TAX US IF YOU CAN
Why Africa Should Stand up for Tax Justice

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About TJN-A

Tax Justice Network-Africa (TJN-A) is a Pan-African initiative established in 2007 and a member of the global Tax Justice Network. TJN-A seeks to promote socially just, democratic and progressive taxation systems in Africa. TJN-A advocates pro-poor tax regimes and the strengthening of tax regimes to promote domestic resource mobilization. TJN-A aims to challenge harmful tax policies and practices that favour the wealthy and aggravate and perpetuate inequality.

The main goal of TJN-A is to mainstream tax justice in the discourse of African civil society. TJN-A provides a platform dedicated to enabling African researchers, campaigners, civil society organizations, policy makers, and investigative media to cooperate in the struggle against illicit financial flows, tax evasion, tax competition and other harmful trends in tax policy and practice.
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<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific countries</td>
</tr>
<tr>
<td>AML</td>
<td>Anti-Money Laundering</td>
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<td>AMP</td>
<td>African Mining Partnership</td>
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<td>AMU</td>
<td>Arab Maghreb Union</td>
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<td>ANC</td>
<td>African National Congress</td>
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<td>APRM</td>
<td>African Peer Review Mechanism</td>
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<tr>
<td>ATAF</td>
<td>African Tax Administration Forum</td>
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<td>AU</td>
<td>African Union</td>
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<tr>
<td>BCEAO</td>
<td>Banque Centrale des Etats de l’Afrique de l’Ouest</td>
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<tr>
<td>CEMAC</td>
<td>Economic and Monetary Community of Central Africa</td>
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<tr>
<td>CEN-SAD</td>
<td>Community of Sahel-Saharan States</td>
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<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<tr>
<td>CPI</td>
<td>Corruption Perceptions Index</td>
</tr>
<tr>
<td>CRCs</td>
<td>Citizen Report Cards (Kenya)</td>
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<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<tr>
<td>EAC</td>
<td>East African Community</td>
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<tr>
<td>ECCAS</td>
<td>Economic Community of Central African States</td>
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<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<tr>
<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FSI</td>
<td>Financial Secrecy Index</td>
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<tr>
<td>G-20</td>
<td>The Group of 20 Countries</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GFI</td>
<td>Global Financial Integrity</td>
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<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
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<tr>
<td>HNWI</td>
<td>High Net Worth Individuals</td>
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<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
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<tr>
<td>IBC</td>
<td>International Business Companies</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>IFIs</td>
<td>International Financial Institutions</td>
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<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<td>IFSC</td>
<td>International Financial Services Centre</td>
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<td>IGAD</td>
<td>Intergovernmental Authority on Development</td>
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<td>IGADD</td>
<td>Intergovernmental Authority on Drought and Development</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<td>LTU</td>
<td>Large Taxpayer Unit</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>NEPAD</td>
<td>New Economic Partnership for African Development</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NTA</td>
<td>National Taxpayers Association (Kenya)</td>
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<tr>
<td>OAU</td>
<td>Organisation for African Unity</td>
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<tr>
<td>ODA</td>
<td>Overseas Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
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<tr>
<td>PEPs</td>
<td>Politically Exposed Persons</td>
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<tr>
<td>PSNP</td>
<td>Productive Safety Net Programme</td>
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<tr>
<td>PWYP</td>
<td>Publish What You Pay</td>
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<tr>
<td>SADC</td>
<td>South African Development Community</td>
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<tr>
<td>SARS</td>
<td>South African Revenue Services</td>
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<tr>
<td>StAR</td>
<td>Stolen Asset Recovery Programme</td>
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<td>SSA</td>
<td>Sub Saharan Africa</td>
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<td>TJN</td>
<td>Tax Justice Network</td>
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<td>TRG</td>
<td>Titanium Resources Group</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Introduction

Tax is the foundation of all civilisations. The act of tracing tax policies and practices reveals the history of the relationship between the ruler and the ruled, state and citizen.

In Africa this relationship can be traced back over millennia. For instance, Egypt’s famed Rosetta Stone, created in 196 BC during the Ptolemaic era, was an agreement granting a tax exemption to priests, and certain reductions to the military and other ruling classes, including traders approved by the king. It was an early example of the special privileges that continue to proliferate across the continent.

Today, 80 per cent of Africa’s exports consist of primary commodities. African governments depend heavily on the resource rents from these commodities but many are exempt from taxation. Tax holidays and other hidden subsidies granted to multinationals in secretive agreements deprive governments and their citizens of significant tax revenues.

Similar exemptions to those that once governed trade along the Anu canal in ancient Egypt continue today as foreign traders set up shop in the various Free Zones along Africa’s coastlines where little or no tax is due, or Special Economic Zones and International Financial Centres along the trade routes that cross the continent.

Tax injustices in Africa prevail for a number of reasons. Key among these are the world’s secrecy jurisdictions which provide services with high levels of confidentiality to facilitate hiding taxable incomes and to shelter criminal activities. It is not without irony then that the Rosetta Stone is housed in London, which is linked to more than a quarter of the world’s secrecy jurisdictions. (Secrecy jurisdictions are defined as places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction. See Section 3.5)

This report aims to help readers understand the issues behind Africa’s struggle for tax justice. In section 1, the report begins by exploring the meaning of tax justice in the African context before examining some of the main channels for tax leakage from the continent and the impact of these leakages in terms of government revenues.
Section 2 sets out the key systemic causes of tax injustice in Africa, explaining firstly how decades of selective development or ‘maldevelopment’ in resource-rich states has left government funds depleted and many countries susceptible to conflict. The section goes on to examine the policies that have contributed to making taxes in Africa regressive, and ends by looking at problems around ineffective tax and customs administrations.

The tax avoidance industry is always keen to make a clear distinction between tax evasion, which is illegal in most countries, and tax avoidance, which usually involves exploiting legal loopholes. This section looks at some of the key players involved in exploiting such loopholes: accountants, lawyers, bankers, multinational companies and, crucially, secrecy jurisdictions. It also examines the role of governments, parliaments and taxpayers, and asks what all stakeholders should be doing to help achieve tax justice.

Section 4 discusses how multilateral agencies, such as the World Bank and the International Monetary Fund (IMF), have influenced tax policy in Africa. It shows how the ‘tax consensus’ promoted by these organisations has led to a reduction in government revenues in many countries. It then looks at some of the international organisations trying to tackle various aspects of tax injustice, particularly the United Nations and the Organisation for Economic Cooperation and Development (OECD), and discusses the role of a range of African organisations and the growing contribution of civil society.

Section 5 emphasises the importance of taxation for Africa’s future and explores a series of options to help achieve tax justice. Key among these will be: raising awareness around tax issues and promoting a culture of tax compliance; increasing tax transparency among governments and multinational companies; increasing international cooperation on tax matters; and enhancing international assistance to help African governments improve their tax affairs. Finally, a
glossary of tax terms is provided to help readers understand some of the technical terminology around taxation.

Tax revenues are necessary for any state to meet the basic needs of its citizens. In Africa, tax revenues will be essential for establishing independent states of free citizens, less reliant on foreign aid and the vagaries of external capital. We hope that many of the ideas presented here will be realised and that tax justice can help all African states achieve a greater degree of self-determination.

In Africa, tax revenues will be essential for establishing independent states of free citizens, less reliant on foreign aid and the vagaries of external capital.
1. Tax justice in Africa: An overview

1.1 What is tax?

Tax is a compulsory levy on privately held assets, work, transactions and other activities and flows as designated by the parliament and enacted by the government. The parliament designates taxes according to its understanding of equity, while following the prevailing constitution, which also prescribes the purpose of taxation and confirms that the rightful ownership of tax receipts ultimately lies with the citizens.

Taxation allows us to link local solidarity to the national level, and to negotiate these ties through the social contract setting out the rights and responsibilities of citizens and the state. Tax is ‘distributed wealth’, not only ‘government money’. Every constitution in Africa states that taxation ultimately belongs to the people, who elect their representatives, forming the basis of tax justice. But as with all rights, they only exist in letter unless defended. Thus tax advocacy is needed to maintain this link.

To take an illustrative example of the social contract inherent in taxation, in various African languages a person is a person through ‘humanity’ – a way of life that characterises African concepts of society. Articulated by the Zulu maxim ‘umuntu ngumuntu ngabantu’ – the philosophy of ubuntu is described as follows:

In the old days, when we were young, a traveller through our country would stop at a village, and he didn’t have to ask for food or for water. Once he stops, the people give him food, entertain him. That is one aspect of ubuntu but it will have various aspects. Ubuntu does not mean that people should not address themselves. The question therefore is: Are you going to do so in order to enable the community around you, to enable it to improve? These are the important things in life, and if one can do that, that is something very important which should be appreciated.

Nelson Mandela

When Ndebele author Chikaipa describes the differences between modernity and tradition, the term of unhu is similar to the concept of ubuntu.

Kare zvoze izvi vakanga zvingomboitiki, vanhu vaive nomugariro wounhu. Vaibatsirana kwazvo, vaiti kana mumwe ane nara vaiti,
In the past, these things never took place, people had lifestyle characterised as humanness. They helped one another a lot, and when someone was hungry, they told him, wash your hands and eat with us. These days only your relative or your friend invites you to share their sadza. [...] we must see the good things that were done, and do them as well.

Thus, the essence of Zulu *ubuntu* and Ndobele *unhu*, both meaning ‘humanness’, is inextricably rooted in mutual co-dependence, prioritising the collective good as the way to realise social and economic justice. *Ubuntu* requires that all human beings have to be treated in a humane and decent manner, assigning social and economic duties designed to satisfy basic needs and foster climates leading to the development and evolution of society.

Revenue from taxation is required to enable the state to treat all its citizens, as well as foreigners such as refugees, in this way. Taxation is therefore needed to underpin the contemporary African version of *ubuntu* as one of the fundamental responsibilities of every citizen.

To guide tax policy towards the needs of taxpayers, and their better representation, we propose the ‘4 Rs’ of good taxes:

- raise revenues equitably
- redistribute income and wealth to address poverty and inequality
- reprice goods and services—especially critical in the context of health and climate problems
- representation of taxpayers as citizens.

**Raise revenues equitably.** Tax systems should raise revenues from all sources. A broad based tax system uses a variety of different types of taxes, including income taxes, capital gains, property taxes, sales taxes, royalties from extractive...
A good tax system should also treat taxpayers in the same situation equally, tax local and multinational enterprises according to similar rates, and tax all sources of income equally to create a level playing field.

**Redistribute.** Tax systems should redistribute income and wealth in at least three ways: (1) by progressive tax rates so the wealthier in society pay a higher percentage of their income in the form of taxes; (2) by, for example, universally accessible public services that mutualise the cost of health and education; and (3) through income grants to supplement low incomes. Redistribution is a cornerstone of a democratic state.

**Reprice.** Often the market price of goods is not the most desirable price in terms of cultural values, associated health benefits, or the social impact of certain goods and services. Cigarettes and alcohol are often taxed heavily as they damage health and can disrupt family and community life. Meanwhile, desirable goods and services can be encouraged by, for example, exempting basic foodstuffs from value added tax (VAT), or by creating a tax credit scheme that encourages socially beneficial investments such as companies subsidising their workers' health, transport and pensions plans. As a specific element of the repricing role, tax systems should recognise through targeted tax and expenditure measures the typically neglected value of ecosystems.

**Representation.** Tax systems create interest groups that often advocate for their rights as taxpayers. Some examples include bus operators paying high petrol duties and road tolls, households paying taxes such as VAT, residents in rural communities and urban neighbourhoods paying local and municipal service taxes without receiving services, or investors feeling that they pay too much corporate tax. History has shown that unjust tax systems create tax resistance and non-compliance, and that equitable tax systems only emerge through tax bargaining between the concerned parties. Representation and citizenship are often the missing ingredients in good tax policy.
1.2 Who bears the burden of taxation?

Tax incidence (that is, the ultimate bearer – or payer – of a given tax) has not been studied comprehensively in Africa, and thus policy is often guided by theoretical assumptions, rather than detailed data on the incidence of different taxes on the citizens and the environment.

In the absence of carefully designed exemptions that recognise the consumption and production patterns of households in poverty, and the complex dynamics of the informal sector, VAT is likely to be largely paid by low-income households, as they consume a larger part of their disposable income in food, transport and communications. Wealthier households, on the other hand, tend to pay more for their housing, education, health and other social services. School fees and hospital charges are not always subject to VAT.

Another large part of government revenue in Africa comes from natural resource rents, especially in some of the oil and mineral rich countries. For example, in Libya natural resource rents represent 90 per cent of government revenue. The figure is 86 per cent in the Republic of the Congo, 81 per cent in Nigeria, 64 per cent in Gabon, and 37 per cent in Cameroon. In Botswana mineral taxation represents 36 per cent of government revenue. Logging also produces considerable revenues, especially in Cameroon, Ghana, Cote d’Ivoire and both Congos.

