

UNTC 31st Session

Stakeholder Input Template



Help inform the Committee's deliberations on their work programme for 2025-2029 by sharing your perspectives on challenges in tax policy and administration facing developing countries, emerging issues that need attention, and where there is a need for more or different guidance. Submissions should be made in one of the six (6) UN languages. All valid submissions will be published on the UN Tax Committee website in the language submitted.

Submission details: Deadline: **1 September 2025**, Email to: taxcommittee@un.org

Subject: Input for UN Tax Committee Work Programme (2025-2029)

INFORMATION

Contact Person: Tochukwu Sandra ONYEMATA

Email: tochukwu.onyemata@wataf-tax.org

Type: International Organization

Organization (unless submission is in personal capacity): West African Tax Administration Forum (WATAF)

BACKGROUND (Maximum of 200 words) – Please respond on page 2.

Please provide a brief summary of your organization's mandate and areas of work unless this submission is in personal capacity, how they relate to international tax cooperation, domestic resource mobilization, sustainable development, or any other field. This will help us map and better contextualize your perspective and input.

WORK PROGRAMME PRIORITIES (Maximum of 2000 words inclusive of any footnotes) – Please respond on page 3.

What should be the Committee's priority issues for 2025-2029? Consider, in light of the Committee's mandate, both the provisional agenda topics and any additional areas you believe are important.

For each priority you recommend, please explain:

- a) Why is this issue important for developing countries?
- b) What specific guidance or tools should the Committee produce?
- c) How would this output be practical and valuable for countries?

SUPPORTING REFERENCES Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files. – Please respond on page 4.

BACKGROUND *(Maximum of 200 words)*

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The West African Tax Administration Forum (WATAF) is a member-led, intergovernmental organization comprising tax administrations from 16 West African countries. Its vision centers on the promotion of efficient and effective tax systems in West Africa. WATAF's mission involves capacity development, data-driven research, peer review, and strategic dialogue to enhance tax systems and mobilize domestic revenue for development. The organization provides a platform for high-level discussions on tax policy, coordination, and efficiency, ultimately contributing to the region's sustainable development. Headquartered in Abuja, Nigeria, WATAF is governed by a Council consisting of the Heads of Tax Administrations in West Africa.

WORK PROGRAMME PRIORITIES (*Maximum of 2000 words inclusive of any footnotes*)

What should be the Committee's priority issues for 2025-2029? Consider, in light of the Committee's mandate, both the provisional agenda topics and any additional areas you believe are important.

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- a) Why is this issue important for developing countries?*
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The West African Tax Administration Forum (WATAF) hereby makes a case for the following specific priorities as pertinent for consideration in the interest of West Africa:

1. **Taxation and Climate Issues** (Broad area: Taxation and SDGs).
2. **Tax Harmonization and Regional Trade** (Broad area: Taxation and Trade).
3. **Taxation of the Blue Economy** (Broad area: Taxation and SDGs).
4. **Taxation of Automated Digital Services (ADS) as per Article 12B.**

1. Taxation and Climate Issues

Despite growing concerns about extractive activities, fossil fuel consumption, and pollution in West Africa, market-driven tax instruments for climate change mitigation, such as carbon taxation remain scarce. At present, for example, only Ghana's carbon tax and Nigeria's hydrocarbon tax systems seem to be operational and active as measures to support environmental protection and sustainability, among others, in the region¹, out of approximately 50 jurisdictions globally that utilize carbon- and carbon-related taxation measures.

A clear and comprehensive tax policy framework supporting carbon pricing and market structures is crucial for West Africa and other developing countries to effectively address climate change impacts. To benefit from the net-zero energy transition and mitigate potential trade implications, West Africa needs a well-designed carbon taxation system that aligns with global standards, such as the European Union's Carbon Border Adjustment Mechanism, to minimize carbon leakage and support sustainable development. While WATAF acknowledges the efforts of the UN Tax Committee and other institutions² in providing guidance on designing fiscal instruments for

¹ Although a few countries such as Côte d'Ivoire and Senegal are exploring these fiscal instruments and may soon design policies for comprehensive climate management.

² In addition to the UN Tax Committee, the African Tax Administration Forum has also published a few publications on environmental taxation. One of these studies focuses on *Carbon Taxation in Africa*.

environmental and climate management, a gap remains in addressing administrative costs³, preventing efficiency loss, optimizing net benefits (tax revenue), and mitigating spillovers (such as carbon leakage) in West African economies. Existing guidance notes on environmental- and climate-related taxes assume administrative costs are part of overall institutional expenses, which may not be suitable for climate-specific instruments like carbon taxes. To ensure effectiveness, clear policy guidance is needed to guarantee that tax revenue from carbon taxes covers administrative expenses, assure institutional administrative efficiency, and foot other expenses, and generates *good*⁴ net revenue for public budget use, while also considering revenue recycling where politically, socially, and legally feasible.

The UN Tax Committee could help to update existing carbon pricing system to offer guidance for particularly small economies and tax jurisdictions, enabling access to effective climate and environmental fiscal tools.

Additionally, the updated guidance could contain suggested approaches to administering carbon pricing systems that would not hinder innovation. The UN tax framework should include provisions protecting Research and Development incentives in West African countries, many of whom have low score in the Global Innovation Index.

