



REPUBLIQUE DU SENEGAL

MINISTRE DE L'ECONOMIE ET DES FINANCES

DIRECTION GENERALE DES IMPOTS ET DES DOMAINES

TRANSPARENCY IN THE GOVERNANCE OF TAX INCENTIVES

THE SENEGALESE EXPERIENCE

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Outline

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2. Transparency in tax incentives granting

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4. Conclusions

1. Background

- ❑ There are several incentives for investments in the Senegalese tax system : Investments Code, Mining Code, Free Zone for Exporting Companies, NGOs investment programs, Petroleum Code, etc.
- ❑ The procedures of granting and management are law & regulations based.
- ❑ Tax expenditures evaluation : an important step toward transparency and down-sizing, given the highlighted challenges.

2. Transparency in tax incentives granting

- The law and the regulations provide for eligibility conditions & tax incentives.
- Granting through ministerial decree (Free Zone Exporting Company) or ministerial letter (Investments Code) after a review process by a multidisciplinary commission.
- Also, granting through agreements signed (Petroleum Code) or approved (Mining Code) by the Minister of Finance.

2. Transparency in tax incentives granting

- ❑ Specific incentives for investments over than CFA 250 billions (~ € 382 millions) justified by the public authorities will to support big investments. Nevertheless, this law is not applied yet.
- ❑ Globally, procedures are transparent since (i) they are law & regulations based (ii) and examined by multidisciplinary commissions.
- ❑ However, several problems in the management of tax incentives.

3. Transparency in tax incentives management

Transparency in the management process of tax incentives because :

- **they are based on the law & the regulations ;**
- **there is an audit from the Internal Audit Department and/or the General Finance Review in the Ministry of Finance.**

The tax expenditures evaluation,

- **a key factor for transparency (See WAEMU directive = the Transparency Code for Public Finance Management) ;**
- **a good way to make well known the appropriate challenges.**

3. Transparency in tax incentives management

Thanks to the tax expenditures evaluation, we have seen :

- a good will from decision makers for down-sizing ;
- a good process of cooperation among the stakeholders.

In addition, the following challenges for the implementation of a good tax system (simplicity, equity & effectiveness) :

- a complex tax system ;
- a narrow tax base ;
- distortions of competitiveness ;
- tax fraud (through destination deviations) ;
- high management costs ;
- lobbying for being granted.

4. Conclusions

- ❑ We need to focus on transparency which is a key factor of economic and financial governance so as to maintain the performance and the stability of tax systems.
- ❑ Evaluation and publication of tax expenditures is one of the efforts that contribute to the rationalization of tax expenditures.
- ❑ In Senegal, we need to move forward by appending results to the budget (public finance law), as recommended by WAEMU directive. This is a good way to promote tax compliance as well as state-building and accountability.

Thank you !!!