In Africa the ecosystem also directly bears the burden of taxation in the form of natural resource depletion, and ecosystem services are diminished as a result of reduced forest coverage, while cyanide residues pollute agricultural areas close to gold mining areas. Oil and gas exploitation causes tremendous ecological harm in terms of destruction of mangrove fisheries and associated gas flaring. People dependent on the environment therefore also bear the indirect effects.
The problem in mobilising resources from taxation in Africa is two-fold. First, there are problems in effectively administering tax. In Kenya, for example, it has been estimated that some 35 per cent of corporate income taxes are collected and 56 per cent of VAT. Second, tax evasion undermines the entire tax system as it makes it harder to tax the profits of foreign investors, wealthy individuals and cross-border flows.

1.3 How Africa loses its wealth: channels for tax leakage

Tax leakages occur through a variety of channels including corruption, debt servicing, illicit outflows, tax incentives and informal economies.

Moving towards a new understanding of corruption

Corruption harms three main sets of actors: businesses, governments and citizens, especially poor people. The corruption concerns of these different actors overlap significantly, but they are not identical. Business concerns tend to dominate thinking about corruption.

For example, Transparency International’s Corruption Perceptions Index (CPI) draws heavily on opinion within the international business community, who first raised the alarm about the perils of corruption. While the CPI provides an invaluable ranking for investors trying to assess country risk, it is of little use to the citizens of oil-rich states such as Chad, Equatorial Guinea or Angola, to know their country ranks low.

The current tendency of the World Bank, Transparency International, the OECD, and many others is to restrict their definitions of corruption to the bribery of public officials. But corruption involves much more than this. As a starting point we can note that corruption always involves narrow interests abusing the common good. It always involves insiders using guarded information operating with impunity. And it always corrodes institutions, worsens absolute poverty and
inequality, and ultimately undermines faith in the rules and systems that are supposed to promote the public interest. Thus, a useful definition of corruption in our view would go something like this: ‘Corruption is the abuse of public interest and the undermining of public confidence in the integrity of rules, systems and institutions that are designed to promote the public interest.’

There are many consequences of refining our definition of corruption. One is that tax evasion is identified as a form of corruption, which tends to be overlooked even though evaded taxes are stolen public assets too. Tax evasion involves abusive activity at the intersection between the public and the private sectors. It allows sections of society to bypass accepted norms, and provides one set of rules for rich and well-connected people, and another set for everyone else.

Furthermore, the proceeds of tax evasion use many of the same channels as other forms of corruption to move across borders: dummy corporations, shielded trusts, anonymous foundations, falsified pricing, fake documentation and so on, all supported by an army of bankers, lawyers and accountants.

The Tax Justice Network (TJN) has developed the Financial Secrecy Index (FSI) which complements the CPI in describing the anatomy of global corruption (see Box 1). It is composed of an opacity score applied to 60 financial centres categorised as secrecy jurisdictions which encourage and enable illicit financial flows and tax evasion. The opacity scores are weighted according to the scale of operation of the selected secrecy jurisdictions, arriving at a ranking which places the United States at the top (that is, the jurisdiction whose secrecy has the greatest global impact), followed by Luxembourg, Switzerland, the Cayman Islands and the City of London. Clearly this new index tells a very different story about how corruption thrives within the globalised financial markets.

The Financial Secrecy Index brings to the fore the supply-side infrastructure for corruption. Countries such as the USA,
Luxembourg and Switzerland, but also nations on the African shores such as Mauritius, Liberia and Seychelles legalise and legitimise corruption by allowing tax avoidance and tax evasion under a veil of secrecy.

**Box 1. Financial Secrecy Index: the world’s top 60 secrecy jurisdictions**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Jurisdiction</th>
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<tbody>
<tr>
<td>1</td>
<td>USA (Delaware)</td>
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<td>2</td>
<td>Luxembourg</td>
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<td>3</td>
<td>Switzerland</td>
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<td>4</td>
<td>Cayman Islands</td>
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<td>5</td>
<td>UK (City of London)</td>
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<td>6</td>
<td>Ireland</td>
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<td>7</td>
<td>Bermuda</td>
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<td>8</td>
<td>Singapore</td>
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<td>9</td>
<td>Belgium</td>
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<td>10</td>
<td>Hong Kong</td>
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<td>Jersey</td>
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<td>Austria</td>
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<td>Bahrain</td>
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<td>Netherlands</td>
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<td>British Virgin Islands</td>
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<td>17</td>
<td>Portugal (Madeira)</td>
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<td>18</td>
<td>Cyprus</td>
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<td>Panama</td>
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<td>Malta</td>
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<td>22</td>
<td>Hungary</td>
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<td>Malaysia (Labuan)</td>
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<td>Isle of Man</td>
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<td>Philippines</td>
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<td>Bahamas</td>
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* Jurisdictions marked with an asterix are ranked according to their opacity score.
* Source: Tax Justice Network
Illicit financial flows

Illicit financial flows involve ‘money that is illegally earned, illegally transferred or illegally utilized. If it breaks laws in its origin, movement or use, then it qualifies for the label’. Moreover, anti-money laundering expert Raymond Baker adds:

*Much attention has been focused on corruption in recent years, that is, the proceeds of bribery and theft by government officials. In the cross-border flow of illicit money, we find that funds generated by this means are about 3 percent of the global total. Criminal proceeds generated through drug trafficking, racketeering, counterfeiting and more are about 30 to 35 percent of the total. The proceeds of commercial tax evasion, mainly through trade mispricing, are by far the largest component, at some 60 to 65 percent of the global total. While we have not attempted in this study to verify these approximate percentages for Africa, we believe that they are likely to be of roughly the same order of magnitude.*

Global Financial Integrity (GFI) have estimated that the cumulative stock of illicit financial flows from Africa amounted to US$865 billion between 1970 to 2008, and that the figure could be as high as US$1.8 trillion. Annual outflows from Africa have been estimated by GFI at US$30 billion, while African Union estimates US$148 billion. The World Bank and the International Monetary Fund do not provide estimates for these outflows.

Why are the official sources silent about illicit financial flows? Global Financial Integrity notes: ‘all currently existing economic models have a limited capacity to reflect the actual volume of illicit financial flows, as these flows are primarily generated through transactions that completely bypass statistical recording.’

These transactions include underpricing, overpricing, mis-invoicing and making completely fake transactions, often between subsidiaries of the same multinational company, bank transfers to offshore accounts from high street banks
offering offshore accounts, and companies formed offshore to keep property out of the sight of the tax collectors.

According to a survey assessing the economic practices of 476 multinational corporations, 80 per cent acknowledge that transfer pricing remains central to their tax strategy.⁶ And a TJN study into the largest quoted companies in the Netherlands, France and the UK, notes that 99 per cent of those for which information was uncovered operate through secrecy jurisdictions.⁷

Debt servicing

Africa’s debt burden is estimated to be more than US$200 billion.⁸ African governments spend almost US$14 billion every year on debt servicing, limiting the provision of vital social services to their populations. Most of this debt is odious – that is, debt contracted by corrupt regimes acting without ordinary people consenting or benefiting from it.

Meanwhile, the Heavily Indebted Poor Countries (HIPC) initiative cancelled just US$40 billion of debt of the 41 poorest countries, of which 33 are African. But not all countries benefited from HIPC. For example, Kenya and the Democratic Republic of Congo (DRC) did not meet the HIPC criteria. As late as 2007, a disproportionate share of the DRC’s state budget – some 50 per cent – was allocated to servicing public debts incurred by corrupt lifetime dictator Mobutu Seso-Seko.⁹

The DRC example illustrates the paradox at the heart of Africa’s debt problem. Africa’s external debts are owed by the continent’s governments, and so by the people of Africa. But substantial sums of money that entered Africa as loans to governments were diverted into private hands through bribes, kickbacks and sometimes outright theft. Much of this money then flowed out of the continent into foreign bank accounts.

Work by academics Ndikumana and Boyce shows that the estimated capital flight from 40 sub-Saharan African countries from 1970—2004 was US$420 billion (in 2004 dollars).¹⁰ The external debt owed by the same countries in 2004 was
US$227 billion. When Ndikumana and Boyce use an imputed interest rate to calculate the real impact of flight capital, the accumulated stock of capital flight at the end of 2004 was even greater at US$607 billion.

As Ndikumana and Boyce note: ‘Adding to the irony of SSA’s position as net creditor is the fact that a substantial fraction of the money that flowed out of the country as capital flight appears to have come to the subcontinent via external borrowing.’ Yet, as the authors go on to state:

This phenomenon was not limited to a few rogue regimes. Statistical analysis suggests that across the subcontinent the sheer scale of debt-fuelled capital flight has been staggering. For every dollar in external loans to Africa in the 1970—2004 period, roughly 60 cents left as capital flight in the same year. The close year-to-year correlation between flows of borrowing and capital flight suggest that large sums of money entered and exited the region through a financial ‘revolving door’.

To tackle the problem several solutions have been put forward. First, the Stolen Asset Recovery (StAR) initiative has allowed countries to request freezing stolen assets held abroad. However, this has proven difficult as the burden of proof is high, and the process of restitution is complicated. (see also Box 3 on asset recovery) The ratios of frozen assets to illicit financial flows are also very small. The second strategy is to repudiate odious debt by establishing debt tribunals and debt arbitration processes. This strategy is based on the fact that most of Africa’s debt has been incurred during dictatorships, and so citizens should not be held responsible for what was essentially collusion between dictatorial regimes and private creditors.

**Tax incentives**

Many developing countries have used incentives to attract international companies, including in the extractive industries. These include tax exemptions and tax holidays, tax deferments, de facto control of national infrastructure such as railways, ultra-low royalty rates and excessively generous access to...
water, timber and land. These incentives are often bundled-up with minimal regard for human and environmental standards. Many of these concessions are negotiated exclusively between multinationals and government ministers with little citizen or parliamentary consultation.

Tax holidays, which are frequently used to attract foreign direct investment (FDI), should be classified as ‘tax expenditure’. These holidays represent the state using public finance to attract businesses and individuals to its territory. This tax expenditure significantly reduces revenues available for public service provision.

Powerful corporations have unashamedly lobbied impoverished governments for tax holidays and special tax treatments to exploit assets such as coltan, oil, gas, rutile, tea, coffee, cocoa, cotton and flowers. This has prompted a race to the bottom among many low income countries, pitting ‘the poor against the poor’ and reducing the bargaining power of the state and citizens. For example, a recent IMF Working Paper revealed: ‘we find evidence that lower corporate income tax rates and longer tax holidays are effective in attracting FDI, but not in boosting ...growth’.¹² On tax incentives, the same paper concludes that, ‘their ultimate benefits for the economy may be limited’.

Economic globalisation has increased the pressures on governments to provide tax subsidies to inward investors. Powerful corporations have unashamedly lobbied impoverished governments for tax holidays and special tax treatments to exploit assets such as coltan, oil, gas, rutile, tea, coffee, cocoa, cotton and flowers. This has prompted a race to the bottom among many low income countries, pitting ‘the poor against the poor’ and reducing the bargaining power of the state and citizens. For example, a recent IMF Working Paper revealed: ‘we find evidence that lower corporate income tax rates and longer tax holidays are effective in attracting FDI, but not in boosting ...growth’.¹² On tax incentives, the same paper concludes that, ‘their ultimate benefits for the economy may be limited’.

Tax holidays are also a prime driver for the recent wave of land leasing. New investment codes that have been adopted, for instance in Mozambique in 1993, Tanzania in 1997, and Mali in
2005, allow for significant tax breaks for investors who invest in agricultural producing sectors. A deal concluded in the Ethiopian Regional State of Benishangul Gumuz involved a five year exemption from corporate income tax. Calculations, based on a US$20 per hectare of income tax levied from profits per hectare, show a 602,760 ha deal resulting in an annual tax loss of US$12.1 million.\(^3\)

The African Union is drafting its code of conduct for land acquisitions, including a requirement to pay local taxes. The Economic Community of West African States (ECOWAS) has worked on a mining code to establish minimum tax and royalty rates for extractive industries. Such standards should be agreed across the continent as a way to prevent the race to the bottom.

**Informal economy**

For many economists the main division in economic activity is between the formal and informal sectors. The first constitutes all recorded, accounted and statistically verified activities that enter into the system of national accounts. Informal activities are often understood as low capacity and traditional exchange economies. Africa’s untaxed or under-taxed informal economy was estimated to represent 43 per cent of GDP in 2002—03, compared to 16 per cent in the OECD, and 30 per cent in Asian countries.\(^4\)

Why do informal economies persist? One answer lies in path dependency, because in many countries tax and regulatory systems were never properly established where the country’s economy has been based on the extractive model since the colonial period.

