



FOCUS ON AFRICA

Taxation is central to development. It provides governments with the **funding** required to finance the infrastructure on which economic development and growth is based. It creates an **environment** in which business and wealth creation is carried on. It also plays a defining role in shaping the way in which the **activities of government** are carried out. It is in this context that the OECD's Centre for Tax Policy and Administration (CTPA) is increasing its commitment to work with African countries to develop tax systems reflecting the highest international standards of effectiveness, accountability and transparency.

Why is tax important for Africa?

Taxation is a vital issue for African governments.

- ➔ Taxation plays a key role in helping African **countries to meet their Millennium Development Goal commitments**. African governments look to tax:
 - to finance their social and physical infrastructural needs;
 - to provide a stable and predictable fiscal environment to promote growth; and
 - to ensure that the costs and benefits of development are fairly shared.
- ➔ More generally taxation plays a key role in ensuring **good governance** by promoting the relationship between government and citizens and ensuring the former are accountable to the latter.
- ➔ Taxation shapes the **environment in which international trade and investment takes place**. Certainty and consistency of tax treatment, the avoidance of double taxation and efficient administration are all important considerations for business and, in their absence, international trade and investment is impaired.

The role of the Committee on Fiscal Affairs (CFA)

The OECD's Committee on Fiscal Affairs (CFA) is a **market leader in developing standards and guidelines** in the core of International Taxation, such as the **Model Tax Convention** and **Transfer Pricing Guidelines** (visit the web site: www.oecd.org/tax). These standards are applied in a global basis. Through its Global Relations programme the CFA brings together OECD, African and other governments in the tax policy and administration areas to allow them to share – and mutually learn from - their experience and expertise.

The **Global Relations programme** promotes international co-operation in Africa and elsewhere on transfer pricing, exchange of information, the negotiation, application and interpretation of tax treaties and a variety of topics in domestic tax policy and administration. The programme is an essential element of the global dialogue on taxation in North, Eastern and Southern Africa where significant events are held.

A key vehicle for the OECD's involvement in Africa is the **International Tax Dialogue**, a collaborative initiative with the Inter-American Development Bank, International Monetary Fund and World Bank. The ITD functions to increase co-ordination between international and regional organisations operating in Africa.



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Tax, Accountability and State-Building

Taxation is an **essential ingredient** for **economic and social development**. The CTPA is working with African countries, other international organisations, aid agencies and key academics to:

- 1) strengthen **democratic institutions** and processes in Africa through the strengthening of the relationship between state and population;
- 2) strengthen the ability of countries to collect sufficient **revenues** to develop their own infrastructure and avoid aid dependency or single resource dependency;
- 3) ensure that companies operating in a particular territory pay a **fair share** of tax;
- 4) replace **revenues** from **excise tariffs** following movement towards free trade across the continent.

Taxation has implications that stretch beyond the specific sphere of revenue raising. Taxation policy and administration **shape the environment** in which economic activity and investment takes place and crucially provide the central basis for the **relationship between the individual and the state**. Bargaining between governments and citizens over tax can contribute to more effective and accountable states as well as to better governance. Taxation therefore can increase government **responsiveness** and **accountability** and **strengthen capacity** both by providing resources for infrastructural development and by reinforcing the relationship between state and population.

The CTPA is working with SARS, African Tax Commissioners, the African Development Bank and the OECD's Development Assistance Committee to arrange a conference on taxation, state building and capacity development.

This will be held in South Africa in August 2008 and includes 54 Tax Commissioners from African countries as well as Commissioners from OECD member countries, donor agencies, other interested international organisations and academics working in the field. The purpose of the event is to get an African perspective on taxation, capacity development and state building and provide a platform for taking forward future work in this area.

By mapping work already done in this field it will avoid duplication and enable the exploitation of synergies by cooperative institutions including among others the OECD, IMF, World Bank, African Development Bank, World Customs Organisation and African Tax Institute.

An outcome is expected to be an **African Tax Centre** hosted by SARS in partnership with the OECD, other interested international organisations and donor agencies. This will take forward the work to develop and strengthen African tax administrations.

These developments build on OECD's existing work in the tax area in Africa through the International Tax Dialogue and its Global Relations programme.

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