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Fiscal Policy Responses Limit COVID 19's Economic Damage

Special Report

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Introduction

Border closings, confinement, and other social distancing measures to slowdown the spread of COVID-19 have brought the global economy to a near standstill. Furthermore, unemployment rates have been stubbornly increasing as governments face a crisis that is like no other. The economies of developing countries have been hit as hard as, or even harder than, those of developed countries even though their lockdowns have not been as stringent.

The policy reaction to the COVID-19 has therefore, brought together prompt responses from governments, Central Banks and supervisory authorities. Fiscal policy has played a central role given the nature of the shock which is an unprecedented public health emergency. Governments have intensified their fiscal policy actions and have adopted stringent containment measures as the pandemic has spread around the globe. As of early April, their fiscal costs ranged between 1 percent and 34 percent of Gross Domestic Product (GDP). Larger fiscal packages have been announced by advanced economies, such as US, Germany and Italy. These packages include revenue and expenditure measures as well as liquidity support to businesses (such as loans or loan guarantees). The International Monetary Fund (IMF) has estimated that the global cost of fiscal measures (including increased allocations for health) implemented so far is \$8 trillion, or 9 percent of global GDP.¹ Policymakers in low-income countries have also implemented a range of fiscal measures to provide income support to the households and sectors most affected by the COVID-19 pandemic, made possible by expansionary fiscal policy and partly by international support.

The objective of this paper is to take stock of fiscal policy measures that have been introduced to date in response to COVID-19 crisis and make recommendations on how governments can raise revenues once the economic and health crisis has passed. The paper is organized as follows:

The first part discusses the key purposes of the support measures. The second part takes stock of the short term tax and fiscal policy measures that have been introduced to date to support businesses households and investment and consumption in response to COVID-19 crisis in developed, emerging and developing economies. The third part. highlights fiscal reform in low income countries introduced to combat the negative impact of the pandemic. The fourth part discusses possible revenue impact of mitigating measures of COVID-19. Finally, policy options for fiscal policy in the aftermath of the crisis are elaborated.

¹ Sanjeev Gupta and Lian Hong " The COVID-19 Crisis and Fiscal Reform in Low Income Countries" Centre for Global Development (CGD), June 1, 2020 <https://www.cgdev.org/publication/covid-19-crisis-and-fiscal-reform-low-income-countries>

I. Key Rationales for Providing the Support Measures

The key rationales for providing the support measures are the needs to address the following problems:

- (i) Sharp decline in liquidity of many businesses, resulting from the negative impact of reduced final and intermediate consumption. These reduced revenues and profits for business enterprises, thus, hindering their ability to pay for wages, rents, intermediate goods, interest on debt, and taxes among other;
- (ii) Cash flow problems which can cause the failure of connected businesses through domino effect;
- (iii) Declines in health system due to the pressure which resulted from the pandemic;
- (iv) Declines in workers' productivity due to restrictions on movements, alternative work arrangements (e.g. remote work);
- (v) The negative impact of the decline in supply chain reliability, which hamper access to raw and intermediate consumptions. These reduce revenues and profits to business enterprises and cause liquidity short fall;
- (vi) The negative impact of eroding investor confidence due to trade and investment uncertainty;
- (vii) The negative impact of deferring or cancelling planned investment;
- (viii) The negative impact of the fall in consumer demand due to mobility restrictions, precautionary behavior and high uncertainty.

II. Taking Stock of Support Measures

A number of short term tax and fiscal measures have been introduced to date in response to the COVID-19 crisis in developed, emerging and developing countries. Most of the measures have focused on alleviating cash flow difficulties to help avoid escalating problems such as lay-off of workers, temporary inability to pay suppliers or creditors and in the worst cases closure or bankruptcy. The support measures, which are provided to support businesses, households, investment consumption and health care system in response to the pandemic in Organization for Economic Co-operation and Development (OECD), Emerging and developing countries are summarized below. The information is based on a data base compiled by OECD on tax and broader fiscal policy response to the crisis.