The informal economy is usually made up of lots of people perceived as ‘unemployed’, but who are actually working hard in informal sectors without the subsequent protection of the labour laws. The informal economy is one borne of exclusion rather than simple poverty, as these working poor have been marginalised and locked out of formal economies through monopolies, lack of access to education, infrastructure and other state services.\(^5\)
monopolies, lack of access to education, infrastructure and other state services.

Some countries are making efforts to bring the informal sector within the tax bracket. In Rwanda, for instance, the Government heavily favours the use of direct taxation as way of achieving independence from aid. The country has national tax days when awards are given out to exemplary taxpayers. Between 1998 and 2006, the national budget and tax take grew three-fold in Rwanda. The informal sector is taxed at a fixed US$40 fee per month. Dependence on aid is now decreasing with domestic revenue accounting for 44 per cent of the state budget in 2008 despite the country hosting no significant natural capital. Despite this, 0.3 per cent of taxpayers contribute 48 per cent of revenue, indicating that further capacity could be tapped into.

Another example comes from Ghana. Since 1987, members of the Ghana Private Road Transport Union, who control many of the lorry parks where buses and taxis have their stands, have agreed to be taxed in exchange for political representation in what is essentially a corporatist relationship. This seems to work well in sectors like transport where operators have an interest to federate on the national level. In areas where no such interest exists, associational taxation may work less effectively.

1.4 Tax revenues and the functioning state

Tax is the most important proportion of government revenues in most African countries, except those few who depend more on hydrocarbon rents or aid grants for maintaining public finances. These countries cannot be considered as being tax states, as they depend on foreign revenue sources.

The importance of tax is a lesson in state formation that many rich countries have already mastered. The OECD member states generally collect tax revenues of around 35 per cent of
gross domestic product (GDP), or even higher. Meanwhile, the figure for the 27 countries of the European Union (EU) stood at 39.8 per cent in 2007.\footnote{15}

This fiscal-social contract is the litmus test of representative government because tax connects rights to reality. Without sufficient funding, citizens’ rights to things like housing, security, health and education remain mere aspirations.

During the past 25 years, tax revenues in sub-Saharan Africa have largely stagnated at levels around 15 per cent of GDP (see Annex 1 for 1996—2008 tax/GDP averages). This is under half the equivalent collected in the OECD countries. Exceptions in sub-Saharan Africa occur mainly in resource-rich countries, where revenue growth is mainly attributable to governments capturing benefits from natural resources.

Similarly, work by academics McKinley and Kyrili examines revenue trends for 29 low-income countries in sub-Saharan Africa.\footnote{16} It shows that total revenue in these countries only increased from 13.3 per cent of GDP during 1990—94 to 15.6 per cent during 2000—06 – or by 2.3 percentage points. Over the same time period, regressive indirect taxes, such as the VAT, rose from 3.5 per cent of GDP to 5 per cent – by far the biggest leap.

During the past 25 years, tax revenues in sub-Saharan Africa have largely stagnated at levels around 15 per cent of GDP. This is under half the equivalent collected in the OECD countries.
2. Sources of tax injustice in Africa

Tax injustice happens for a number of reasons. Secrecy jurisdictions provide high levels of confidentiality, to hide income from tax and shelter criminal practices. Autocratic governments are often helped by ‘respectable’ economic mercenaries who make use of regulatory gaps and loopholes. In such cases, the role of citizens as taxpayers and their right to hold governments to account are neglected.

In contrast, citizens in many developing countries are on the receiving end of policies often excessively and exclusively influenced by multinationals and international finance institutions. These policies include undermining domestic (taxable) industries providing income and employment, shrinking state budgets, and emphasising the importance of odious debt repayment.

2.1 Selective development or maldevelopment

‘Africa is a geological scandal’ declared a young Belgian geologist at the turn of the last century, referring to the abundance of resources in the DRC, presently valued at US$24 trillion, two times the GDP of the world’s leading economic power, the USA. It is this abundance that prompted the scramble for colonies, which four decades after independence have yet to diversify from the status of resource-dependent nations.

The African Union states that the continent holds 38 per cent of the world’s uranium, as well as 42 per cent of gold, 73 per cent of platinum and 88 per cent of diamonds. Other sources add that more than 80 per cent of the world’s known reserves of coltan, 57 per cent of cobalt, 39 per cent of manganese, 31 per cent of phosphates and 9 per cent of bauxite, lie under African soils. In terms of copper, the DRC has the second highest level of reserves (70 million tonnes) in the world after Chile (88 million tons).

But the scandal is not Africa’s resources: rather it is the structures used to facilitate cheapened access to resources that remains the root cause of the ‘resource curse’. Though some say a resource curse is innate to Africa, this is simply false. The continent’s creativity and adaptability are
not doomed to be ‘cursed’; the root cause is elsewhere, in structures of ‘maldevelopment’.

Little or no asset transformation or enhancement takes place within the continent, despite, for example, having such a high share of the world’s resources such as rough uncut diamonds. As during the colonial era, Africa imports many of her own commodities once finished abroad, benefiting foreign economies. Part of the problem lies in a lack of intra-regional specialisation and trade linkages. In Africa, trade between nations stagnates at 10 per cent, while 75 per cent of trade in the European Union is between member states.

**Box 2. Sierra Rutile: ‘Working for a better Sierra Leone’**

High-grade rutile and ilmenite deposits in southern Sierra Leone may account for as much as 30 percent of the world’s supply. Rutile and ilmenite both contain high concentrations of titanium dioxide. This is a white pigment used in plastics, paper, ceramics, food, sunscreens and a host of consumer products. Titanium metal, also derived from titanium dioxide, is designated by the US Defense Department as a strategic material, largely because of its use in light armour and the aerospace industry in military aircraft and missiles. Sierra Leone’s rutile deposits are thus of strategic importance to the United States and its allies.

The deposits are controlled almost exclusively, both as exploration concessions and in an active mine, by the Titanium Resources Group (TRG), a public liability company incorporated and domiciled in the British Virgin Islands. It is registered on the London Stock Exchange. TRG is 59 percent owned by Jean-Raymond Boulle, a controversial mining magnate with extensive contacts in the USA and Canada, who allegedly helped finance the march to power of Laurent Kabila in the Democratic Republic of Congo (then Zaire) in 1997.

The rutile mine in southern Sierra Leone was closed during the civil war in 1995, and re-opened in 2006 by TRG after one of its directors, John Sisay, negotiated a deal with the Government of Sierra Leone (GoSL) according it a royalty rate of just 0.5 per cent (the standard is 3 per cent) and a 10-year tax holiday on fuel taxes. The IMF estimated that this would cost the country US$98 million in lost revenue between 2004 and 2016.

The TRG mining contract and the foundation it established to support community development in areas affected by its dredging have been much criticised by civil society groups. The groups have documented the loss of revenue for the cash-strapped government, and the massive social and environmental upheaval caused by the
Mine. To date this has forced the relocation of 13 communities and turned an estimated 190,000 hectares of formerly thriving agricultural land into turgid lakes and wasteland, destroying livelihoods. Communities heap scorn on the company’s slogan, ‘Working for a Better Sierra Leone’.

As part of a mining reform process started in 2008, the GoSL has said it will re-negotiate the much-criticised mining contract with TRG. But, given the lack of transparency of this process, civil society groups fear that exploitation of the rutile will continue to produce what they call ‘blood rutile.’

Africa’s maldevelopment is shocking: 33 of the 49 least developed countries identified by the UN are African, most of them rich in mineral and other resources. These countries are only developed selectively, through specific industries useful for providing further benefits at low cost to capital exporting countries. Africa’s share of global exports, far from gaining momentum since the colonial era, has declined from 7.3 per cent in 1948 to 2 per cent in 2009.24

Maldevelopment has been packaged as behavioural, rooted in the abuse of political power chiefly located at the state level in developing countries rich in resources. The consequences are clearly visible, rendering resource-rich countries like Nigeria worse off than before oil production began. Before the oil boom Nigeria was a major palm oil and cocoa producer. Once the state became an oil producer, with an accompanying $400 billion in illicit flight, key industries employing the population have been neglected by the government.

Many resource rich African countries are susceptible to conflicts which cost the continent $18 billion per year, and an estimated $300 billion since the early 1990s.25 West Africa, home to oil, rutile, gold and diamonds amongst many other resources, is also, according to the World Bank, the region experiencing 70 per cent of the continent’s military coups.26

Maldevelopment comprises:

- A narrow and distorted tax-base vulnerable to the demands of large taxpayers, that is ‘legal’ citizens and corporations, benefitting from export-oriented economies.
• Little or no development of active (flesh and blood) taxpayer citizenry, leading to lack of political representation.

• Failure to disclose, project, invest and redistribute revenue, income and wealth.

• An over-valued currency making other export sectors less competitive (the ‘Dutch disease’), distorting the economic base towards investment in extractive industries.

• Over-dependence on natural resource rents as a source of government revenue, resulting in rentier economies, failure to capture just portions of tax revenue due to hidden subsidies such as low or zero tax and royalty rates, falsified profits and tax-exemptions.

• A failure to tax exploitation, degradation and loss of critical ecosystem services.

Countries attempting to reverse the resource curse face various difficulties, in Zambia, the government had proposed to increase the corporate tax from 25 per cent to 30 per cent to collect more direct tax revenue, but was compelled in January 2009 to suspend corporate tax on mining companies supposedly due to the impact of the economic crisis. Meanwhile the government has attempted to increase mining royalties from a meagre 0.6 per cent to an acceptable level of 3 per cent; a plan that in 2008 was projected to bring in US$415 million to the Zambian government.

2.2 Regressive taxation

Indirect taxes, such as VAT, have often proved regressive where they have been implemented, and appear to become more so as the economy develops. However, where indirect taxes form part of a comprehensive system of taxes and benefits, regressive outcomes can be avoided.

Many resource rich African countries are susceptible to conflicts which cost the continent $18 billion per year, and an estimated $300 billion since the early 1990s
To correct the unjust effects of taxation, redistribution of wealth and income is required. This could contribute towards correcting the unjust tax burden in Africa. Simple ways to correct an unjust distribution of the tax burden include:

- Focus on direct taxation that can be administered by using progressive marginal tax rates.
- Exempt basic necessities from consumption taxes, reducing the tax burden of the very poorest.
- Tackle evasion and avoidance to increase the efficiency of tax collection.
- Create basic income grant programmes such as the one piloted in Namibia, or the means-tested Productive Safety Net Programme (PSNP) in Ethiopia which benefitted 8.4 million poor people.
- Make tax identity numbers linked to social security cards to foster tax citizenship as is the case in Lagos State in Nigeria.
- Make fines, penalties, user charges, road levies, and so on indexed on income levels to increase the progressivity of these one-off payments to society resulting from disturbing social order.
- Promote active awareness of taxation, and the concept of tax advocacy.

Tax policies are seldom shaped through democratic processes and are often imposed as a result of external intervention by agencies such as the IMF, who have their own agendas (for more on this, see Section 4.1). The various means by which tax policies in Africa have been transformed by the Washington Consensus include:

- Trade and investment liberalisation programmes have expedited the collapse of domestic (taxable) industries,
often causing people and businesses to switch to the informal sector.

- Phasing out trade taxes and tariffs, which comprised 30 to 50 per cent of tax revenues in many developing countries prior to trade liberalisation, has greatly reduced government revenues. IMF research shows that low-income countries have been able to recover less than a third of lost revenue, on average, by following the standard prescriptions around increasing VAT and other domestic taxes.²⁹

- Phasing out wealth, property and capital gains taxes, and reducing the maximum rates and progressivity of other direct taxes such as corporate and personal income taxes.

- Shifting the tax charge to consumption, in particular through the introduction of indirect taxes such as VAT, has made tax systems more regressive even with exemptions on some basic necessities.

- Capital account liberalisation and the dismantling of monitoring mechanisms to measure inflows and outflows, vastly facilitating illicit flight of which a large component is tax loss via trade mispricing.

Many of these policies, typically included in IMF country papers, often run counter to the proposals for a fairer tax system outlined above. Some also directly hamper the introduction of progressive policies such as the basic income grant in Namibia, as fiscal tightening is prioritised over the development of a broad based tax system.

### 2.3 Limited taxation undermines representation

Dependence on revenues from the extractive industries has created a situation in which many African governments are largely sustained by resource rents extracted from a very small number of powerful companies, who in return for tax
paid have a high degree of influence over tax policy. The vast majority of citizens are excluded from the political process.

The process represents the interaction of:

- large transnational corporations or powerful governments, eager to secure preferential tax concessions for corporations or home country investors
- rentier states financed by resource income that remain financially secure
- international finance institutions and bilateral donors, imposing their ‘tax consensus’ through loan and grant conditionalities.

