

TALKING POINTS

INDEPENDENT EXPERT MEETING ON FINANCE, MONETARY AFFAIRS, ECONOMIC PLANNING AND INTEGRATION

9th– 10th April 2018
Africa Union
Commission Addis Ababa, Ethiopia

For Tax Justice Network Africa, the Expert Meeting's recommendations to be conveyed to the Specialised Technical Committee Meeting should take into account the following key issues concerning domestic resource mobilization, the fight against corruption and illicit financial flows.

DOMESTIC RESOURCE MOBILIZATION

1 BROADEN THE TAX BASE

Taxation systems in most African countries are regressive and place an unfair tax burden on the poor. For example, the use of value added tax (VAT) exacerbate inequality and poverty which are the key obstacles to development. According to the [2017 African Taxation Outlook](#) indirect taxes (consumption) consist 55 % of the total national tax revenue while direct taxes (corporate and personal income) account for 35% only. As part of broadening tax base, direct taxation of wealth (capital gain, property, and inheritance) should be introduced as well as economic diversification policies. Exempting basic goods from consumption taxes would reduce the tax burden on low income households and vulnerable groups.

Tax policy and legislative loopholes need reforms and strong regulatory framework built to tackle harmful tax exemptions and tax dodging. To do so, capacity building strategies should look beyond the revenues authorities to include ministries of finance, parliamentarians and relevant other bodies.

FIGHT AGAINST CORRUPTION

2 INCREASE THE FOCUS ON CORRUPTION SUPPLIERS

The consumption end of corruption (embezzlement, bribery) receives greater attention than its supply end (firms, banks, tax havens and other intermediaries).

Anti-corruption efforts in African countries are undermined by these corruption suppliers which provide a safe and secret hideout for ill-gotten gains.

At the 2016 London anti-corruption summit, Nigerian President Buhari said: "Every dollar siphoned through dirty deals and corruption to offshore tax havens makes the livelihood and survival of the average African more precarious." Indeed, private citizens in just 5 African countries (Angola, Gabon, Nigeria, South Africa and Sudan) held \$640 billion in offshore wealth in 2014, dwarfing those countries' combined external debts of \$225 billion. Billions corruptly obtained according Tax Justice Network's 2012 [report](#).

Therefore, cracking down on tax havens and other corruption suppliers becomes as important as fighting its corruption consumers. More efforts are needed on returning identified ill-gotten money. The recently signed memorandum of understanding between Nigeria and Switzerland on the return of illegally acquired assets (up to \$321 million in this case) are examples to replicate. In that regard, it is also important to enforce the African Union Convention on Preventing and Combatting Corruption ([AUCPCC](#)) and strengthen the African Union Board on Corruption.

FIGHT AGAINST ILLICIT FINANCIAL FLOWS

3 EXPAND IFF'S DEFINITION TO AGGRESSIVE TAX AVOIDANCE

IFF's definition narrow focus on illegal activities induces anti-IFF policies addressing the iceberg's tip and failing to tackle aggressive tax avoidance practices like transfer mispricing which are equally harmful to development - amounting 60% of IFFs, says the [report](#) of the High Level Panel on IFFs from Africa – (HLP).

Ignoring aggressive tax avoidance mitigates much of the responsibility of high-income countries as destinations of IFFs and multinational corporations as the main culprits and shifts it to developing countries. HLP report's recommendations should be implemented and anti-IFF strategies should be geared towards increased transparency especially with country by country reporting, automatic exchange of information between countries and publicly available registry beneficial ownership. Examples like Ghana and South Africa in establishing beneficial ownership legislation should be encouraged.