Fiscal Support Measures Implemented to Address the Impact of COVID-19²

(a) Business

1. **The deferral of tax payments.** Three quarter of OECD and G20 countries have introduced deferrals of tax payments. These measures generally apply to taxes that require (monthly, quarterly) payments. Tax deferral measures have generally been introduced for advanced corporate income tax, personal income tax payments, value added tax (VAT) and social security contributions. There are also a number of cases where property tax payments have been deferred. In non-OECD, non-G-20 emerging market and developing economies, the most common type of measure has been tax payment deferrals.
2. **Tax filing:** More than 28% of OECD and G20 countries have introduced measures to provide business taxpayers with additional time to file tax returns. This may be particularly helpful where taxpayers require the assistance of intermediaries or specialized staff and systems to file returns. Tax filing extensions and more flexible tax debt repayment plans have also been common.
3. **Waivers:** The most common type of waivers has been related to social security contributions. Other common examples have been waivers on property taxes and presumptive taxes for small businesses. Some countries have also waived specific levies on tourism and airline companies and some exempted inputs used in certain sectors (including air transport, tourism, and manufacturing) from import taxes. Tax waivers, particularly targeted at the tourism sector, have been introduced in a few countries (e.g. Cambodia, Kazakstan and Uzbekistan).
4. **Policy targeting:** The degree of policy targeting varies across countries, sectors, and businesses. In some countries, the measures are available to all firms. In other countries, the measures are granted to specific sectors (e.g. tourism. commercial air travel or to companies that have experienced a significant drop in revenues.

This latter condition typically needs to be proven by the tax payer. The relief is granted on a case by case basis (i.e. the business has to explicitly ask for the support). Finally, there are countries that instead of targeting the sectors or businesses that have been most affected by COVID-19, they focus on small and medium sized enterprises (SMES) or self-employed business as it is expected that these business will face higher liquidity constraints than others.

² OECD "Tax and Fiscal Policy in Response to COVID-19 Crisis: Strengthening Confidence and Resilience" 19 May 2020 <https://www.oecd.org/coronavirus/policy-responses/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience-60f640a8/>

5. Many countries have introduced measures to help businesses keep their workers. Among OECD and G20 countries, many countries have introduced, extended or expanded eligibility for short-time work schemes. A major concern of the current crisis is the threat of considerable job losses. Many countries are helping businesses retain their workers by introducing or enhancing the generosity and availability of short-time work schemes. These measures typically provide public income support to workers whose working hours have been reduced or who have been temporarily laid off, but where firms maintain their contract with an employee during the period of the short-time work scheme or the suspension of work. This is intended to allow employers to hold on to workers' talent and experience and enable them to quickly ramp up production once economic conditions recover. The generosity of short-time work schemes varies widely across countries, with particularly generous schemes in many European countries. They typically cover a certain percentage of the wages and are often capped.
6. Few countries encourage labour retention by expanding unemployment benefits to those who are temporarily unemployed or working reduced hours. These benefits are conditional upon employees remaining employed by their employers. For those employees, the employer can request unemployment benefits (e.g. Iceland, Netherlands).
7. As is the case for liquidity support measures, in some countries, these measures are broadly applied, while in others they are more targeted. In a number of countries, the measures are targeted at small employers. In other countries, they are targeted at businesses in the most severely affected sectors.
8. Short-time work schemes and other forms of wage subsidies for employers have been far less common in countries outside of the OECD and the G20. This may be related to their high cost and to limited experience with such policies. There are, however, exceptions, including Peru and Thailand. For instance, Peru announced a wage subsidy paid to qualifying employers equal to 35% of the payroll for workers with gross monthly salaries of less than approximately USD 430.

(b) Households

1. A number of countries have introduced measures to enhance households' cash flow. Several countries have extended tax filing deadlines, tax payment deferrals or extended payment plans for households unable to make their tax payments. These measures are provided mostly for personal income taxes, but in some countries pertain to property taxes. In some cases, tax payment deferral measures are targeted at

low-income households or property below a certain value Other tax measures have included accelerated refunding of excess payments from personal income tax, and flexible arrangements for tax debt repayments (sometimes targeted towards lower incomes). Non-tax measures have included the early release of superannuation (e.g. in Australia), the deferral of interest payments on mortgage debt for primary residences (e.g. Spain), and the deferral of payments of utility bills.