Progressive tax systems mean the wealthy pay a higher proportion of their income in tax than the poor. This is usually achieved via progressive marginal rates of taxation, but it can also be achieved by special levies on goods and activities that are primarily consumed by high-income earners, such as luxuries and cars, as well as taxing banking and stock market transactions. Corporate taxes usually do not discriminate between companies and variable corporate tax rates can also give rise to tax planning. This is why tax compliance is the best manner to achieve progressive corporate taxes, as the owners of capital are subsequently taxed in a progressive manner. Additionally, taxing natural resources with sufficiently high level of royalties is an important part of a progressive tax system.

### 2.4 Ineffective tax and customs administrations

Tax administrations in most African countries have often been characterised as either corrupt or inefficient, hard to reach and unwelcoming places. One of the more efficient ones, the Kenyan Revenue Authority (KRA), employs approximately 3,000 tax and customs officers, to serve a population of 32...
million. Meanwhile Nigeria, with its 5,000 tax officials, cannot engage in a meaningful tax dialogue with its 140 million citizens. The Netherlands, as an example of an OECD country, employs 30,000 tax and customs officials for a population of 10 million. Most of their time is spent in managing tax credits, and responding to taxpayer queries rather than simply extracting revenue. Clearly more tax officers need to be hired throughout Africa, with a public mandate to serve the interests of the citizens rather than simply extract revenue.

This extraordinary lack of personnel is a product of decades of failed tax policy in Africa, where the role of tax administrations was squeezed as part of austerity programmes prescribed by the international finance institutions including the IMF. Tax authorities have had to focus on collecting revenue from easier sources, neglecting their wider public mandate. Large Taxpayer Units (LTUs) have been created across the developing world in order to give special treatment and quicker response and customer service to the large and rich taxpayers.

Decades of austerity have undermined staff morale, reduced productivity within the revenue agencies and encouraged corrupt practices. As a result, revenue officials have increasingly:

- become receptive to bribes
- been intimidated by vested interests of the state and other powerful interest groups
- had their staff poached by the private sector
- lacked recourse to strong laws to combat tax evasion and avoidance
- failed to coordinate provincially, nationally and internationally
- had limited access to information technology, and infrastructural and institutional capacity
• lacked automated facilities at customs
tpoints to monitor foreign trade.

In addition to this lack of resources, the effectiveness of
revenue agencies has been further undermined by the lack of
co-operation between local authorities, states and central
government tax authorities. In federal states like Nigeria and
Ethiopia, lack of interaction between the revenue agencies is
a recipe for non-compliance.

And in a world of increasing cross-border trade and capital
flows, the work of African revenue agencies is made even more
difficult by weak regional and international tax co-operation.
As a result there is no effective exchange of information on
taxes in or between most African countries, let alone with
the wider international community. Those with the means
to negotiate their tax affairs, such as wealthy individuals and
MNCs, often play off the different layers of government and
agencies against each other. Ordinary taxpayers are not able
to do this.
3. The who’s who of African tax injustice

Speaking in the UK parliament in November 2009, South African finance minister Pravin Gordhan noted that: ‘We have allowed the word avoidance to gain too much respectability. It is just a smarter form of evasion.’ This is a powerful argument.

The tax avoidance industry likes to make a clear distinction between tax evasion, which is illegal in most countries though not in all secrecy jurisdictions, and tax avoidance, which typically involves exploiting legal loopholes that are not explicitly illegal. The distinction is not always clear cut and the tax avoidance industry often hides transactions in offshore structures to reduce the risk of disclosure to tax authorities.

The key actors in tax injustice examined in this section include:
- accountants
- lawyers
- bankers
- multinational companies
- secrecy jurisdictions
- governments
- parliaments
- taxpayers

3.1 Accountants

The ‘big four’ accountancy firms are PriceWaterhouseCoopers, KPMG, Ernst & Young, and Deloitte Touche Tohmatsu. In 2008, these companies had combined annual revenues of over US$102.6 billion. They all operate in almost all countries, and all have registered subsidiaries in secrecy jurisdictions such as the Cayman Islands.

African offices of these companies have little say over how client operations are run in their countries, since many of their clients are multinationals, as are their companies. It is often the global accounting firms that reinforce the culture of tax avoidance by claiming to have a duty to minimise tax liabilities of clients, which is in conflict with their duty to the public. This is displayed in the mindset of global firms such as KPMG, creator of the Tax Innovation Centre which is designed to engineer tax solutions.

To achieve tax justice, accountants should:
never mix auditing with the provision of other services like corporate consulting or tax advice

respect their duty to the shareholder and other users of accounts by ensuring companies report their finances truthfully

respect the duty to the public by ensuring that companies give a truthful account of their role in society

respect the duty to the environment by giving a truthful account of ecological harm and risk a company creates

create ethical codes of conduct to counter arguments from company directors who may demand otherwise.

3.2 Lawyers

The legal profession has the duty to uphold the law, both in its spirit and letter. Lawyers play key roles in creating, interpreting and enforcing rules. They often lobby on behalf of private clients to try to dilute draft public interest legislation.

In some parts of Africa, the legal profession is in crisis. Judges and public prosecutors have inadequate resources and delays in cases being heard are commonplace. Not all lawyers act as conduits of secrecy, but many do so to meet client wishes. A junior lawyer without her or his own practice will find it difficult to resist pressures to provide tax evasion services, even when they have strong ethical objections to doing so.

To achieve tax justice, lawyers should:

create a climate of compliance, where advice given is in the best interest of the management, shareholders and wider stakeholders

create a climate of trust, where advice given is always within the letter and the spirit of the law
• operate with transparency, where all legal instruments on offer are maintained in a public registry, with known owners as beneficiaries

• work for the public interest, whereby they would not create secretive trusts or arrange ownership of fictitious companies

• not offer contracts where the use of secrecy jurisdictions and tax havens are suggested, contradicting the spirit of the law.

However, many of the practices that lawyers undertake contradict these principles. Lawyers often use and actively promote secrecy jurisdictions to their clients.

The role of lawyers is regulated both by the state and by professional associations, such as the bar societies and law societies. None of the ethical codes of conduct promoted by the professional bodies of lawyers condemns the use of secrecy jurisdictions, aggressive tax planning or the promotion of non-compliant taxation behaviour by its members. This should change. Professional associations should debate the issue of tax justice and provide their members with clear guidelines on what is, and what is not, acceptable professional practice.

3.3 Bankers

Banks play a major role in the world of secrecy jurisdictions, the weakest link in tackling global corruption. It is often difficult to find accounts in the name of specific individuals, as corrupt individuals or companies trying to evade tax set up charitable foundations, trusts and International Business Companies in whose name they open accounts.

A scandal in 1999 resulted in a US Senate hearing on Riggs Bank. This found expedient and exploitable gaps in the bank’s anti-money laundering (AML) system. This scandal proved to be the end of Riggs. Other banks have since taken over the
The lucrative business of providing banking services for Politically Exposed Persons (PEPs) as they are known in the wealth management industry. Respected financial institutions such as Barclays, HSBC, Deutsche and Citibank have continued to bank illicit flight capital from maldeveloped, resource-rich, conflict prone regions.31

In November 2009, a Swiss court fined a Monaco-based financial adviser to Abbi Abacha, son of the former dictator of Nigeria. Abbi Abacha had been convicted of participating in a criminal organisation, and his financial adviser was deemed to have been complicit in this process by laundering the proceeds from these crimes. In addition to the fine, the adviser also had fees paid by Abacha, amounting to Swiss Francs 10 million, confiscated by the court.

The banking secrecy laws of countries like Austria, Dubai and Switzerland, as well as financial secrecy in Jersey, Guernsey and the Cayman Islands prevent tax authorities from tracing suspected tax fraud or corrupt flight of wealth. Banks have been found to be major facilitators of corruption, tax evasion and other types of illicit financial flows.

**Box 3. Asset recovery**

It is an accepted fact that billions of dollars in public funds are looted every year from the African continent. A 2004 report by the African Union estimated that the continent loses $148 billion annually to corrupt practices – representing 25 per cent of the GDP of the entire continent.32

Unscrupulous banking practices in the developed world have aided and abetted the looting of public assets. But as a wave of democracy swept the continent in the 1990’s, newly elected democratic leaders began to agitate for the restitution of funds stolen during previous illegitimate regimes.

The international community took notice, and the issue of asset repatriation gained global attention. Campaigns to recover the money of notorious kleptocrats such as Sani Abacha and Ferdinand Marcos further raised the profile of asset recovery. A landmark event was the inclusion of an entire chapter on asset recovery in the UN Convention Against Corruption, which entered into force in December 2005.
But asset recovery campaigners in Africa and elsewhere continue to face considerable challenges:

- African countries wanting to launch repatriation campaigns face severe resource constraints. Asset repatriation is a costly, technical undertaking.

- Asset recovery is a legal quagmire. Governments attempting to restore assets may have to demonstrate that these assets were in fact the proceeds of corruption. This requires reliance on overstressed African court systems.

- Asset repatriation campaigns confront and threaten people who may still retain significant interest and influence in society.

- A rise in new and secretive banking jurisdictions may make it easier for looters to hide their money – and more difficult to get it back.

- Recovering the money is only part of the battle. Injecting recovered funds into a government without adequate institutional safeguards runs the risk of having the money re-looted. Transparent monitoring and oversight mechanisms are essential.

If asset recovery is so challenging, then why do it? First, the African continent needs funds. The amount of money looted annually is staggering. A significant impact can be made even if only a small proportion of funds can be recovered and effectively utilised. The Stolen Asset Recovery Initiative notes that for every US$100 million recovered, four million children could be fully immunised, or water connections provided to 250,000 households.33

Second, recovering looted money sends a strong message to those officials contemplating stealing public funds. Corrupt individuals need to know that their money will not be safe, and that they could be subject to costly legal proceedings that frequently involve their family, friends and associates. Banks also need to know that there are consequences if they willingly take money from corrupt individuals.

Finally, looted public funds belong to the citizens of the African continent, who pay the price for leaders’ corruption and banks’ complicity. Despite the complexities, stolen funds must to be returned to whom they rightfully belong.

Banks should:

- Know the laws of other countries and respect them in not offering secrecy services where clients, by not reporting their funds back home, can easily break money laundering or tax laws.
• Know who their clients are, and never accept a company without clear beneficial owners as a client.

• Keep records of the company or account beneficial owners for the period that interest and other capital gains are likely to be taxable, usually up to ten years.

• Work to improve financial transparency and not influence governments to try to establish new secrecy jurisdictions.

• Co-operate with regulators and judicial inquiries concerning their clients, placing the public rather than the client interest first as all banks operate with banking licences granted by the public.

After decolonisation, many European and American banks kept retail and commercial operations in African countries and those banks have close ties with affiliated offshore banking operations in secrecy jurisdictions. Meanwhile, a number of African banks are also eagerly readying themselves for banking secrecy.

3.4 Multinational companies

Many African governments have based their development strategies on attracting foreign direct investment. This has placed multinational companies, especially those involved in the mining industries, in strong bargaining positions which they frequently use to reduce the amount of tax they are required to pay. They do this by lobbying for extensive tax holidays and other exemptions. They also engage aggressively in tax avoidance, often by using transfer pricing techniques to shift profits away from the countries where they are generated into subsidiaries located in secrecy jurisdictions.

MNCs have a responsibility to ensure that they pay the taxes they owe in the countries in which they make profits. Many fail to do this. Instead, their tax advisers falsely argue that tax is a business cost; and as costs should be minimised, tax should
be avoided wherever possible. But this argument is incorrect. Like dividends payable to shareholders, tax is a return to stakeholders from the profits generated by business activity.

Unfortunately many companies, even those that like to claim they are responsible global citizens, see tax avoidance as an acceptable practice. Apple, for example, is alleged to conceal 90 per cent of profits in Ireland, depriving licence revenues from other countries where it operates.34 For all the Apple computers bought in Africa, the intellectual property payments are sent to an Irish subsidiary, where tax on the licence and other royalties in intangible capital is just 12.5 per cent.

Another glaring example of tax avoidance was exposed in South Africa. German multinational Metro Cash & Carry claimed VAT returns on the supposed export of 76 million bras to Lesotho. Yet this landlocked country has a population of just two million people. Pravin Gordhan, head of the South African Revenue Service quipped ‘the bra, it seems, has replaced the blanket as Lesotho’s national dress’.35 The Revenue Service won a R267 million tax complaint against the corporation.36 However, it is rare for revenue authorities in Africa to challenge the tax avoidance practices of large companies. This is because they lack sufficient staff as well as the expertise needed to analyse the accounts of these complex organisations.

