



STATEMENT

ATAF STATEMENT ON THE UNITED NATIONS SECRETARY-GENERAL REPORT ON THE PROMOTION OF EFFECTIVENESS IN TAX COOPERATION

1. INTRODUCTION

The African Tax Administration Forum (ATAF) is an intergovernmental organisation representing 42 African tax administrations. ATAF serves as an African network that aims to improve African tax systems through exchanges, knowledge dissemination, capacity development and active contribution to the regional and global tax agenda. Improved tax systems will increase the State's accountability to its citizen, enhance domestic resource mobilisation and foster inclusive economic growth. ATAF was established in 2009 and is headquartered in Pretoria, South Africa.

ATAF welcomes the decision by the United Nations to strengthen the inclusiveness and effectiveness of international tax cooperation. The United Nations is well placed to take forward work to address the global tax issues considering the specific and significant challenges developing countries face. Further, ATAF welcomes the coordination of the Africa Group at the United Nations, led by the Federal Republic of Nigeria.

2. GLOBAL TAX DEBATE

The evolution of global trade and the growth of multinational enterprises, coupled with outdated tax rules and treaties governing global transactions, means that developing countries have been on the back foot. In addressing this, in 2016, the G20 mandated the Organisation for Cooperation and Development (OECD) to address the deficiencies of the global tax rules and to ensure broad and consistent implementation of the BEPS measures through the creation of the Inclusive Framework on BEPS.

In this regard, primary global tax issues affecting African countries include the imbalance in the allocation of taxing rights between residence and source jurisdictions, representing the majority of African countries, which is currently detrimental to source jurisdictions, ineffective rules for addressing Illicit financial Flows through tax avoidance by multinational enterprises, the renegotiation of outdated tax treaties and the simplification of rules based on the varying capacities of tax administrations across the developing world

3. STANDARD-SETTING AGENDA

ATAF considers that the current global tax rules do not result in a fair allocation of taxing rights between source and residence countries to the detriment of source countries and do not effectively address the risks of Illicit Financial Flows through corporate tax avoidance in low-capacity developing countries.

Addressing these challenges requires support from governments worldwide to establish a fair global tax order. ATAF commends the work that has been done to date by the United Nations Committee of Experts on International Tax Cooperation, which has helped developing countries start to tackle some of these challenges. The establishment of a Member State-led, open-ended, ad hoc intergovernmental committee to recommend actions on the options for strengthening the inclusiveness and effectiveness of international tax cooperation provides the opportunity to take forward and build on the work of the United Nations Committee of Experts on International Tax Cooperation and significantly enhance the role of the United Nations in the global standard-setting process.

The current standard-setting process of the Inclusive Framework is extremely complex and conducted at a very fast pace. Whilst some African countries, with support from ATAF, have influenced the potential design of the two-pillar solution to some extent, most African countries are not equipped or capacitated properly to make meaningful contributions at the negotiating table. In addition, low capacity and a lack of political support have led to slow implementation of agreed standards and processes in some African countries. Noting that most legislation and standards require parliamentary processes, it is vital to ensure that participation in the standard-setting process is equitable and inclusive to ensure no gaps.

4. CAPACITATION OF THE UN

This can be achieved if the UN intergovernmental committee provides the appropriate technical platform. Such a platform must be fully resourced financially and have the best technical personnel from tax policy and administration as representatives from UN member countries. In addition, such a platform must identify the tax policy and legislative changes needed to achieve an equitable and effective global tax system and develop reports and recommendations that garner the necessary global political support for change to happen. Africa will benefit greatly from this initiative, and ATAF stands ready to support it in any way required by the United Nations, further building on the successful partnership with the African Union Commission and establishing the AU STC Subcommittee on Tax and IFFs and leveraging the experience it has of gained from its international tax work.

5. RECOGNISING EXISTING EFFORTS

Substantial progress will have been made through the Inclusive Framework to reform the global tax rules if an agreement is reached on all the Pillar One and Pillar Two rules. As a result, and of importance is to limit any duplicate efforts to ensure the best use of available but limited resources at the disposal of developing countries. However, ATAF believes that even if the Pillar One rules are agreed upon and implemented, this will result in a limited reallocation of tax rights to source countries, and more needs to be done. In addition, ATAF considers the impact of the Pillar Two rules on addressing corporate tax avoidance will be limited due to the minimum effective rate of 15% being too low to deter artificial profit shifting out of Africa, and further work is needed to get global agreement on a higher minimum effective tax rate. The United Nations process provides an opportunity to ensure an equal voice for all countries in that further work.

6. CONCLUSION

We look forward to the progress report, which will be presented at the ECOSOC meeting, sighting further details on the structure, formation and substantive issues. ATAF stands ready to support the development of the convention further, and we look forward to enhanced cooperation on international tax matters.