2. Tax Harmonization and Regional Trade

Tax harmonization is crucial for West Africa, given the region's high levels of cross-border economic activity and protocols facilitating the free movement of people (based on ECOWAS). As the African Continental Free Trade Area (AfCFTA) gains momentum, African countries can benefit from designing and harmonizing their tax systems for efficiency and effectiveness. WATAF's research (*see Supporting References 1*) highlights the need for tax coordination among member states to realize potential revenue gains from AfCFTA.

However, with increasing liberalization under ECOWAS and AfCFTA, West Africa can expect a more liberalized trade environment, potentially leading to significant revenue losses from trade taxes, which in some countries still account for over 35% of total tax revenue (WATAF Discussion Paper – *see Supporting References 1*). To mitigate this, regional institutions and domestic tax departments require urgent capacity development to design reforms on VAT (*see Supporting References 2*), CIT, and other domestic taxes. Harmonization mechanisms across tax systems are also necessary to prevent a potential race to the bottom which often lead to unhealthy tax competition.

³ In contrast to several conventional taxes, carbon tax systems require additional layers of administrative procedures with attendant cost implications. For example, a design that stipulates recycling carbon tax revenue to compensate firms for adopting greener technologies would necessitate increased public spending. Without clear guidance, the tax system's efficiency may be compromised, and the revenue collected may be lower than the overall implementation costs.

⁴ Economists consider a good tax system as the one which has high economy. This is a situation where the cost of collection or administration is much low compare to the total revenue collected.

As global trade tensions intensify and are likely to continue in the coming years, trade instruments would face greater uncertainties. For revenue stability, the new UN Tax Committee could play a valuable role by prioritizing guidance for tax harmonization for regional economic communities, especially in developing economies including West Africa.

WATAF encourages the UN Tax Committee to develop practical guidelines supporting tax harmonization for countries within free trade areas. A potential UN tool could provide essential procedures and guidance on tax harmonization, drawing inspiration from existing models like the European Union's framework, which could be adapted to the diverse needs of West African economies.

WATAF solicits a UN Tax Committee guidance on tax harmonization⁵ could highlight the various tax bases within free trade agreements that would benefit from administrative provisions. Its value lies in providing clarity on how different tax jurisdictions can navigate reform designs without disrupting other public policy instruments or neighboring tax regimes in regional member countries. Given the recent growth in industrial activities and intra-West Africa trade, a guidance note is timely to help countries prepare for potential revenue mobilization challenges arising from enhanced free trade relationships.

3. Taxation of the Blue Economy

Taxation remains a crucial instrument in achieving the SDGs⁶), particularly in regions like West Africa where economic integration and cross-border movement are key to development. With 13 out of 15 West African states being coastal and the Africa continental free trade area (AfCFTA) gaining momentum, the potential for harnessing marine and trade revenues is significant. However, these countries have yet to fully harness the tax benefits of their marine resources.

West Africa's rich coastal and marine resources, present in over 75% of its countries, offer significant opportunities for revenue generation. Given the complex interplay of natural and man-made features in the marine economy⁷, a coordinated tax system is essential for optimal revenue mobilization⁸.

The present guidance notes on taxation of natural resources including fishing, however there it remains unclear the manner to prosecute taxation within shared waters. Without the existence of comprehensive procedures for taxation of fishing activities, for example. in

⁵ WATAF acknowledges the extensive work of the UN Tax Committee on Taxation, Trade, and Investment Agreements, particularly in tax treaties and related aspects. However, the ongoing free trade agreement in Africa is poised to alter the dynamics, including tax system performance.

⁶ Notably, UN SDG 14 focuses on conserving life below water, with targets to protect marine ecosystems and promote sustainable fishing practices.

⁷ The guidance on natural resources taxation seems to have a gap towards cross border activities. include domestic laws on fishing could be included in the local laws and legislations.

⁸ Guinea-Bissau seems to lack capacity to fully manage and control its water resources including the one shared with neighbouring countries. WATAF research team learnt that fishes from the country could not be exported directly to Europe. This information was shared by one of the members of the association of small fishing companies, in 2024 (*see Supporting References 3*).

relation to coastal economies such in West Africa, substantial public revenue will remain untapped due to weak or non-existent tax instruments and guidance in this respect.

WATAF desires for her membership a clear guidance for tax administration and policy by the UN Tax Committee to support revenue mobilization in the blue economy. Territorial waters management is not without disputes, but a well-designed administrative guidance may be valuable for practical tax use in West Africa and other developing economies. WATAF stands ready to also support the work of the Committee by offering to provide scientific insights and research evidence as inputs. The note would be to clarify how products (e.g. fish) from shared water body should be taxed or the manner with which the taxing rights should be allocated among jurisdictions.

4. Taxation of Automated Digital Services

The Article 12B note on the taxation of income from automated digital services seem to implicate Article 8 for the purpose of taxing profit of a given beneficial owner. WATAF recent study⁹ suggests that clarity must be assured in digital services definition, design regimes, tax elements, etc. WATAF suggest that Article 12B be updated to clearly designated.

⁹ Refer to #4 supporting reference

SUPPORTING REFERENCES *Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files.*

- <https://wataf-tax.org/2025/04/07/revenue-administration-implications-of-the-african-continental-free-trade-agreement-in-west-africa/>
- <https://wataf-tax.org/2023/05/10/value-added-tax-collection-efficiency-in-west-africa/>
- <https://wataf-tax.org/2025/04/07/the-effect-of-political-institutions-on-taxation-in-west-africa/>
- <https://wataf-tax.org/2024/06/21/a-toss-up-comparing-tax-revenues-from-the-amount-a-and-digital-service-tax-regimes-for-developing-countries/>