### 3.5 Secrecy jurisdictions

Africa loses a vast quantity of its wealth through deals structured in secrecy jurisdictions, the places commonly known as tax havens. Yet Africa has also developed – or is in the process of developing – its own secrecy jurisdictions, that in turn will facilitate illicit financial flows. Of the 60 leading secrecy jurisdictions identified by the Tax Justice Network, three are located in Africa – Liberia, Mauritius and Seychelles (see Box 1) – and several new ones appear to be in the making (for example in Ghana, Botswana and Anjouan).
Secrecy jurisdictions are defined as places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction. To facilitate its use, secrecy jurisdictions also create a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so.

Similarly, Free Zones, Special Economic Zones, or Export Processing Zones, are also clearly designed to confer advantages to those not resident in the countries hosting them. Companies operating in these zones seek anonymity in order not to be associated with the multinational companies owning them in order to avoid reputational risks. In two cases it was found that Free Zones are also offering offshore banking services: in Djibouti and Tangier. This development towards more explicitly offering secretive financial services is a cause for concern.

Africa has its share of secrecy jurisdictions, which are also labelled tax havens, judicial and regulatory havens, financial havens, Offshore Financial Centres (OFCs), International Financial Services Centres (IFSCs), or flags of convenience. They include:

**Anjouan/Nzwani Island (Comoros):** The collapse of the central government has led to each of the Comoros islands exerting fiscal sovereignty, thereby opening the doors for establishing financial and secrecy laws that enable illicit financial flows. In 2003, Anjouan created an offshore sector and in 2008 it was reported that 300 offshore banks, many of them mere shells, operate under Anjouan’s offshore authority. Moheli, the neighbouring island, claims to have registered 1200 International Business Companies.

**Botswana:** Since 2003, Botswana has operated an International Financial Services Centre which is destined to bring further rents from financial services alongside the ever lucrative diamond trade. Botswana’s IFSC, with a cumulative
capital of BWP 4.1 billion, offers exemption from capital gains, withholding and value added taxes, and offers a lower corporate income tax rate than in the regular economy. Botswana is currently heavily involved in the negotiation of double tax treaties with many African countries, positioning itself as a tax-free investment hub in Africa for investors from Europe and Asia.

**Tangier:** The Moroccan counterpart of Gibraltar, the creation of Tangier Free Zone can be traced back to late 1997 and early 1998 when several decrees allowed a broad range of activities, including banking services and the incorporation of companies. Tangier was considered as an offshore financial centre by the IMF in their 1999 working paper, meeting the criteria of providing financial services to non-residents.37

**Djibouti:** A new Dubai in the making with a bridge planned to Yemen, Djibouti hosts both US and French military bases and is highly dependent on income from these bases and foreign residents. The Djibouti Freezone allows the redomiciliation of any foreign law company and presents itself as a tax-free cargo handling gateway to Africa with almost unrestricted banking and commerce sectors.

**Seychelles:** Thanks to the International Business Companies Act of 1994, private International Business Companies (IBC)s can be formed in the Seychelles without disclosing beneficial ownership to any authority. These IBCs can even be purchased as a readymade ‘shelf’ company within a few hours. As well as tax exemption and enhanced secrecy for investors by trusts and nominees, clients can make use of rare account signatory services which may help circumvent anti-money laundering regulations.

**Ghana:** An International Financial Services Centre is being planned in the Accra financial district, a development supported by Barclays Bank. The establishment of this IFSC will facilitate illicit financial flows across and out of the regions’ petrol and mineral states. It is not clear yet if and when Ghana’s IFSC will
become operational, not least because of growing opposition from national civil society and international organisations.

**Liberia**: A flag of convenience of international renown with a low-tax and low-regulatory environment for global shipping. Liberia’s shipping registry is handled from the USA, and also has offices in Germany. By 2008, the Liberian-flagged fleet consisted of 2,600 vessels of more than 80 million gross tons. Furthermore, Lowtax.net reports that ‘aged shelf corporations are available.’ The registry also offers the formation of companies whose directors may be foreign corporations.

**Mauritius**: Mauritius is the largest of the secrecy jurisdictions off the coast of Africa. The island benefits from foreign wealth especially of Indian origin, but also has a network of 13 Double Tax Treaties with African nations, offering low-tax repatriation of profits earned in these countries. The anonymity of foreign assets is enhanced by secrecy provisions that block all effective judicial and tax co-operation, so that the capital can be reinvested in the owners’ countries of origin, avoiding taxes in a phenomenon known as ‘round tripping’. The so-called Category 2 Global Business License companies are completely tax exempt, and are not required to register any ownership information with a government authority, prepare annual accounts, or submit tax returns.

**Somalia**: Parts of Somalia, as they lack any functioning state apparatus, have emerged as spoof offshore financial centres as no legislation has ever backed such bank licences. Parts of the territory are used as pirate havens, inflicting damage not only to ships, but to vital trade routes serving East African ports. An online provider claims to operate the Somalia International Financial Centre, allegedly under the legislation of the now demised Somali Democratic Republic.

Many of the IFSCs, OFCs, or similar constructions have been established with little popular consultation, parliamentary oversight, or evaluation of the causes, consequences, costs and risks of secrecy jurisdictions hosting such financial centres.
These centres are already – or may become – competitors in the market for services that facilitate the handling of illicit financial flows from Africa. The main motives driving these flows include tax evasion and avoidance and the routing of payments for illegal arms trading, trafficking in human beings and bribery.

3.6 Governments

Governments – local and national – are responsible for developing and implementing domestic tax policy. Section 1.1 of this report outlined some of the key objectives of tax in the form of the ‘4 Rs’ – these also represent the responsibilities of government in relation to tax policy:

• raise revenues equitably

• redistribute income and wealth to address poverty and inequality

• reprice goods and services

• represent the interests of citizens

• In addition the government should avoid the following:

• regressive tax systems that charge people on lower incomes a higher proportional rate of tax than those on higher incomes

• oppressive tax systems which charge a source of income to tax more than once

• inconsistent tax systems which charge similar types of income in different ways or at substantially different rates

• incomplete tax systems that are either not comprehensive in their scope or allow income to fall through loopholes.
3.7 Parliaments

In Africa, most mining agreements or contracts remain confidential and are often negotiated by individuals who have captured state-structures, or are able to manipulate weak or fragmented states, overriding parliament. From Angola, Nigeria, and Niger to Zambia and Tanzania, resource exploitation contracts are concealed from electorates.

In the DRC, politicians have granted massive exemptions to multinationals in exchange for private gain; a 2004 audit by Ernst & Young revealed that the DRC’s state-owned mine received little or no profits from joint ventures due to tax exemptions and low royalty rates. In 2006, the country received just US$86,000 in mineral rights, and constantly has the lowest levels of royalties and corporate taxes applicable to mining operators.39

Members of parliament should:

- uphold the spirit and letter of the constitution that guarantees every citizen with equal rights to development
- question deals and treaties that are counter to the constitution in delivering on political and social justice
- request information on secretive extractive and other investment deals to uphold equality of all taxpayers
- legislate transparent and comprehensible mining, hydrocarbon and tax codes
- keep a dialogue with civil society on these common objectives.

Civil society organisations such as Publish What You Pay (PWYP), Tax Justice Network and Transparency International are working to persuade governments and companies to break the culture of secrecy and publish data on what companies pay governments to access their countries’ natural resources.
Similarly, government-led initiatives such as the Extractive Industries Transparency Initiative have yielded some data, but the initiative does not cover all industries, and does not yet provide a country-by-country picture of corporate activities.

3.8 Taxpayers

Taxpayers are not all the same, and so they should be treated according to their capacity, and their type of activity. Taxpayers include both companies and individuals and they pay taxes directly on their income and indirectly, for example, on goods and services.

In their role as citizens, taxpayers must accept their duty to the state to cooperate with tax administrators and pay the taxes they owe as defined by the spirit of the law of the country where they reside or operate their business. This requires that they:

- neither evade or avoid taxes

- seek to comply with the prevailing tax laws as they apply to them.

- The role of government should be to create a system of taxation that:

  - requires each person and corporate entity to pay tax according to their means

  - imposes no undue cost on them to comply with that law

  - provides them with reasonable certainty as to what is due

  - provides a system of access to information and arbitration when the law is not clear

  - imposes a duty to ensure that taxes are applied impartially, free of corruption, and equally enforced
ensures that taxes received are openly and transparently accounted for and state spending is budgeted and accounted for through democratic and transparent processes.

The keenest tax avoiders are the High Net Worth Individuals or hen-wees. In Africa, Nigeria and South Africa are home to most of the continent’s dollar millionaires. In 2007 the number of South Africans with over one million US dollars increased by almost 14 per cent to 55,000 people. This beat the continental average increase in dollar millionaires of 10 per cent, and far outstripped the global average increase of 6 per cent. Hen-wees can also be noisy advocates for low tax on land rents, capital gains and inheritances.

### 3.9 Turning the page on tax injustice

Are the professionals of tax injustice ready to turn the page and work for tax justice instead? Any reversal is most likely to start from the bottom up, with taxpayers becoming the key drivers of change. Taxpayers can form interest groups and demand transparency in the use of their tax money. Lawyers and accountants can assist in this process.

Members of parliament have a crucial role in challenging the government’s tax policies so that they respond not to special interests but the interests of citizens. Governments have, through intergovernmental co-operation, the role of tackling the issue of secrecy jurisdictions with international treaties for better access to tax information on an automatic and multilateral basis.

Multinational companies can also play their part, by publishing more transparent accounts, and being responsive to demands for greater corporate citizenship. But companies cannot do this alone; they will need citizens and governments to redefine their role as responsible taxpayers and corporate citizens.
4. Agencies influencing Africa’s tax policy

Much of Africa’s tax policy is made outside Africa, by the forces of globalisation and the international organisations associated with the Washington Consensus. This section will begin by examining how organisations like the World Bank and the IMF have influenced tax policy in Africa, before looking at some of the organisations that are trying to tackle various aspects of tax injustice. Key among these are the United Nations and the OECD. However, despite being severely affected by issues such as illicit financial flows and harmful tax competition, African countries and African civil society are broadly speaking under-represented at these international fora.

4.1 World Bank and the IMF

‘During recent decades, a powerful consensus has developed [which] has included not only the structure of taxes, but also the level of tax rates... to refuse to subscribe to it would be imprudent as well as incurring disapproval from [the IMF and World Bank].’

The multilateral donor agencies have promoted the tax consensus across sub-Saharan Africa. The consensus has focused on reducing corporate and, to a lesser extent, personal tax rates while expanding the base for consumption taxes (VAT in particular). It has also supported trade liberalisation through the reduction of both export and import taxation. Significant structural overhauls to the tax administration in African countries have been another important element of the tax consensus.

Rather than tailoring recommendations to specific African countries, the IMF and other multilateral agencies have been criticised for adopting a ‘one-size-fits-all’ approach in promoting the tax consensus uniformly across countries.

African governments, meanwhile, have effectively outsourced their tax policymaking to the multilateral agencies. The presence of these institutions enables African leaders to absolve themselves of responsibility for reforms and their consequences.
It is now clear that the tax consensus has failed. One legacy of the consensus is that an excessive focus on increasing consumption taxes, while reducing corporate, personal and trade taxes, has led to a reduction in government revenues, while also worsening inequality in almost all countries.

How did so many African countries get into this mess? One reason is the lack of democratic legitimacy in these multilateral institutions where African countries are severely under-represented.

### 4.2 World Trade Organisation

WTO treaties are based on a theory of ‘free trade’, but the reality is often far from that. For example, the WTO has paid scant attention to how tax competition, in the form of tax holidays, special rates, exemptions, Export Processing Zones, and other forms of indirect subsidy, have distorted trade and investment flows. Tax competition diverts investment towards places where it is used inefficiently, and enables corporate free-riding on publicly provided services. The only winners in such a process are mobile businesses which play one government off against another to secure subsidies and tax breaks.

### 4.3 United Nations

The role of the United Nations in taxation is not widely known or understood. African countries, in particular, have been under-represented in UN negotiations on international cooperation on tax matters, and the interests of OECD countries – and their related secrecy jurisdictions – are significantly over-represented. This has led to a situation in which the interests of capital exporting countries, predominantly OECD countries, and of secrecy jurisdictions (also largely linked to OECD member states), have frequently over-ridden those of countries in the global South.
In the 1920s the League of Nations, predecessor to the United Nations, took the first steps towards encouraging countries to agree double taxation treaties with one another. This work was taken up in the late 1940s by the UN, which later published a model double tax treaty, which in turn was re-worked by the OECD. The latter has generally led the way in tax cooperation in recent decades and its model tax treaty agreement provides the basis for most double tax treaties.