2. Most countries have introduced measures to provide income support to households, generally through enhanced cash benefits targeted at the most vulnerable households. Many countries in Organization for Economic Co-operation and Development and G20 have social protection systems in place that provide income replacement for households affected by sickness, job loss or a drop in earnings. These systems cushion income losses for many workers and act as automatic stabilizers. Given the severe nature of the crisis, many countries have taken steps to expand these systems to cover groups or cases that were not covered previously (independent workers, families with unexpected caring needs), to simplify access and increase levels of protection.
3. Support has largely been provided through direct transfers rather than through the tax system. While the choice between providing income support through direct cash transfers or through the tax system will typically depend upon the architecture of each country's tax and transfer systems, most countries rely primarily on transfers to redistribute income. Given the immediate need to provide financial support to the most vulnerable households in the crisis, transfers are likely to be preferred as payments can be made more quickly and may be easier to target.
4. The households targeted and the design of these measures vary across countries. In some countries, cash transfers are specifically targeted to those households that are directly affected by the virus (e.g. sick workers) or its immediate economic consequences (e.g. temporarily unemployed workers). Some measures specifically provide support to the self-employed (e.g. Italy, Lithuania, and the United Kingdom). Other countries are providing cash payments to low-income households more broadly, as these may be the most severely affected by the crisis and will likely have less savings to draw from to support themselves. Chile introduced a cash bonus for people without formal work, which is expected to benefit two million people. Some benefits have also been aimed at families (e.g. through increases in child benefits). In some cases, benefits are provided as one-off payments, while in other cases they are provided as temporary increases in regular benefits. New Zealand made a temporary change to its in-work tax credit by removing the hours' threshold, so that workers who see their hours in work reduced below the hours' threshold will still be able to claim the payment.

5. Many countries have expanded access to paid sick leave and unemployment benefits. Around 30% of OECD and G20 countries have expanded sick leave benefits. Some countries have introduced less restrictive access conditions (e.g. elimination or reduction of the waiting period before receiving benefits, or removing the need for medical certificates) and expanded eligibility (in particular to self-employed workers, but also to employees who self-isolate). In some countries, governments are covering a larger portion of benefits (reducing the burden on employers, who usually cover the initial period of sick leave). Where there are no generally applicable obligations for employers to provide sick leave, new requirements are in some cases being imposed on employers (e.g. all New York State employers must now provide sick leave to employees who have been subjected to mandatory or precautionary orders of quarantine or isolation due to COVID-19).
6. More than a third of OECD and G20 countries have expanded the coverage of unemployment benefits. A common measure in response to the crisis has been to expand the coverage of unemployment benefits to self-employed workers. Workers in non-standard forms of employment (e.g. temporary, part-time or self-employment) are often significantly less well protected against the risk of job or income loss than workers in standard forms of employment. Many countries were already exploring how to shore up access to out-of-work benefits for non-standard workers before the crisis, and many have done so on a temporary basis in response to the crisis. Some countries have also expanded unemployment benefits to workers in quarantine.

On the other hand, emerging market and developing countries outside of the OECD and the G20 have not reported any expansions in sick leave or unemployment benefits. This may be explained by the fact that these countries tend to have less well-developed social protection systems and primarily rely on cash transfers to provide income support to households.

(c) Investment and Consumption

1. Support measures have included temporary increases in thresholds for low-value asset write-offs (Australia, New Zealand) as well as accelerated depreciation (e.g. Australia). Indonesia has waived or exempted import tax for manufacturing companies in 19 sectors for a six-month period. Italy introduced a corporate tax credit for sanitation costs in workplaces. A few countries have also attempted to support consumption through temporary reductions in standard and reduced VAT rates (e.g. China, Cyprus, Norway, Kenya).

2. Measures to support investment and consumption have been more common in countries outside of the OECD and G20. For instance, Kenya reduced its corporate income tax rate as well as its top Personal Income Tax (PIT) rate. Jamaica and Kenya lowered their standard VAT rates. A few countries also lowered their VAT rates (e.g. Moldova and Kazakhstan).

More generally, investment and consumption support measures were often introduced in countries which were less severely affected or at a time when the crisis was still at an early stage (e.g. prior to the imposition of strict containment and mitigation measures).

(d) Health Care System

1. Beyond containment and mitigation measures, many countries have adopted responses to strengthen patient care and reduce the pressure on health systems. Several OECD (Organization for Economic Co-operation and Development) and G20 countries have introduced measures to facilitate imports of medical inputs to combat COVID-19. A common measure has been the temporary removal of import duties on medicines and health devices and equipment. These exemptions are often accompanied by measures to simplify and expedite customs clearance procedures.

