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There will be polls included in this presentation, you will have 1 minute per question to respond.

The speaker column can be minimized using the options in the top left corner of the tab.

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WIDER Webinar | Mick Moore | Institute of Development Studies
Discussant | Milly Nalukwago | Uganda Revenue Authority
Chair: Rachel Gisselquist

COVID-19 and taxation in Africa

15 June 2020



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1. Tax after the Pandemic: Can Africa Raise the Revenue It Needs?

Mick Moore



15th June 2020

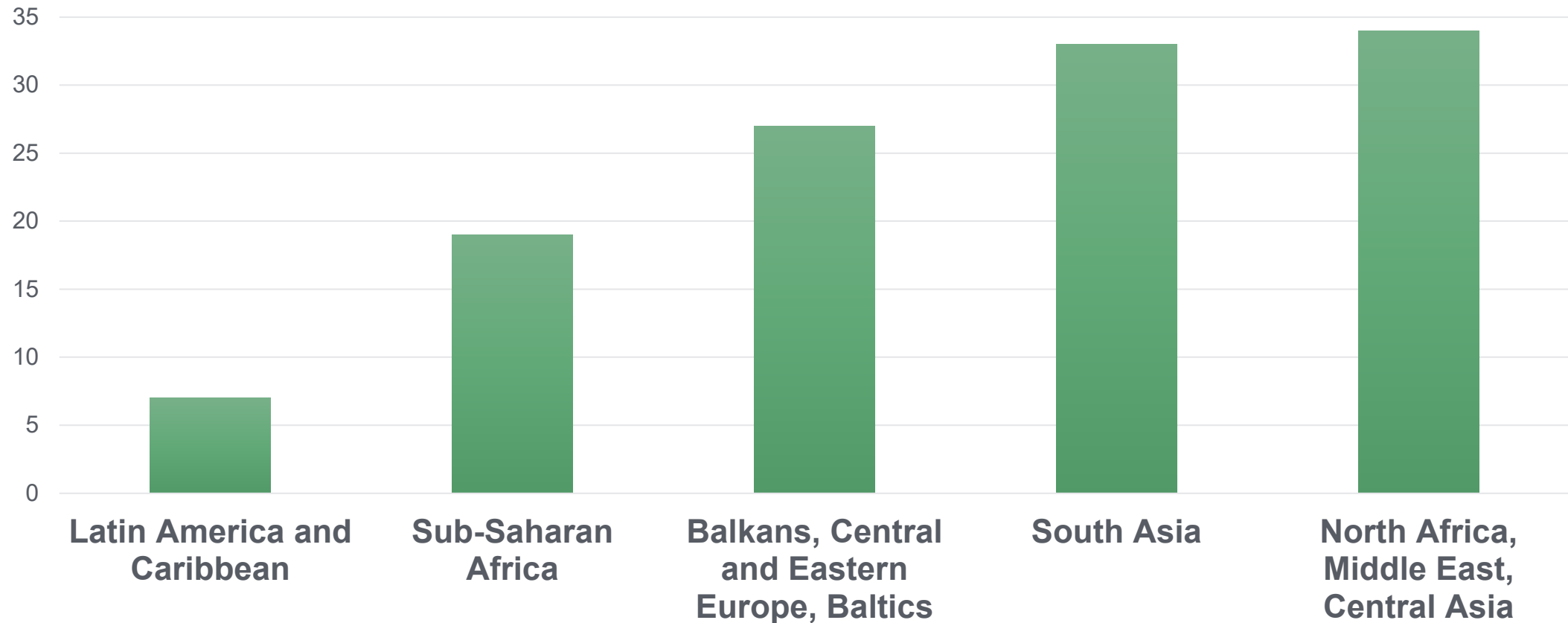
2. And now? How important is it to start taxing the informal sector?

- ▶ **A. Very important**
- ▶ **B. Moderately important**
- ▶ **C. Not very important**
- ▶ **D. I don't know what that would mean in practice**

3. Total government revenue as a % of GDP, country averages, 2017

▶ South Asia	16%
▶ Sub-Saharan Africa	19%
▶ Latin America and Caribbean	24%
▶ East Asia and Pacific	27%
▶ Middle East and North Africa	30%
▶ North America	37%
▶ Europe and Central Asia	38%

4. % of visits to firms by (internal) tax inspectors that were reported to be associated with a request for a bribe (From World Bank Enterprise Surveys 2002-12)



5. For more information:

Sub-Saharan Africa scores fairly well with respect to:

- Tax effort
- Direct taxes as % of all taxes
- Time taken to comply with tax process
- ‘Post-filing index’ = time taken by tax administration to correct mistakes



TAXING AFRICA

*Coercion, Reform
and Development*

MICK MOORE,
WILSON PRICHARD &
ODD-HELGE FJELDSTAD

6. Because of tax administration reforms implemented over the past 20 to 30 years...

7. The taxpayer is less likely to need to physically meet and make tax payments to the tax man, AND ... is less likely to need to meet one tax man for Income Tax, a second for Sales Tax/VAT, and a third for Excise Tax... AND...