In 2003 the UN General Assembly decided to elevate its existing expert tax group to committee status. It did this in the framework of the Monterrey Consensus on Financing for Development, which identified the need to tackle capital flight and tax evasion. The UN Committee of Experts on International Cooperation in Tax Matters meets for annual session in Geneva. It comprises 25 expert members appointed from UN member states. At its November 2009 meeting, sub-Saharan African states with membership of the UN Tax Committee were Ghana, Nigeria, Senegal and South Africa. Kenya was also represented with observer status. North African states are represented by Morocco and Egypt.

Steps are being taken to encourage wider participation in the UN processes. In conjunction with the UN Development Programme and its Finance for Development office, civil society has been working with officials and specialists from countries of the global South to share successful tax practices. This programme for South-South Sharing of Successful Tax Practices is aimed at developing capacity and common positions for international cooperation on tax matters.

4.4 International Accounting Standards Board

The ‘big four’ accountancy firms have effectively appointed themselves judge and jury when it comes to creating the accounting standards that apply in the majority of countries. The International Accounting Standards Board (IASB), which sets international accounting standards, is based in the
secr... of Delaware, and is largely funded by the ‘big four’ and their corporate clients. It is an international body operating without political oversight.

In Africa, most states adopt the International Financial Reporting Standards (IFRS), rules set by the IASB, even though they often have limited relevance to the particular circumstances on the continent. There is little choice in terms of rules established by competing bodies at the African level.

4.5 Organisation for Economic Cooperation and Development

The Organisation for Economic Cooperation and Development, an international body with a membership of 30 high-income countries, is the developed world’s leading economic think-tank. The OECD’s work on tax issues ranges from information exchange, tax policy analysis, harmful tax practices, transfer pricing and the identification and monitoring of secrecy jurisdictions.

The OECD is the body that the G-8 and G-20 regularly turn to for guidance on tax matters, and the OECD has produced several codes, standards and initiatives in response. For example, when the April 2009 G-20 Summit in London decided to act against tax havens, it was the OECD which they asked to take action.

The OECD approach has largely consisted of seeking to eliminate harmful tax practices through mutual undertakings and information exchange processes. For example, it promotes bilateral treaties between secrecy jurisdictions and countries wanting to exchange tax information to counter tax evasion. The OECD also produces guidelines for MNCs relating to transfer pricing based on the arm’s length principle.

Unfortunately the OECD’s guidelines have many gaps and the policies they promote have proven to be weak and ineffective. Thus for example, their guidelines on transfer pricing are
scarcely relevant to the pricing of intellectual property rights such as brand logos, patents, copyrights, licences and so on, which are increasingly used for shifting profits to tax havens. The OECD model treaty for tax information exchange is likewise ineffective, and despite the G-20 Summit statements about tackling tax havens, in practice there is no evidence that the OECD processes are actually deterring tax evasion.

These deficiencies may well arise in part from the composition of the OECD’s membership. It is the ‘rich country’s club’ and there are no African countries present on its council.

### 4.6 African Tax Administration Forum

The African Tax Administration Forum (ATAF) is an OECD-backed initiative, with a secretariat in South Africa. It has pledged assistance between developed and developing nations on tax matters. The Forum has input from South Africa (where the first meeting was held), Ghana, Botswana, Cameroon, and other African states, signalling recognition of the importance of tax issues in the context of raising domestic revenues. However, the Forum needs to expand its work towards tackling the prevalent culture of tax competition, in addition to looking at administrative capacity.

### 4.7 African Union

The African Union (AU), founded in 2002, is a platform composed of 53 African nations. The successor to the Organisation for African Unity (OAU), it is headquartered in Addis Ababa, Ethiopia. Its mandate covers a range of issues: economics, law, agriculture, peace and security, political affairs, plus trade and industry.

The AU lacks a clear position on tax policy. It is largely silent on secrecy jurisdictions, information exchange, country-by-country reporting, published registries of banking clients, taxing capital flows, and the implications of trade and
investment liberalisation. But this is not because the AU remains unaware of the tremendous vacuums and fault-lines embedded within the continent’s political economy.

African Union organs relevant to tax justice include:

- Pan-African Parliament, presently holding consultative and advisory powers, with the stated intent of developing legislative powers.

- Specialised technical committees such as the Committee on Monetary and Financial Affairs; the Committee on Trade, Customs and Immigration Affairs; and the Committee on Industry, Science and Technology, Energy, Natural Resources and Environment, manned by officials and ministers in various countries.

- The financial institutions composed of the African Investment Bank, African Central Bank and African Monetary Fund.

- Economic, Social and Cultural Council of the African Union, launched in 2005, with the objectives of accelerating socio-economic and political integration of the continent, encouraging international cooperation, promoting sustainable development and co-operation in all fields of human activity to raise the living standards of African peoples.

### 4.8 New Economic Partnership for African Development

The New Economic Partnership for African Development (NEPAD) is also known as the ‘development blueprint’ of the African Union. NEPAD is the brainchild of former South African President Thabo Mbeki, and is driven in addition by four key continental powerhouses: Senegal, Nigeria, Algeria and Egypt.
NEPAD’s structure is based on the premise that the 19 member states will hold one another politically accountable through the Africa Peer Review Mechanism (APRM). NEPAD’s agenda is essentially based on the Africanised version of the Washington Consensus agenda: that Africa’s fate lies intertwined with foreign investment-driven development. The peer review mechanism has highlighted areas of government transparency. This should be expanded to the formulation of tax policy, looking in particular at the harmful effects of tax competition.

NEPAD has the potential to act as a collective bargaining point for Africa in relations with foreign governments and trade blocs, international finance institutions such as the IMF, the World Trade Organisation and multinationals.

### 4.9 Regional co-operation bodies in Africa

Important regional blocs in Africa include:

- **Common Market for Eastern and Southern Africa (COMESA),** a trade bloc formed in 1994 with a membership of 19 states.

- **South African Development Community (SADC),** composed of 15 Southern African member states with origins going back to the 1960s.

- **Economic Community of West African States (ECOWAS),** formed in 1975 following the Treaty of Lagos, made up of 15 West African member states.

- **Economic and Monetary Community of Central Africa (CEMAC).**

- **Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO).**
Africa's weakness is not that the continent lacks the proper channels or power to implement and influence global policy, but that the necessary political will is isolated and dispersed.

4.10 Civil society

Civil society is getting ever more active in working together to highlight and advocate for tax justice. In 2009, a West African Regional Tax Justice Workshop was held in Ghana, under the title ‘No Representation without Taxation’. This highlighted the links between tax and democracy, and how tax brings a new element for civil society to advance better governance in Africa.
Box 4. Citizen report cards in Kenya

The Kenya Revenue Authority is always surpassing its revenue targets and significantly increasing the revenue base to the extent that the budget is staggeringly up to 95 per cent funded by taxpayers. This fact makes taxpayers the main stakeholders in public expenditure. And they are asking: what does tax do for us?

The National Taxpayers Association (NTA) Citizens Report Cards (CRCs) offer a way for citizens to demand accountability from public resource managers and public service providers. CRCs show how the management of public resources can be positively transformed through public oversight, reporting, and engagement with public officers.

Kenya has developed a system of devolved funds, which are essentially ‘ring-fenced’ tax revenues for specific purposes: local development, free primary education, road maintenance, HIV/AIDS, and so on. In recent years, the NTA has carried out a social audit of the two most significant funds: the Constituency Development Fund (CDF) and the Local Authority Transfer Fund (LATF). The audits show that 27 per cent of funds allocated to the CDF and 49 per cent of funds allocated to the LATF in the financial year 2007/2008 were lost through wastage, abandoned projects, failure to account, and blatant looting of public resources through ghost (non-existent) projects across the country.

To put these figures in context, CDF accounts for only 2.5 per cent of the national budget while LATF accounts for 5 percent of income tax. So what might be happening with the other 90 or so per cent of the budget and national revenue spent at the central government level?

Kenya is arguably one of the most corrupt countries in Africa, and this case study provides an example of the mismanagement of public resources at the central government level. While the Kenya Revenue Authority is upbeat about its capacity to raise revenues, the government’s ability to spend revenues effectively is less encouraging.

Civil society should educate the African public about tax justice and what can be done to tackle tax injustices at both the national and international level. This will help citizens to advocate for fairer taxes with their respective governments. The role of civil society in this context is to create a political environment in which the will to move towards pro-poor tax policies is strengthened and sustained. The range of issues that civil society needs to address includes:

The audits show that 27 per cent of funds allocated to the CDF and 49 per cent of funds allocated to the LATF in the financial year 2007/2008 were lost through wastage, abandoned projects, failure to account, and blatant looting of public resources through ghost (non-existent) projects across Kenya.
• raising awareness about the importance of taxation

• developing alternatives to the tax consensus

• holding governments to account for how they raise revenue and spend it

• demanding transparent mineral extraction contracting processes and audits of existing contracts

• asking companies to prepare country-by-country accounts

• highlighting the effects of corporate tax evasion

• creating a dialogue between tax administrations and civil society.

Civil society should educate the African public about tax justice and what can be done to tackle tax injustices at both the national and international level.
5. Towards tax justice in Africa

It was known as the Freedom Charter, the blueprint for what would later be known as the ‘moral compass of the world’ following the political emancipation of South Africa from the chains of racial apartheid. In 1955, the African National Congress (ANC) sent 50,000 freedom scribes into the townships and villages to document the freedom demands of the dispossessed. These demands were later enshrined in the charter that considered that one day policies leading to exploitation could be dismantled, and economic opportunities democratised and shared.

According to the Charter:

*The national wealth of our country, the heritage of South Africans, shall be restored to the people; the mineral wealth beneath the soil, the Banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the wellbeing of the people.*

The spirit of the Freedom Charter remains a living and inspiring force. South Africa experiences over 10,000 citizen-related protests each year concerning service delivery in the fields of water, electricity and other state services. Across Africa protests centre around tax issues, such as the increases in road tolls by 1000 per cent in Ghana in January 2010, or the doubling of VAT on selected food items in Niger in 2005 at the beginning of the food crisis. In some cases adherence to the values of liberation has also created a bottom-up culture of tax compliance, as the recent case of the State of Lagos in Nigeria demonstrates.

5.1 Enduring freedom via taxation

Possibly due to active advocacy efforts and a government with the memory of gaining freedom, the leading example in Africa in tax collection is the South African Revenue Services (SARS), built up by former freedom fighter, Pravin Gordhan, who is now Minister of Finance. His ideas for raising taxes are threefold:

- build awareness of the importance of tax through public education programmes
- take on more staff and strengthen the tax administration
• create an effective enforcement arm for the revenue services and prosecute evaders where necessary.

Gordhan stresses the importance of political will to create a culture of tax compliance, but notes that this will not happen if the politicians themselves decline to pay their taxes. He talks about the need for a comprehensive philosophical re-orientation in public attitudes towards tax, particularly within the corporate community which still treats tax as an expense rather than a contribution towards provision of public services which all companies enjoy.

Speaking about tax justice in the UK parliament in November 2009, Gordhan commented on the importance to African countries of freeing themselves from being dictated to by external players like the IMF: ‘Countries that are able to achieve this,’ he said ‘will find that tax policy is an indispensable part of national self-determination.’

Box 5. South African Revenue Services: Wrestling with non-compliance

During the launch of the 2009 tax season, Oupa Magashula, Acting Commissioner of the South African Revenue Services (SARS) at the time, condemned the ignorance of those who did not see tax evasion as a crime or who viewed it as a victimless crime.

SARS had identified 600,000 employees who should have been registered for tax but were not, nearly 7,000 employers who failed to submit their PAYE reconciliation, and an additional 4,000 employers who have not paid over taxes withheld from employees.45

Defaulting employers had either been issued with summonses or penalty letters amounting to some R730 million. In his State of the Nation Address on 5 June 2009, Pravin Gordhan, the Finance Minister, concurred with the Commissioner, noting that:

I am happy to report to this House that as at 31 May 2009 we have seen a 10 per cent increase in the number of tax compliant employers, demonstrating that even in the face of the crisis more companies are willing to do business legally. The SARS will intensify its efforts to detect and contest non-compliance.

However, these figures were modest compared to South Africa’s estimated annual tax gap of between R10bn and R30bn; largely due to international evasion and avoidance by corporations.46 In 2004, SARS set up a Large Business Centre to focus on corporations and issues such as aggressive tax planning, transfer pricing, offshore
arrangements and use of trusts. SARS also employed additional experts to unravel tax schemes and provide voluntary disclosure opportunities for non-compliant tax entities.

The 2008 Medium Term Budget Policy Statement notes that for several years, revenue growth has exceeded economic growth, with the tax to GDP ratio rising by more than three percentage points in five years. The factors behind this strong revenue performance included legislative changes to broaden the tax base and reduce loopholes, and a more efficient revenue service. Through both policy reforms and improved administration, the government has increased the efficiency, fairness and progressiveness of the tax system, while reducing the distorting impact of high marginal tax rates. SARS estimates that over the past ten years, revenue grew from a meagre R184 billion to R625 billion averaging a plus minus 13 percent growth annually.