Some OECD and G20 countries have also provided preferential tax treatment to stimulate health-related spending and investment, including measures to safeguard the deduction of input VAT on items donated by businesses (e.g. Belgium, China) and the full or increased deductibility for Consumption Income Tax (CIT) and Personal Income Tax (PIT) purposes of donations made by enterprises or households to healthcare institutions (e.g. Belgium, China, Italy). China has also introduced specific CIT incentives for enterprises engaged in producing key supplies related to COVID-19 protection and containment. This includes 100% expensing for investment in equipment to expand production capacity. In contrast to standard tax rules, there is no limit to the scale of the investment such that larger scale investments also benefit from immediate expensing. China also introduced personal income tax (PIT) exemptions for bonuses and subsidies paid to medical staff working in combatting COVID-19.

Measures to support the healthcare sector have been common in non-OECD non-G20 emerging market and developing countries. Most of the measures have consisted in removing or lowering import duties and other taxes on medical equipment. Additional measures have included special allowances to medical personnel and immigration staff (Malaysia) and lump-sum payments to healthcare workers that test positive for COVID-19 (Moldova).

III. The COVID-19 Pandemic and Fiscal Reform in Low Income Countries

Policymakers in low-income countries have implemented a range of fiscal measures to provide income support to the households and sectors most affected by the COVID-19 pandemic. Countries were also supported by international community. The announced measures have included reductions in standard VAT rate, personal and corporate income tax, and turnover tax (Kenya). Senegal introduced support to hotels, restaurants, and transport, including suspension of VAT paid by these sectors. Waiver of import duty on medical equipment was introduced by Bangladesh, Nigeria, and Zambia. Bangladesh has announced sizeable financial support to all large, medium, small and micro enterprises, costing 3.5 percent of GDP. In Senegal, additional spending and tax concessions granted so far are expected to raise the fiscal deficit by 2.4 percent of GDP in 2020³. See in Boxes contained below for Emergency Tax and Economic Measures introduced by the Governments of Kenya (Box 1) and Zambia (Box 2).

Box 1: COVID-19: The Kenya Government's Economic Stimulus⁴

His Excellency President Uhuru Kenyatta announced in March 2020 a stimulus package designed to help the country through the current COVID-19 crisis. His announcements included tax, economic, monetary adjustments and limited social measures to curb the spread of the virus.

Tax measures

The following tax measures have been announced:

- People earning a gross monthly income KES 24,000 will not be subject to tax on their income. This will result in a saving of approximately KES 1,500 per month.
- The top rate of income tax is reduced from the current 30% to 25%.
- The corporation tax rate for resident companies is reduced similarly. No reduction has been proposed for non-residents.

³ Sanjeev Gupta and Lian Hong "The COVID-19 Crisis and Fiscal Reform in Low Income Countries" Centre for Global Development (CGD), June 1, 2020 <https://www.cgdev.org/publication/covid-19-crisis-and-fiscal-reform-low-income-countries>

⁴ COVID-19: The Kenya Government's Economic Stimulus <https://www.bowmanslaw.com/insights/tax/covid-19-the-kenya-governments-economic-stimulus/>.

- The turnover tax rate which applies to taxpayers who have a turnover under KES 5 million is reduced from the current 3% to 1%.
- The VAT rate to be reduced from 16% to 14% .

Economic measures

The President announced the following measures:

- An appropriation of an additional KES 10 billion to the elderly, orphans and other vulnerable members of society through cash transfers by the Ministry of Labour and Social Protection.
- A temporary suspension of adverse listings in the Credit Reference Bureaus for Micro, Small and Medium Enterprises (MSMES) and corporate entities where loans fall overdue or in arrears effective 1st April 2020.
- Government ministries and departments directed to pay at least KES 13 billion of the supplier debt within three weeks from 25 March 2020. A similar directive was announced for the private sector.
- VAT refunds amounting to KES 10 billion expedited by the Kenya Revenue Authority for all verified claims.
- KES 1 billion appropriated from the Universal Health Coverage kitty to recruit additional personnel in health services.
- A reduction by 80% of the salaries of the President and his Deputy; 30% for Other arms and tiers of government have been asked to follow suit.
- State and Public Officers with existing medical conditions and / or over the age of 50 (as announced although the speech released suggested 58 as the age) to take leave or work from home unless they work in the security sector and other essential services.

Note: 1USD = Ksh 105

Box 2: Measures Implemented by Ministry of Finance of Zambia to Mitigate Impact of COVID-19⁵

On 20 April 2020, the Minister of Finance of Zambia issued statement introducing additional fiscal measures to mitigate the impact of COVID-19 on the country's economy.

These measures include easing liquidity; tax relief, building new and sustainable value chains; and engaging multilateral organization.

