continuity and survival a priority, but at the same time, these reforms deal squarely with the reality that revenue collection will suffer in the next financial year.

Another recently published policy brief by ATAF on the effects Covid-19 on customs revenue estimates that during the period February – April 2020, customs revenue was down by \$1,09 billion, or \$326 million per month, and this is a cautious estimate.

5.It, therefore, begs the question, what are the options and policy discussions we as African ought to be having? Some of our countries are engaged in the ongoing discussion on taxing rights, a topic that has dominated the African landscape for some time. Taxing rights will form an important part of the post-pandemic environment. African citizens continue to look up to their governments where economies are stumbling to recover. From a taxation point-of-view, the notion of taxing rights occasioned by the current discussion on the taxation of the digitalised economy continues to be the centre point; pointing towards numerous opportunities.

Ladies and Gentlemen,

6.Policy direction is a great tool we can use to ensure effective use of our current resources but also a useful collection and closing of loopholes. As the world enters more complexity in the taxation of highly digitalised businesses, it will be up to policy direction to ensure that African countries do not lose out. To date, throughout the continent, there is a gap between tax policy and tax administration. Through ATAF country programmes, we note that some of our countries may be entering into a global consensus without fully operating its tax policy objectives. That is to say that a country may be in a position that isn't ready for the changes, rendering their future in tax revenue precarious.

Therefore, ATAF remains committed to the continental work in increasing awareness of the issues on tax rights and their impact on future legislative reforms and designs. The success of these initiatives will depend on whether these African countries issues are tabled and debated within a forum of African Finance Ministers for clear policy direction in areas such as the allocation of taxing rights .

Excellencies, Ladies and Gentlemen,

7.Digitalisation raises the question of how taxing rights on income generated from cross border transactions should be allocated between jurisdictions. The allocation of taxing rights between residence and source jurisdictions has been an issue of considerable concern for African countries for many years. Additionally, as seen in some states, an increase in e-commerce activity was realised

during the lockdown restrictions. Revenue in the eCommerce market is projected to reach \$20 million in 2020, which is a 41% increase from 2019.

Therefore, not only are tax policy experts across the continent, asking the question on taxing rights but also what policy options are available in the absence of a global consensus. We have seen countries that have introduced new measures to capture the revenue from e-commerce transactions as well as the greater digital economy. Nigeria has introduced a significant economic presence focusing also on automated digital services, while Kenya has also introduced a digital service tax. In response to requests from its membership, ATAF has helped draft a Suggested Approach to Drafting Digital Service Tax Regulations.

Distinguished colleagues

8. We are at a crossroads of ensuring that in a post-pandemic environment, there will be sufficient mobilisation of domestic resources. Many countries will go through their own austerity measures meaning that official development assistance may be reduced outside of the relief packages of the IMF and World Bank. It is, therefore, prudent to develop tax policy and tax administration measures that best mobilise internal resources.

9. Let me conclude by taking this opportunity to recognise the importance of the African Union in shaping the discussion on tax policy and tax administration. As the continental leader, we look to the African Union to provide guidance in this role and to equip our Ministries of finance and tax administrations with the political backing to participate meaningfully in the global tax debate. It is, therefore fitting that the African Union Commission has played a lead role in this dialogue and salute the efforts of H.E Prof. Victor Harrison and his team in facilitating this debate. I further salute the AUC/ATAF partnership, and strongly recommend that this becomes the new way of doing things.

I would like to also thank the participation of ATAF members, for always showing their commitment to effective revenue mobilisation. To senior policymakers and the ministries of finance for ensuring that we move together in these discussions. Lastly, I make a special request on behalf of the ATAF membership that a platform be established at the continental level to consider tax matters. Only then, can we as a continent speak with one voice, on how best to reverse currents skewed taxing rights.

I am most confident that we are on the verge of exploring new policy innovation that will set a new direction in revenue collection. I would further like appreciate the generosity of the African Development Bank, for making this event possible and wish everyone fruitful deliberations.

Thank you