5.2 Transparent taxation

Citizens have the right to know how taxes are collected, where tax has been levied, and how it affects them as taxpayers either directly or indirectly. This is because all tax ultimately belongs to the people. Understanding the realities underpinning the fiscal-social contract therefore depends on:

- mandating public registries of people in all political functions to declare their assets and beneficial ownership of companies, trusts, foundations and other entities globally

- publishing accurate and up-to-date revenue data by types of revenue and agencies who collect them

- publishing tax revenues paid by each corporation, subsidiary or other incorporated entities

- disclosure of development agreements, mining treaties, as well as loan and grant memorandums

- mandating companies to produce country-by-country accounts on all of their activities including tax

- consulting citizens sufficiently on matters of tax policy, and locating policies in the public domain
5.3 Citizen engagement in tax policy

Representation is often the missing ingredient in good tax policy. This is why bringing tax policy to the village assemblies, market days, round table meetings with stakeholders, and town hall meetings with representatives of professional bodies and market traders is crucial to making sure that citizens are not only informed but also taken into account in the design of tax policies.

Revenue monitoring mainly concerns the study of the impact of taxation on different income classes, according to sectors of the economy, regions in the country, and among those suffering from social exclusion or other types of discrimination. For example, if a road toll tax increases ten-fold, it will be taxi drivers, bus drivers, car and motorcycle owners, and traders who use roads to transport their goods who will carry the additional tax burden in the first instance before new prices are established that shift the cost to the consumer. The sudden increase makes the tax disruptive to business.

Surveys and public consultations are useful ways to understand what diverse interest groups, civil society organisations, and community-based organisations think about taxation. These methods can be used to ensure that a more diverse range of voices are heard. For example, in 1995 the Ghanaian government introduced VAT at the relatively high rate of 17.5 per cent. When people protested, the government reviewed the tax. It was only reintroduced after three years at a lower rate of 16 per cent.

Increasing accessibility and responsiveness of tax administrations to taxpayer concerns.

Talking about taxes should be as normal as talking about elections, political rallies, and other aspects of public life. To realise such an aim, tax administrations need to engage in taxpayer educational campaigns. Ensuring that tax becomes a topic of mainstream debate requires increasing accessibility and responsiveness of tax administrations to taxpayer concerns.
• publishing citizen tax guides in print and online

• engaging civil society, including gender, environmental and labour organisations in tax dialogue

• creating further citizens associations of taxpayers, who can monitor both revenues and expenditures and build citizen engagement around paying taxes

• assisting citizens in gaining awareness of how and why to fill in tax returns and meet other tax obligations

• developing national and regional tax institutes, training specialists in order to increase the level of expertise in tax matters.

5.4 Corporate tax paying

It is usually impossible for citizens to know the identities of the largest companies in their country. Data collected by national bodies like stock exchanges, chambers of commerce or global institutions such as UNCTAD and the World Bank, often fails to give a clear picture of companies’ revenues, employment or profits. They certainly rarely mention tax due or paid, although paying taxes should be a primary corporate responsibility.

At present, multinational companies are not required to break their reporting down between each country in which they operate. If companies were required to report their activities on a ‘country-by-country’ basis in their annual accounts, all stakeholders would know where they are, what they are called there, what trade they undertake there, and how much tax they pay in each place in which they trade. This would highlight the use of secrecy jurisdictions by large companies. Country-by-country reporting would use data already possessed by multinationals for internal accounting purposes. This means it would impose little or no cost burden on MNCs. Country-

If companies were required to report their activities on a ‘country-by-country’ basis in their annual accounts, all stakeholders would know where they are, what they are called there, what trade they undertake there, and how much tax they pay in each place in which they trade.
by-country reporting would involve an MNC reporting in its accounts:

- which countries it operates in
- what name it trades under in each country
- its financial performance in the countries where it operates, including:
  - sales, both within the group and outside the group
  - purchases, split the same way
  - financing costs, split the same way
  - labour costs and employee numbers
  - tangible and intangible assets
  - pre-tax profit
  - tax payments to the government of the location where it is trading
  - community payments and charitable spending.

This form of reporting would highlight where companies are operating in politically unstable regimes, war zones and other sensitive areas. The use of secrecy jurisdictions would also be highlighted both by the country listing and by data showing that intra-group trading in these places is particularly heavy. This could trigger investigations into corporate profit shifting.

Country-by-country reporting could be introduced by the International Accounting Standards Board, which sets accounting rules for most multinationals. While the IASB has shown resistance in the past, in 2007 the EU Parliament said that it wanted the IASB to develop country-by-country
reporting for the extractive industries. This could be extended to MNCs in all sectors.

By law companies should have to publish which subsidiaries they own in which countries. The publishing of beneficial ownership in every jurisdiction should be a legal requirement to operate in Africa, a requirement monitored by the African Union, central banks of the continent, financial regulators, and all regional co-operation organisations.

5.5 Establish professional codes of conduct

The role of the legal profession should be as the guardian of the law, much like the role of the doctor is to protect life. The role of accountants is to account for economic transactions, close the books and verify the truthfulness of accounts prepared by companies. Codes of conduct – much like the Hippocratic Oath that doctors take – should also govern professionals in the legal, accounting and banking worlds, so that they commit to balance the public and private demands on their work.

Model codes of conduct should be established, and adapted according to sub-regional and national circumstances and practices. Every professional association of lawyers, accountants and other finance professionals should establish professional codes of conduct and make signing and adopting such rules a requirement to practice the profession. Reporting on misconduct should be made far easier, allowing for whistle-blower protection, and allowing a large degree of autonomy for anti-corruption investigators in Africa to fight corruption in the local courts.

5.6 Make trusts and other secrecy vehicles more transparent

Secrecy vehicles come in various sizes and shapes. The most prevalent is the trust, which spread across many common law
countries under the British Empire. Trusts are used to hide wealth from tax authorities. Their use as secrecy vehicles depends on national legislation, reporting requirements and, ultimately, the offer of secretive trustee services. Trusts exist in a number of African countries including South Africa and Mauritius.

Trusts are given rights and privileges similar in many respects to those of limited liability companies. These rights and privileges should be balanced by a requirement for transparency and social responsibility. There is no reason why every trust should not be required to disclose on public record the following:

- who created it
- what the trust deed says
- who the trustees are
- who the beneficiaries are, and in the case of discretionary trusts any potential beneficiaries listed in the settlement trust accounts.

Trustees are often lawyers, bankers or accountants. They are responsible for making distributions of assets or trust income to the beneficiaries of the trust. In this capacity they act as ‘paying agents’ for the trust, and should be made responsible for informing the relevant tax authorities of the country of residence of the beneficiary of any distributions made by the trust.

5.7 International co-operation on tax

The principle of automatic information exchange is established in the European Union while bilateral ‘on request’ treaties to allow more limited information exchange are now becoming more commonplace, despite the presence of secrecy jurisdictions.
Any move towards a global framework for tax cooperation should involve the extension of the principle of automatic information exchange to corporate bodies and trusts as well as to individuals because a lot of tax planning involves trusts and corporations. This is both desirable and practicable, and such measures will also assist in tackling organised crime, corruption, terrorism and money laundering.

Cooperation could be placed within the UN system, to regulate all multilateral and bilateral tax treaties, and take measures to erase harmful tax practices in one country that impact on the tax sovereignty of other countries. The aims of such an international organisation could include:

- prioritising the importance of tackling tax evasion, avoidance, lax regulation and tax competition among other critical gaps
- collaborating and coordinating with relevant actors to determine just basis for profit allocation and corporate taxable income
- sharing best practices to strengthen local and national tax administrations
- establishing and sustaining systems designed to collate relevant data
- formulating and implementing international policies to keep pace with globalisation in order to protect societies from corruption and tax dodging at the state and corporate level
- providing tax assistance for developing countries, specifically concerning skilled professionals for the purposes of tax administration.
5.8 Enhance international tax assistance

Donor-funded actions to help African governments improve their tax affairs should be seen as an investment in long-term sustainability and state-building.

Donor funds could be specifically earmarked for tax assistance. In 2006, just US$88 million of a total US$103 billion in ODA was channelled towards tax assistance to developing countries. But even modest investments can reap major rewards when combined with political will. For example, the Rwanda Revenue Authority increased revenues from 9 per cent in 1998 to 14.7 per cent in 2005 thanks to a combination of political will, earmarked technical donor support and the ‘mainstreaming’ of tax politics and policies within the public domain.

International assistance could help:

- promote South-South information sharing within Africa, and with other developing nations
- encourage legitimate peer review processes of tax system reform
- establish North-South information sharing, promote multilateral tax information exchange treaties, and help ease the administrative burden of such requests
- introduce new tax programmes
- support citizen and parliamentary scrutiny of investors and lenders in African countries
- study national, regional and continental freedom of information laws.
5.9 An agenda for tax advocacy

This manual has revealed that Africa loses more revenue than all resource inflows in all forms. There cannot be substantial poverty reduction, and still less development, as long as resource flows from the continent are negative. Stopping illicit resource flight will thus be the principal advocacy priority for our Tax Justice work in Africa.

**Domestic tax**
With regard to domestic tax policy, our priorities will be to advocate for:

- **a.** A progressive tax policy based on vertical and horizontal equity.
- **b.** Strengthened capacity, accountability, transparency and efficiency of tax administrations.
- **c.** A tax policy which stops leakages through ruinous tax expenditure, disadvantageous and obscure investment protocols, according exemptions to the wealthy and politically well-connected elites.

**International taxation**
No African country or even the continent could achieve much on their own, without increased international cooperation in tax matters that ensures accountability and transparency in global finance and curbs the anti-developmental role of secrecy jurisdictions in facilitating capital flight in all its forms.

Joining hands with global partners our advocacy with regard to international cooperation in tax matters will focus on the following demands:

- **a.** Country-by-country reporting as an international financial accounting norm.
Theories and policies of development have ignored the role of tax in development for a long time. The consequences of this neglect have been growing dependency on foreign aid and the aid-related policy conditionalities that have led to ‘maldevelopment’: that is, national economies with no virtuous linkages between sectors; with few enclaves where wealth extraction takes place amidst predominantly subsistence/survival economies; with growing dependence on commodity export without value addition and wealth creation. An absence of wealth creation restricts the development of productive capabilities and sustainable employment. Tax plays a key role in making this happen. It can serve as a vehicle that promotes sustainable development based on effective domestic resource mobilisation and provides a reliable and predictable source of development finance.

b) Demonstrating the link between tax and good governance, and between tax and citizenship.

Domestic accountability progresses with the increasing dependence of the state on tax for its revenue and with the
Tax is the nexus for the emergence of a functional and developmental state-society relationship in Africa. Such relationships are possible only if rights and responsibilities of both citizens and governments are realised. Citizens of a country have entitlements to basic services as part of their rights to a decent life in dignity. Paying tax is the cost they must bear for such services. Provision of basic services, along with ensuring human security and wellbeing, is the obligation of the state.

In view of the constitutive role of tax in empowering citizens to hold their governments to account, our advocacy in this area will focus on raising awareness and mobilising citizens to promote accountability and responsiveness of governments. This involves:

- Demanding citizen participation in tax policy formulation and budget processes.
- Enhancing citizen participation in expenditure monitoring to ensure effectiveness and accountability in the use of public resources.
- Promoting efficiency, equity and transparency in revenue collection.

