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PRESS RELEASE

Can Africa tax digital businesses?

Developing a continental agenda on the taxation of intangibles, digitalised economy, finance and technology can support domestic resource mobilisation in Africa.

Nairobi, 01 October 2019 – The current technological advancement, digital economy, and manner in which businesses are transacted today could leave African countries deprived of significant resources. Digital firms created strategies to collect, store, monetise and generate revenues out of personal data via advertising, e-commerce, product creation and cloud platforms. 80-100% of total revenue for Twitter, Google, Facebook and Snapchat is made on adverts. Globally, the e-commerce value alone was estimated at $ 29 trillion in 2017. (UNCTAD, digital taxation report 2019).

The main concern is that digital platforms depend on intangibles and the fact that it is not easy to clearly determine where value is produced, hence the capability to shift profits to low-tax jurisdictions. The nature of the digital economy is susceptible to tax abuse and aggressive tax planning with negative impact on the countries tax base. The digitalization of the economy increasingly leads to multinational enterprises (MNEs) being able to "reach" into a jurisdiction and carry out business without any physical presence in that jurisdiction and thus create no taxable presence in that country.(ATAF tech note, digital taxation). Case in point, Facebook and Google, despite having billions of users in developing countries paid respectively 92% and 88% of their taxes in the Unites States of America, yet the US accounts for less than half of their revenue.

''As digitalisation continues to play greater influence in African economies, African countries stand a risk of losing significant revenue not only as a result of aggressive tax avoidance by digital platforms but also through limitations of their taxing rights due to emerging global consensus that favour rich countries.'' Alvin Mosioma, the Executive Director of Tax Justice Network Africa.

The digital economy could have a positive impact on taxation, were it not that the global digital landscape is dominated and controlled by few global players who are able to use various techniques to avoid paying what they should. For example, a total value of $ 7,176 billion is shared among seven players only namely: Microsoft, Apple, Amazon, Google, Facebook, Tencent and Alibaba; with Apple, Amazon and Microsoft controlling each 1 trillion market value. There is common understanding that the existing international corporate systems and legal frameworks are struggling to catch up with the digital economy. If there is no strategy to collect taxes with more business going online, Governments ability to deliver on the economic agenda will be affected; which means that the people will eventually pay more while Multinationals walk free.

Reports show that digital economies are able to boost the realisation of SDG or slow down the achievements. The result will depend on policy decisions made at national and international levels. A continental agenda on the taxation of intangibles, digitalised economy, finance and technology is key to success.

Logan Wort said "*Africa as a continent must be actively engaged in these discussions which are more than just about the digital economy. They are about the taxing rights of jurisdictions and therefore institutions such as the AU, regional communities and African heads of states must play more active role in these discussions.*

ATAF is the only organisation outside of the OECD to have published technical notes on this issue and how these talks must have benefits for Africa".

It is in this vein that the stakes, challenges and opportunities of the digitalisation will be unpacked at the 7th Pan Africa Conference in Illicit Financial flows and Taxation (PAC) to be held from 1st to 3rd October 2019 at Crowne Plaza, Nairobi, Kenya. This annual convening brings together key stakeholders involved in efforts to curb IFFs and enhance domestic resource mobilisation in Africa.

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