Easing liquidity

The government has released K500 million for payment of Public Service retiree benefits. The government also released K170 million to banks so as to clear third-party arrears and K140 million for the payment of various road contractors. These funds form part of the K2.5 billion previously announced by the President.

Furthermore, the government has directed the Treasury to focus on the completion of the verification exercise aimed at permitting payments of K1 billion to government suppliers of goods and services.

The Minister also indicated that the financial sector's liquidity challenges will be eased by accessing the K10 billion medium-term refinancing facility. This will provide funding to commercial banks and non-bank financial institutions for them to restructure, refinance or extend credit to businesses and households on more favorable terms. The terms and conditions for the access to this facility have already been issued by the Bank of Zambia.

Tax relief

The Minister has announced a waiver of tax penalties and interest on outstanding tax liabilities resulting from the impact of COVID-19. The Zambia Revenue Authority (ZRA) will issue guidelines on the period of relief, waiver qualification criteria and other related modalities.

The government also extended the list of medical-related devices that are not subject to Customs Duty and Value-Added Tax (VAT). The complete list is comprised of 38 individual items

with the suspension of VAT and duty set to run for an additional period of six months. These medical devices include thermometers, ventilators, testing equipment and disinfectants. The full list of items will be published by the ZRA.

Building new and sustainable value chains

The government established a task force mandated to bring more Zambian products on the floor of major chain stores in shopping malls. This is in a bid to capitalize on the current situation which has presented a new opportunity for domestic agricultural and locally manufactured products to be sold in increased numbers. The task force is comprised of representatives of South African owners of chain stores, the Zambia Association of Manufacturers (ZAM), Zambia Farmers Union (ZNFU) and the Zambia Chamber of Commerce and Industry (ZACCI).

Engagement with multilateral organizations

Various multinational institutions have announced avenues of support and facilities to mitigate the impact of the pandemic. In light of this, the government of Zambia has engaged the International Monetary Fund in a bid to explore facilities which the country would be eligible for. The government has also submitted applications to the World Bank, African Development Bank and Afreximbank so as to be considered for support under the various COVID-19 emergency funds.

Furthermore, The government has held bilateral discussions with some G20 countries on the postponement or rescheduling of debt service payments over a period yet to be agreed upon.

Note 1USD= K20

⁴ Zambia Issues Additional Fiscal Measures to mitigate the Impact of COVID-19: https://www.ey.com/en_gl/tax-alerts/zambia-issues-additional-fiscal-measures-to-mitigate-the-impact-of-covid-19

IV. Possible Impacts of Mitigating Measures of COVID-19 on Generation of Government Revenue

The following are the impacts of mitigation measures on generation of government revenue:

- (i) Reduced tax collections and social security payments, resulting in lower corporate income tax and reduced personal income tax, social security contributions, and payroll tax receipts. Corporate tax revenues may also remain depressed for some time into the future as any losses generated in 2020 will generally be available to be carried forward and applied against future income.
- (ii) A reduction in consumption is likely to result due to reduced consumer confidence and as a result of the containment and mitigation measures undertaken. A shift towards the consumption of necessity goods, which are often zero-rated or exempt under VAT systems, and a higher share of government consumption in GDP, will reduce consumption tax revenues and particularly revenues from VAT.
- (iii) Property taxes are likely to be less affected as they are not tied as directly to the economic cycle, although the various measures introduced during containment can be expected to have some impacts on property values and, therefore, taxes directly linked to property valuations may also be affected.
- (iv) A fall in tax revenue from tourism and on travel will also result, including both direct losses in the form of reduced tourism, aviation and accommodation taxes, but also indirectly, particularly through falls in VAT revenues.
- (v) Resource prices, for example oil, have fallen significantly in recent months, which for resource-rich countries will reduce revenues from excises and royalty payments and lead to lower revenues from corporate income taxes.