The ‘4 Rs’ of good taxes (revenue; redistribution; re-pricing; and representation) analysed above are not only outcomes an equitable tax policy must deliver, but also constitute the building blocks for accountable and responsive governance.
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Arm’s length principle</td>
<td>A principle stating that a price charged for a good or service between related entities should be the same as if the two entities were not related.</td>
</tr>
<tr>
<td>Country-by-country reporting</td>
<td>A proposed accounting standard under which a multinational corporation would be required to report in its annual accounts key financial information about each of the countries and territories in which it operates.</td>
</tr>
<tr>
<td>Direct taxation</td>
<td>Taxes on income, profits and gains. Examples include: income taxes, corporation taxes, and taxes on capital gains.</td>
</tr>
<tr>
<td>Double tax treaty</td>
<td>An agreement between two sovereign states or territories to ensure, as far as possible, that income arising in one and received in the other is taxed only once. Includes rules to define residence, and source, and limits on withholding taxes.</td>
</tr>
<tr>
<td>Export processing zones</td>
<td>Artificial enclaves within states where export orientated industries with little interaction to domestic markets operate, while the usual rules relating to taxation and regulation are suspended or relaxed.</td>
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<tr>
<td>Fiscal state</td>
<td>A state which has a high capacity to tax its citizens, and resulting policy autonomy allowing it to define its own tax and social policies.</td>
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<tr>
<td>Flat tax</td>
<td>A tax system in which as income increases above an agreed tax free sum the amount of tax paid remains constant in proportion to total income.</td>
</tr>
<tr>
<td>General anti-avoidance principle</td>
<td>A legal principle that seeks to prevent a taxpayer from obtaining the taxation benefit arising from any transaction if it was undertaken solely or mainly to obtain a tax benefit.</td>
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<tr>
<td>High net-worth individual</td>
<td>Otherwise known as HNWI (pronounced hen-wees). Generally characterised as individuals with more than US$1 million in liquid financial assets available for investment.</td>
</tr>
<tr>
<td>Illicit capital flight</td>
<td>The process whereby wealth holders and businesses place their funds and other assets outside the country of residence. Illicit money is money that is illegally earned, transferred or used.</td>
</tr>
<tr>
<td>Indirect taxes</td>
<td>A form of tax charged upon transactions, usually on their gross value. Examples include sales taxes, value added taxes, goods and services taxes, stamp duties, land taxes and excise and customs duties and levies of all sorts.</td>
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<td>Term</td>
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<tr>
<td>Money laundering</td>
<td>The process of ‘cleaning’ money from criminal or illicit activities (including tax evasion) to give it the appearance of originating from a legitimate source.</td>
</tr>
<tr>
<td>Poll tax</td>
<td>A tax that levies the same sum on each person irrespective of their means to pay. In Kenya also known previously as the hut tax, where Kenyan households paid a fixed sum of tax for each residential building.</td>
</tr>
<tr>
<td>Progressive taxes</td>
<td>A tax system in which as income rises, the amount of tax paid increases in proportion to the income as well as in absolute amount; that is, the percentage tax rate increases as the income rises. Regressive taxes are the opposite phenomenon.</td>
</tr>
<tr>
<td>Secrecy jurisdiction</td>
<td>Secrecy jurisdictions are countries and territories that intentionally create regulation for the primary benefit of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of other jurisdictions.</td>
</tr>
<tr>
<td>Special economic zone</td>
<td>Similar to export processing zones, but the activities can include domestic market oriented business activities.</td>
</tr>
<tr>
<td>Tax</td>
<td>A fee levied by a government or a regional entity on a transaction, product or activity in order to finance government expenditure. Taxes rates and the tax base are decided by a representative legislative body.</td>
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<tr>
<td>Tax arbitrage</td>
<td>The process by which a sophisticated taxpayer plays off the tax systems of two or more different countries to obtain a tax benefit.</td>
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<tr>
<td>Tax avoidance</td>
<td>The term given to the practice of seeking to minimise a tax bill without deliberate deception (which would be tax evasion or fraud). The term is sometimes used to describe the practice of claiming allowances and reliefs clearly provided for in the national tax law. It is, however, now generally agreed that this is not tax avoidance, but rather called tax compliance.</td>
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<tr>
<td>Tax base</td>
<td>The range of transactions, items and activities that a country chooses to tax.</td>
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<tr>
<td>Tax capacity</td>
<td>A term that denotes the capacity of a sovereign country to raise revenue.</td>
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<tr>
<td>Tax competition</td>
<td>The pressure on governments to reduce taxes usually to attract investment, either by way of reduction in declared tax rates, or through the granting of special allowances and incentives.</td>
</tr>
<tr>
<td>Tax compliance</td>
<td>The payment of tax due without engaging in tax avoidance or evasion. A person who has acted in the spirit of the law is ‘tax compliant’.</td>
</tr>
<tr>
<td>Tax effort</td>
<td>A term used to determine the extent to which a government translates tax capacity into revenue.</td>
</tr>
<tr>
<td>Tax evasion</td>
<td>The illegal non payment or under-payment of taxes, usually by making a false declaration or no declaration to tax authorities; it entails criminal or civil legal penalties.</td>
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<td>Term</td>
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<tr>
<td>Tax expenditure</td>
<td>Used to describe the cost of tax incentives of all types in terms of lost potential tax revenue. As with any other expenditure, it should be considered as an investment and evaluated on the basis of cost and benefit.</td>
</tr>
<tr>
<td>Tax gap</td>
<td>The difference between nominal tax ratios and actual tax revenues. This can be calculated by using various methodologies, for instance the difference between tax capacity and tax effort, or random tax inspections of taxpayers.</td>
</tr>
<tr>
<td>Tax haven</td>
<td>See Secrecy jurisdiction.</td>
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<tr>
<td>Tax holiday</td>
<td>A period during which a company investing in a country does not have to pay tax under agreement with that country’s government.</td>
</tr>
<tr>
<td>Tax planning</td>
<td>A term used in two ways. It can be used as another term for tax mitigation. When, however, tax legislation allows more than one possible treatment of a proposed transaction the term might legitimately be used for comparing various means of complying with taxation law.</td>
</tr>
<tr>
<td>Transfer pricing</td>
<td>A transfer pricing arrangement occurs when two or more businesses which are owned or controlled directly or indirectly by the same group trade with each other. If a transfer price can be shown to be the same as the market price then it is always acceptable for tax. What are not acceptable for tax purposes are transfer prices which increase the cost or reduce the sales value in states which charge higher tax rates and increase the sales value or reduce the costs in states with lower tax rates. The difficulty for many corporations at a time when up to 60 per cent of world trade is within rather than between corporations is that there is no market price for many of the goods or services that they trade across national boundaries because they are never sold to third parties.</td>
</tr>
<tr>
<td>Tribute</td>
<td>Money or payment in goods and services to a ruler or a state that is not regulated by any tax law, and can thus be arbitrary and highly discreitional. Precursor to taxation in feudal and traditional societies.</td>
</tr>
<tr>
<td>Washington Consensus</td>
<td>The term originally described the economic policy prescriptions by Washington-based institutions such as the US Treasury Department, the International Monetary Fund and the World Bank, but subsequently evolved to denote a belief and vigorous advocacy of free-market ideology. The term is generally attributed to British economist John Williamson.</td>
</tr>
<tr>
<td>Welfare state</td>
<td>A state provider of comprehensive social security services to its residents, and in some cases non-resident, on the basis of a fiscal contract where taxes are levied subject to the agreement that they are used for welfare services. Fiscal crises and the Washington Consensus have tended to erode this.</td>
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<tbody>
<tr>
<td>Algeria</td>
<td>9.33%</td>
<td>34.74%</td>
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<td>Angola</td>
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<td>14.58%</td>
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<td>Burkina Faso</td>
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<td>11.34%</td>
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<tr>
<td>Burundi</td>
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<td>Cameroon</td>
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<td>17.13%</td>
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<td>Cape Verde</td>
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<td>19.68%</td>
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<td>Central African Republic</td>
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<td>8.05%</td>
<td>9.64%</td>
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<td>Chad</td>
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<td>16.06%</td>
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<td>Comoros</td>
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<td>13.56%</td>
<td>19.42%</td>
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<td>Congo, DR</td>
<td>6.35%</td>
<td>8.61%</td>
<td>8.94%</td>
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<td>Congo, Republic of</td>
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<td>32.10%</td>
<td>32.39%</td>
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<td>Côte d’Ivoire</td>
<td>12.50%</td>
<td>15.31%</td>
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<td>Djibouti</td>
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<td>24.52%</td>
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<td>Egypt</td>
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<td>Equatorial Guinea</td>
<td>2.88%</td>
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<td>Eritrea</td>
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<td>17.18%</td>
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<td>Gambia, The</td>
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<td>16.09%</td>
<td>16.41%</td>
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<tr>
<td>Ghana</td>
<td>16.72%</td>
<td>17.70%</td>
<td>19.64%</td>
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<tr>
<td>Guinea</td>
<td>11.77%</td>
<td>11.77%</td>
<td>12.72%</td>
<td>14.83%</td>
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<tr>
<td>Guinea-Bissau</td>
<td>7.30%</td>
<td>7.94%</td>
<td>15.00%</td>
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<td>Kenya</td>
<td>17.19%</td>
<td>18.87%</td>
<td>20.81%</td>
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<td>Lesotho</td>
<td>42.37%</td>
<td>42.64%</td>
<td>50.93%</td>
<td>52.88%</td>
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<tr>
<td>Liberia</td>
<td>13.87%</td>
<td>15.28%</td>
<td>16.43%</td>
<td>17.00%</td>
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<tr>
<td>Libya</td>
<td>6.62%</td>
<td>50.63%</td>
<td>53.82%</td>
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<tr>
<td>Madagascar</td>
<td>10.05%</td>
<td>10.26%</td>
<td>10.73%</td>
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<td>Malawi</td>
<td>15.82%</td>
<td>15.82%</td>
<td>17.44%</td>
<td>25.39%</td>
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<tr>
<td>Mali</td>
<td>12.48%</td>
<td>15.02%</td>
<td>15.83%</td>
<td>23.56%</td>
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<tr>
<td>Mauritania</td>
<td>20.85%</td>
<td>21.48%</td>
<td>23.85%</td>
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<tr>
<td>Mauritius</td>
<td>16.50%</td>
<td>17.70%</td>
<td>19.97%</td>
<td>20.22%</td>
</tr>
<tr>
<td>Morocco</td>
<td>20.34%</td>
<td>21.88%</td>
<td>23.90%</td>
<td>24.08%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>11.03%</td>
<td>11.35%</td>
<td>12.63%</td>
<td>21.78%</td>
</tr>
<tr>
<td>Namibia</td>
<td>26.0%</td>
<td>27.22%</td>
<td>29.78%</td>
<td>29.88%</td>
</tr>
<tr>
<td>Niger</td>
<td>8.75%</td>
<td>9.32%</td>
<td>10.87%</td>
<td>18.60%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>6.62%</td>
<td>30.88%</td>
<td>31.39%</td>
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<tr>
<td>Rwanda</td>
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<td>11.61%</td>
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<td>São Tomé Príncipe</td>
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<td>13.71%</td>
<td>16.36%</td>
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</tr>
<tr>
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<td>15.88%</td>
<td>16.76%</td>
<td>17.64%</td>
<td>19.82%</td>
</tr>
<tr>
<td>Seychelles</td>
<td>25.95%</td>
<td>28.97%</td>
<td>41.18%</td>
<td>41.99%</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>9.79%</td>
<td>10.15%</td>
<td>10.44%</td>
<td>19.32%</td>
</tr>
<tr>
<td>South Africa</td>
<td>23.42%</td>
<td>23.42%</td>
<td>23.90%</td>
<td>23.90%</td>
</tr>
<tr>
<td>Sudan</td>
<td>6.25%</td>
<td>14.77%</td>
<td>16.10%</td>
<td>16.27%</td>
</tr>
<tr>
<td>Swaziland</td>
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<td>37.32%</td>
<td>38.95%</td>
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</tr>
<tr>
<td>Tanzania</td>
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<td>17.40%</td>
</tr>
<tr>
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<td>11.75%</td>
<td>14.96%</td>
<td>16.03%</td>
</tr>
<tr>
<td>Tunisia</td>
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</tr>
<tr>
<td>Uganda</td>
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<td>11.78%</td>
<td>12.45%</td>
<td>18.23%</td>
</tr>
<tr>
<td>Zambia</td>
<td>18.12%</td>
<td>18.62%</td>
<td>19.32%</td>
<td>26.92%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>14.00%</strong></td>
<td><strong>19.31%</strong></td>
<td><strong>21.59%</strong></td>
<td><strong>25.88%</strong></td>
</tr>
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</table>

Source: African Economic Outlook
Endnotes

1 Nelson Mandela Describes the Concept of Ubuntu, New York: dotSUB <http://dotsub.com/view/2ff54345-ea2f-492e-b62a-46a04ff2221e>


14 SOMO, Taxation and Financing for Development (Amsterdam: SOMO, 2008).

21 Wholly owned subsidiaries of TRG are Titanium Fields Resources Limited, SRL Acquisition No.1 Limited, SRL Acquisition No.3 Limited, The Natural Rutile Company Limited, Sierra Rutile Holdings Limited, Sierra Rutile Limited, Agricultural Resources Limited and Biofuel Resources Group Limited. The latter two are trying to acquire large land holdings in southern Sierra Leone for the production of both bananas (with Chiquita) and palm oil for bio-diesel.
23 National Advocacy Coalition on Extractives (NACE), *Sierra Leone at the Crossroads: Seizing the chance to benefit from mining* (Freetown: NACE, 2009).
28 Programmes like the ‘basic income grants’ (BIG Coalition) in Namibia propose the government provide a basic monthly grant of N$100 to every Namibian citizen.
43 See <www.nta.or.ke> for a detailed analysis on the Citizens Report Cards by constituency and local authority.  