



THE ROLE OF THE PRIVATE SECTOR IN DOMESTIC REVENUE MOBILIZATION

IN WEST AFRICA

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OVERVIEW

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- ▶ Fiscal policies in WAEMU countries are being modernized with new community regulations to strengthen macroeconomic governance. These are convergence criteria to improve budget performance, enhance the mobility of people and goods and diversify exports.
- ▶ Within ECOWAS, a Directive was adopted in 2013 on the fiscal transition programme and includes five (5) areas:
 1. Capacity building for tax and customs administrations;
 2. Control and extension of the tax base;
 3. Streamlining strategies to combat tax and customs fraud and corruption in tax and customs administrations;
 4. Improvement of tax and customs revenue collection;
 5. Promotion of tax morale and investment;

The aim of these community policies is to better generate and mobilise domestic resources of West African states.



INTRODUCTION

- ▶ Through the consideration **of corporate taxation as a means of mobilization of domestic revenues, the role of the private sector appears.** It will be here:
 - ▶ To examine the relations between private sector companies and tax authorities, particularly on:
 - ✓ the motivation of companies to fulfil their tax obligations;
 - ✓ the guarantees offered to them;
 - ✓ which would facilitate operations;
 - ✓ the taxpayer's rights.
 - ▶ To define in advance the outlines of domestic revenue mobilization
 - ▶ To present the different focal points of the role of the private sector on the issue of domestic resource mobilization (DRM).





I- OUTLINES OF DOMESTIC REVENUE MOBILIZATION

- ▶ **What ?**

Improve the efficiency of public revenue collection (tax and non-tax).

- ▶ **Why ?**

State-building - Development financing - Equitable development.

- ▶ **How ?**

Tax policy reform - Strengthening the tax administration - Combating fraud and evasion.

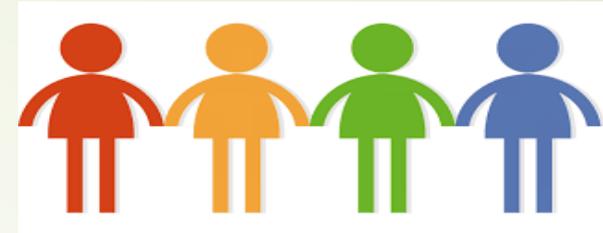


I- OUTLINES OF DOMESTIC REVENUE MOBILIZATION

- The debate on the DRM issue has intensified with the international economic and financial crisis, which has led to a drastic reduction in development aid and a reduction in foreign direct investment (FDI),
- Bold initiatives were then taken on a continental scale, including:
 - the launch of the African Tax Administration Forum (ATAF) in 2009 and a wealth of research on the subject in the early 2010.
 - The debate was strengthened in 2015 with the ATI (Addis Tax Initiative), aimed at mobilizing domestic resources (DRM) and inviting partner countries, particularly those in Africa, to promote the use of domestic resources at the expense of official development assistance (ODA).
- DRM is one of the most pressing challenges facing public authorities in States, particularly in sub-Saharan Africa. This is particularly important for three reasons:
 - ✓ invest in sustainable development programs;
 - ✓ eliminate or reduce public debt;
 - ✓ increase state capacities and strengthen institutions that guarantee assumed sovereignty.



II- TAX MORALE



The Private Sector Must Encourage Tax Morale

- ▶ Tax morale is the voluntary fulfilment by taxpayers of their tax obligations through the filing of tax returns, their timely filing and the spontaneous payment of the tax due.
- ▶ Governments and citizens enter into a relationship of trust and responsibility whereby citizens agree to pay taxes and in return Governments provide efficient public services, respect the rule of law and increase their accountability.
- ▶ The private sector is made up of knowledgeable taxpayers with high expectations. The State owes them special attention in order to improve the fiscal citizenship of the agents in this sector.
- ▶ This relationship of trust is based on improving tax fairness, which is an essential factor in tax citizenship.
- ▶ That is why "how" revenues are collected and "who" is taxed are as important as "how much" is collected.

II- TAX MORALE



- Transformation of tax revenues into productive public expenditure oriented towards inclusive growth is essential for respect for tax morale.
- To avoid resistance from taxpayers, especially domestic and foreign investors, to taxation, the Government must improve its governance;
- If citizens are willing to pay more taxes for better public services, in return the poor quality of public services can also serve as a justification for a lack of fiscal morale. Taxpayer resistance to the imposition of a low-responsiveness state can even undermine a government's stability (OECD, 2010).

II- TAX MORALE

- In this policy of good governance, the private sector has a major role to play because it is made up of formal economic actors and therefore good interlocutors and intermediaries for the Government.





