



**TAX JUSTICE  
NETWORK  
AFRICA**



# **IDEAS TO USE TAXES AS A PILLAR TO SUSTAINABLE DEVELOPMENT IN AFRICA**

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# **DOMESTIC RESOURCE MOBILISATION**

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# WHO IS TJNA?

- Tax Justice Network Africa (TJNA) is a pan-African research and advocacy organisation established in 2007 and a member of the Global Alliance for Tax Justice (GATJ).
- 26 countries
- 40 members



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**CONTEXT**

## Context 1. Growing fiscal deficits

### TAX as a % of GDP



Statistics as at 2018 – Must have declined post COVID

# Context 2. Debt

Because of fiscal deficits most countries are in the market looking for a mix of debt through sovereign bonds, syndicated and commercial loans.

Some countries within Africa have exceeded the 100% mark in the Debt to GDP ratio



# Options for Financing Development

1. Receive Aid – Now dwindling
2. Debt – Too vicious a cycle
3. Explore PPP – Profit<sup>3</sup>
4. DRM



# **IMPORTANCE OF TAXATION AS A TOOL FOR DRM**







# Importance of taxation as a key tool for DRM

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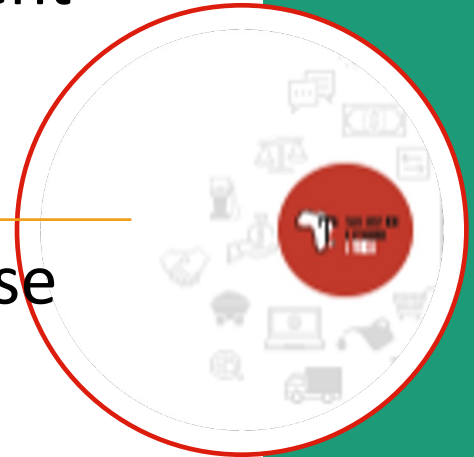
Tax has gained importance not just in financing development but also in financing crucial public services such as health/education and water

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Our options remain promoting economic activity to increase the tax base

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TJNA continues to play its role in advocating tax reforms as a major catalyst for boosting revenues.