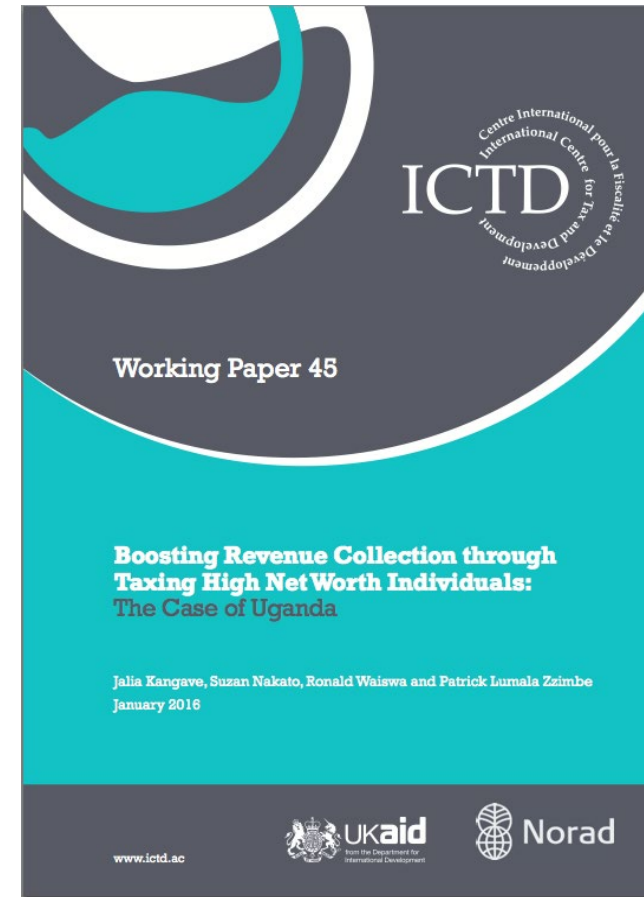
8. The tax man is more likely to be a woman, AND

...is more likely to have a professional qualification, and have a specialist role in IT, accounting, taxpayer services, taxpayer education, human resources, internal vigilance, research, law...

9. BUT, despite the near-universal adoption of VAT, which is now the largest single source of revenue in sub-Saharan Africa, the ratio of government revenue to GDP is somewhere between stationary and increasing very slightly. WHY?

Political explanation? Uganda

- ▶ In 2013/14, only 1 of 71 identified rich government officials paid PIT. Only 17 of the 56 companies with which they were associated paid CIT



11. Political explanation? Rwanda

- ▶ In 2018, only 8 of 42 people identified as probable High Net Worth Individuals filed a PIT return (ICTD, 2020)
- ▶ If all their employment, investment and other income were subject to withholding tax, that would be OK. Is it covered?

12. Some other political decisions to not tax

- ▶ **Undertaxing wealth and property**
- ▶ **Undertaxing mining**
- ▶ **Undertaxing tobacco and alcohol**
- ▶ **Granting excessive exemptions to investors**
- ▶ **Creating too many VAT exemptions**

(Not to mention all the challenges of taxing transnational and digital economic transactions)

See [ICTD Working Paper 70, 2017.](#)

13. Organisational explanations?

- ▶ Why is IT so under-used, for important functions?
- ▶ How do we explain the obsession with registering large numbers of new – and therefore small – taxpayers?

14. The current situation

- ▶ Revenues are falling – less economic activity, deferrals, practical collection challenges
- ▶ More digitised revenue administrations can cope better (?)
- ▶ Sub-national governments worst hit (?)
- ▶ Governments will need to increase revenues (within a year, or two?)

15. Threats

- ▶ **Governments will be unable to restore or raise revenues**
- ▶ **They will just tax what they can, and cause a lot of problems**
- ▶ **Tax will become very contentious**
- ▶ **Informal taxes on poor people will increase**

16. Opportunities

To raise revenue in ways that are demonstrably fair, command public support, and contribute to solving some of the broader problems facing humanity. Three principles:

- ▶ **The poorest 50% (or even 80%) of households should not be expected to pay more. They are suffering enough.**
- ▶ **Much of the additional tax burden should fall on wealth – or on those who have avoided economic pain during the crisis – but not on business generally.**
- ▶ **Revenue plans with vision, designed not only to raise revenue but also to address other major societal problems, including environment and climate change.**



Thank you

Web: www.ictd.ac | Email: info@ictd.ac | Twitter: [@ICTDtax](https://twitter.com/ICTDtax)