III- CONCERTED TAX REFORMS

The Private Sector must be the interface of concerted reforms

- ▶ In order to achieve a transparent, efficient and equitable tax system to mobilize more resources, any tax reform should focus on:
 - ✓ broadening the tax base - notably through the taxation of part of the informal sector - with a low effective tax rate;
 - ✓ Better service to users, in particular by simplifying the tax system, which is often characterised in developing countries by a multitude of unprofitable taxes;
 - ✓ the reduction of tax exemptions, most often granted on a discretionary basis;
 - ✓ strengthening the tax base of local authorities;
 - ✓ the introduction of tax regimes adapted to VSEs and SMEs.

III- CONCERTED TAX REFORMS



- Reforms must be carried out in consultation with the various stakeholders (the private sector in particular) in order to convince people that taxes will be used to finance relatively effective and transparent spending programmes.
- Any reform requires a modern and equipped administration to be able to monitor newly implemented policies.

IV- MODERNIZATION OF THE ADMINISTRATION

The Private Sector must encourage the Government to modernize Tax Administration

- States are beginning to implement Administration Modernisation Programmes (MAPs) sometimes on their own initiative or under the impetus of the international financial institutions (IMF, WB) and WAEMU. To this end, we recommend the choice of best practices aimed at providing a quality service;
- Adoption of new civil service laws is under way in various countries as well as the generalization of the General Quality Charter for the Public Service (ISO 9000 Standard). In this regard, systematic and comparative surveys between different countries to collect user satisfaction should be carried out;
- Digitisation of payment methods and tax declaration for the optimal domestic resources mobilization is encouraged and implemented in the Member States;
- Public service must also be in step by taking over the NICTs to ensure greater security and diligence in administrative action;



IV- MODERNIZATION OF THE ADMINISTRATION

- ▶ **The general code of ethics:** the example of Senegal
 - ▶ The country is firmly committed to establishing a legal and institutional framework governing the conduct of public officials, with reference to the United Nations Convention against Corruption, ratified by Senegal and in force since 2005. According to the Convention, each State Party must apply, within its own institutional and legal systems, Codes or Standards of Conduct for the correct, honourable and adequate performance of public functions.
 - ▶ In addition, with reference to Directive No. 01/2009/CM/UEMOA on the code of transparency in public financial management, transposed into Senegalese legislation through Act No. 2012-22 of 27 December 2012, Senegal is actively modernizing public management.



IV- MODERNIZATION OF THE ADMINISTRATION



- Decree No. 2017-231 of 7 February 2017 establishing the Public Administration Modernization Committee, **which** brings together around the Prime Minister the ministers most involved in the processes of organization and functioning of the public administration. The **committee has** a permanent secretariat, which is responsible for monitoring the reforms with the various ministerial departments and ensuring that they are consistent with the guidelines defined for the modernization of the Administration and contributing to the enhancement of the results achieved.
- The modernization of the Administration must be a prompt means of facilitating access to financial information for the private sector; the facilitation of procedures for the declaration and payment of taxes; market access and the transparency of related procedures.
- **And why not experiment with the Togo and Rwanda AGENCY Model in the French-speaking world that would allow a better representation of the Private Sector?**

V- STRENGTHENING THE TAXPAYER'S RIGHTS

The Private Sector must help to promote taxpayers' rights

- Reinforcement of the charter of rights and obligations of the taxpayer verified by an ECOWAS community coverage;
- Implementation of mechanisms for settling tax disputes;
- Promote access to state courts in the settlement of tax disputes;
- The private sector must play its role as a facilitator between tax professionals and tax administrations in order to guarantee to the taxpayer the settlement of tax disputes with the assistance of expert advisors (Tax Advisers who are members of professional bodies).



VI- THE FIGHT AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM

- ▶ **Stop financial leakages related to deliberate tax evasion and related financial crimes.**
 - ✓ the potential tax base may not be fully exploited to generate optimal revenues and undermine the tax effort.
 - ✓ the intensification of the tax effort may not translate into improved livelihoods for citizens if the corruption that prevails throughout West Africa is not eradicated. The Annual Corruption Perception Index (CPI), published by Transparency International, gives credit to this observation. (32 on the scale from 0 to 100).



VI- THE FIGHT AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM

► Combating money laundering:

The laundered proceeds of tax fraud and related financial crimes risk leaving the region when confiscated to places where their concealment could be guaranteed.

The private sector must play its part in discouraging such practices in order to be able to benefit from legal financing and thus ensure the mobilization of domestic resources under optimal conditions in relation to their investments.

A better involvement of professional organisations (employers, orders, trade unions, etc.).





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