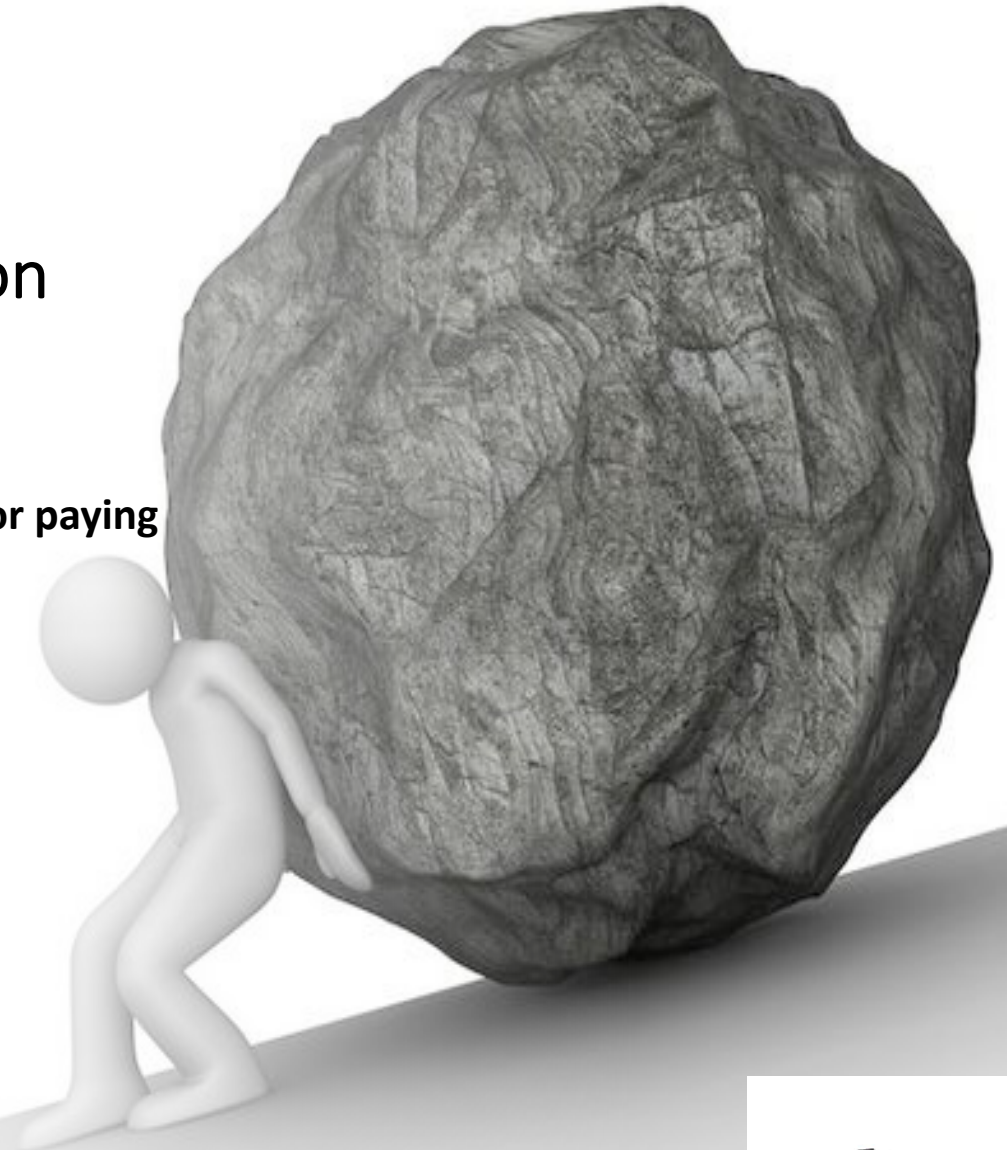
# **CHALLENGES TO DOMESTIC RESOURCE MOBILISATION**



# Challenges to domestic resource mobilization

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1. **Inefficient and ineffective tax systems (unfair & retrogressive- poor paying more than the rich)**
2. **Significant and unnecessary tax exemptions/incentives**
3. **Taxation of the digital sector**
4. **Tax avoidance and illicit financial flows from Africa**
  - Abusive practices of multinationals





# TAX INCENTIVES, TAX HOLIDAY, TAX EXEMPTIONS

In three countries South, East and West Africa, we are currently challenging governments who have in:

In one instance granted exclusive iron ore mining rights to one entity and to top up given them exclusive rights to operate the railway infrastructure.

In another instance, a government has granted exclusive titanium mining rights to an investor who is bringing nothing to the table.

In another instance, one entity has through a complicated corporate structure been granted exclusive rights to purchase all/trade in all coffee, determine the price and simply crowd out all the other companies. This is very serious coming from a country that is Africa's leading exporter of Coffee.



Strangely in the last instance, even parliament which has for long not stood up to the executive, ordered for the cancellation of the deal.

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## Taxation of the digital sector.

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Economic models are changing, the ways of doing business are changing. Taxation of the digital sector remains a key priority and great avenue to bolster revenue for any country.

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Recently, there were discussions for the global tax deal. We were primarily opposed to the deal because one of the things it took away was the right to tax digital services without availing an opportunity to recoup this revenue loss.

## The abusive practices of multinationals

The State Of Tax Justice 2021 report shows that

Countries are losing **\$483 B** in tax a year through global tax abuse.

Of this amount **\$312 B** is lost due to cross border corporate tax abuse.

This shows that at least **80%** of global tax abuse is being perpetrated through the actions of multinationals.

