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**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**

**Speech by H. E. Prof. Victor Harison**

**Commissioner for Economic Affairs  
African Union Commission**

**Your Excellency, Mr. Ken Ofori-Atta, Ministry of Finance of the Republic of Ghana**

**Your Excellency, Dr David Masondo, Deputy Minister of Finance of the Republic of South Africa**

**Mr. Muhammad Nami, the Chairman of ATAF**

**Mr. Logan Wort, the Executive Secretary of ATAF**

**Honorable guests;**

**Distinguished ladies and gentlemen;**

It is a great pleasure for me to welcome you all to the fourth (4<sup>th</sup>) High-Level Tax Policy Dialogue, on the theme, ***Taxing Rights for Africa in The New World & Effects of COVID-19: The Role of Tax Policymakers and Tax Administrators***, co-organized by the African Union Commission (AUC) and the African Tax Administration Forum (ATAF), with the support of the African Development Bank and the United Kingdom's Department for International Development.

Let me start by thanking colleagues from ATAF and AUC for their valuable contribution and hard work preparing for this high-level policy dialogue. Indeed, this was a great collaboration.

We are very fortunate to welcome today participants from AU member state, the Regional Economic Communities, African tax administrations, African Central Banks, African Development Bank, African Stock Exchanges, Civil Societies, and ALL partners.

Undoubtedly, the unprecedented COVID-19 pandemic continues to pose a devastating situation for health systems and national incomes globally. Governments continue to strain their fiscal revenues as they implement

emergency measures and recovery plans to sustain economies. This also has a significant negative effect on tax revenues, which provide a substantial source of revenue for most nations. In many African countries, the pandemic has exacerbated an already dire tax revenue situation.

The 2020 Revenue Statistics in Africa report, produced by the AUC, ATAF, and OECD, indicates that the tax-to-GDP ratio for 26 African countries, which provided data remained low at 17.2% relative to the OECD average at 32.2% and 22.8% for Latin America. Some major economies, including Nigeria, stood at 5.7% and the Democratic Republic of the Congo (DRC) at 6.6%. This signifies the importance for countries to strengthen their tax administration to enhance domestic resource mobilization and develop financial autonomy. It is also imperative for African countries to properly tax the digital economy to derive the benefits therein. Thus, tax administrators should be adequately equipped to overcome the constraints they face in taxing the digital economy.

The study by International Centre for Tax and Development (ICTD) in 2020 exhibited two laws of international taxation challenge to the taxing of the global digital economy. Firstly, the permanent establishment (PE) law that allocates taxing rights to a country where the Multinational Enterprise (MNE) has a proper physical presence. Secondly, the arm's length principle (ALP), which involves the analysis of the functions performed, the assets used and the risks assumed by each associated enterprise, and the determination of the separate contributions of each to the creation of value reflected in the profits. These challenges obscure proper taxation of the MNEs without obstructing the digital growth in jurisdictions.

The OECD's Inclusive Framework on Base Erosion Profit Shifting (BEPS) offers an exceptional opportunity for the continent to come together and

speak with one voice to overcome the challenges posed by the digitalized economy. So far, only 25 African countries are part of this initiative, which is a cause for concern for the African Union. Corporate income tax is a substantial source of taxation in Africa, amounting to over 25% of total revenues in most countries. It is, therefore, important that more countries participate in BEPS to reduce the risks associated with taxing the digital economy. The AUC stands ready to provide the necessary support to its Member States to ensure that they take part in BEPS. The growth of multinational enterprise (MNEs) and digital economies requires the continent to develop robust solutions and policies that strengthen tax systems.

Without further ado, let me commend the implementation of the operational phase of the African Continental Free Trade Area (ACFTA), which offers an enormous opportunity for African countries to transform and develop their economies. While the United Nations Economic Commission for Africa (UNECA) anticipates a short-term loss of income, the long-term benefits are enticing. Though the implementation has been delayed due to the pandemic, it is crucial to ensure the speedy and effective implementation of the agreement and utilize its full benefits to strengthen revenue mobilization on the continent.

**Excellencies;**

**Honorable guests;**

**Distinguished ladies and gentlemen;**

Allow me to conclude by calling on all stakeholders to forge strong partnerships in the development and strengthening of the African tax administrations in our efforts to enhance domestic revenue mobilization through a comprehensive African vigorous tax policy.

I wish you all two days of fruitful deliberations in finding solutions to the challenges posed by the pandemic on African tax revenues and way forward in reaching a consensus-based solution for taxing the digital economy.

**I thank you!!**