V. Recommendations to Boost Tax Revenue After the Pandemic

Tax revenues are likely to be significantly reduced for a number of years, due to the direct effects of the crisis as well as due to policy action during the crisis. The best way to boost tax revenue will be to support solid growth, including through sufficiently strong and sustained stimulus. The following are some of the recommendations which could help to mobilise more tax revenue.⁶

⁶ The recommendations are extracted from the following sources:

- (i) Sanjeev Gupta and Lian Hong “The COVID-19 Crisis and Fiscal Reform in Low Income Countries” Centre for Global Development (CGD), June 1, 2020 <https://www.cgdev.org/publication/covid-19-crisis-and-fiscal-reform-low-income-countries>
- (ii) OECD” Tax and Fiscal Policy in Response to COVID-19 Crisis: Strengthening Confidence and Resilience” 19 May 2020 <https://www.oecd.org/coronavirus/policy-responses/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience-60f640a8/>
- (iii) Outcome Statement of Virtual Conference of 4th High Level Tax Policy Dialogue organized by African Tax Administration Forum and AUC on “Taxing Rights for Africa in the New World and Effects of COVID-19- The Role of Tax Policy makers and Tax Administrators”. <https://www.tralac.org/news/article/14877-4th-high-level-tax-policy-dialogue-outcome-statement.html>

- (i) Announcing scrutiny of all tax concessions and instituting enhanced budget transparency. These steps would not only increase revenues over time but also signal to the population that all taxpayers are equal.
- (ii) There should be enhanced transparency regarding the selection and implementation of public sector projects. Special attention should be paid to strengthening public investment management processes. To date, over 50 countries have obtained assistance from the IMF in response to COVID-19 and this number is rising. One key condition for IMF assistance is that countries commit to a high level of transparency of spending (e.g., undertake to publish procurement contracts as well as greater auditing).
- (iii) Enhancing VAT productivity. The VAT exemptions and other concessions granted to appease different groups should be eliminated. Given the importance of food in the budget of a poor household, it would be appropriate to retain exemptions for a few food items. Improved compliance with the VAT law can potentially generate more revenue than other taxes, suggesting the critical importance of addressing weaknesses in its administration on a priority basis.
- (iv) Adjusting excise taxes on tobacco and alcohol. This would not only generate additional revenues but also provide health benefits.
- (v) Increases in excise duties should be coordinated with neighboring countries to avoid smuggling across borders and erosion of the tax base. To make this happen, requisite strengthening of administrative systems would also be needed.
- (vi) Strengthening/implementing property taxes. Digitalization of land and property records and use of satellite technologies can help countries to secure the information required to implement the tax. The development of property taxes will take time, but it is important to start as soon as possible.
- (vii) Conducting expenditure reviews of existing programs. Governments can do this either on their own or with the assistance of international organizations. The results from such reviews should guide expenditure allocation decisions.
- (viii) Experience with COVID-19 has once again demonstrated the value of a properly functioning social safety targeted to population groups most affected by income losses.
- (ix) Digitization of African economies is key to increasing efficiency in the resource mobilization whilst increasing the tax base for the continent. This would also reduce the costs of compliance and administration, facilitate ease of compliance, improve transparency, which are critical to the growth of voluntary compliance. This would entail the development of a holistic approach for taxation of the digital

economy, training and building the capacity of tax administrators and officers. Digitization and automation should include the introduction of on-line registration, filing, and payments.

- (x) Tax payers and revenue officials should consistently be engaged and educated on various policy or administrative measures being implemented
- (xi) Continuous engagement with the global process on taxing the digital economy.
- (xii) Taxation of cross border transactions of multinational enterprises.
- (xiii) There should be concerted and coordinated efforts to systematically bring the informal sector players into the tax net through financial inclusion programmes, civic duties education programmes, business education with a focus on basic record keeping, business and trade licensing processes, that do not place undue burden on the informal sector operators.
- (xiv) Improvement in efficiency will also include minimizing the opportunities for tax evasion or avoidance through the implementation of effective compliance risk assessment framework, legislative reforms to block loopholes that enable Base Erosion and profit shifting (BEPS) and effectively operationalizing all the available exchange of information frameworks.
- (xv) The need to dedicate more resources to innovation, processes, policies and legislative reforms that enable revenue administration to fight corruption, address the informal sector challenges and withstand future pandemics or emergencies.
- (xvi) Considerations should be given to public finance policies that improve investors' confidence and inclusive growth. In line with this, governments need to use resources and embed the culture of accountability effectively.
- (xvii) Low income and low capacity countries may further benefit from new efforts at the international level to address the challenges they face in taxing cross-border activity and offshore assets. Whilst significant progress has been made in recent years in increasing international tax cooperation, many developing countries, especially low income and low capacity countries, feel they have yet to benefit substantially, and perceive the need for further reforms. The Inclusive Framework should take stock of progress and identify new measures that could be taken to specifically address the challenges low income and low capacity countries are facing in international tax.

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