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MNE's  
have in  
themselves  
the ability  
to engage  
in

aggressive tax avoidance schemes,

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operate through complicated corporate  
structures

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and domicile themselves in ways that lessen  
their tax burden marginally in source  
countries.

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## Solutions for improving the importance of Tax as a pillar for sustainable development

- Improving how natural resource contracts are negotiated – e.g. looking at stabilization clauses
- Eliminate tax incentives, tax holidays, loss carryovers
- Eliminate IFF's especially tax related IFF's through
  - Looking at the issues of offshore accounts
  - Make multinationals pay their fair share of tax- Still to see how the two-pillar solution will be implemented.
- A UN tax convention to harmonize the process of setting global tax rules and allowing all countries especially developing countries (global south) participate with equal voice and equal vote in rule making processes.

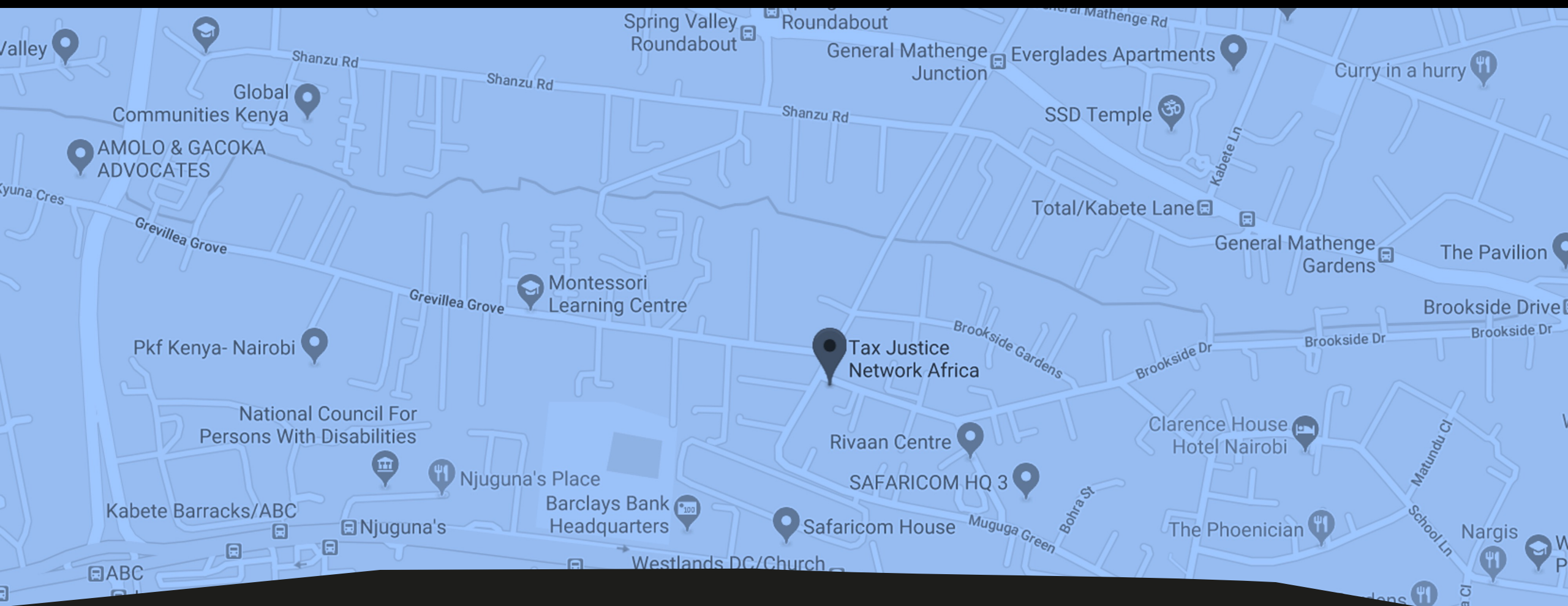
The solutions =  
Tax policies  
that work for  
DRM

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THANK YOU!



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