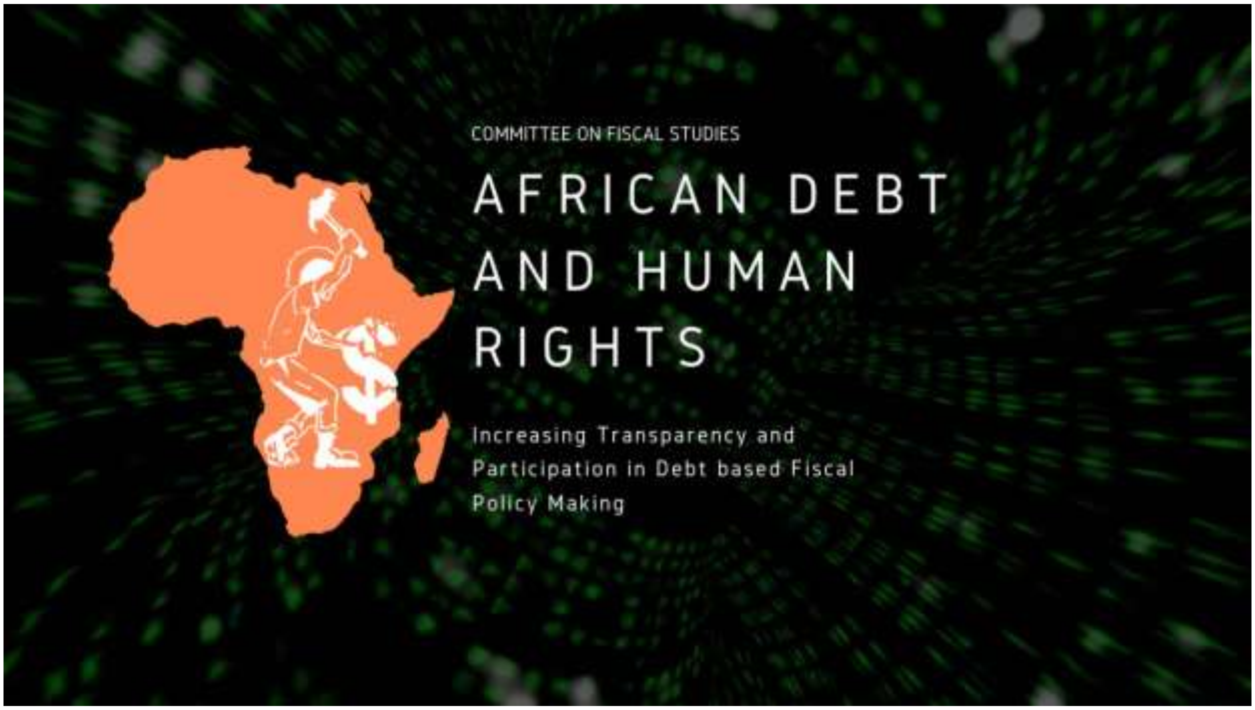

CFS Website: cfs.uonbi.ac.ke, Twitter: @CFS_UON

In further advancement of the greater work being done under the CFS- ADHR project, our Chair Ms. Lyla Latif participated as a guest speaker in a conference orgainsied by **AIDC, PSI, FES, PSI & TJNA under the theme: REGIONAL TAX CONFERENCE: BUILDING CAPACITIES AND STRATEGISING FOR A RENEWED DRIVE FOR LEADERSHIP OF GLOBAL TAX GOVERNANCE, AND THE DEMAND FOR INVESTMENT IN PUBLIC SERVICES held at Ramada Hotel, Addis Ababa, Ethiopia between 6th to 7th July 2023.**

The number of persons in attendance was 30 people from different work backgrounds, including lawyers, civil soceiety, trade unionists, the media amongst other. The meeting was both physical and on-line (Dr. Lyla and the Rapporteur were present in Addis).

Note: The methodology for this reporting is descriptive as the conference was more of a panel discussion on experiences in global tax justice. Dr. Lyla's presentation will be of key significance in this report as her presentation was on a toolkit for assessing tax regimes and all participants were trained on the same. Overall, key action points will be bulleted.

Enclosed to the report is the program for the conference and the toolkit presented by our Dr. Lyla Latif, Chair CFS.

Conference presenters (name and organisation):

1) Joel Odigie, ITUC, Africa
2) Benard Adjei, PSWU
3) Tumaini Pater Nyamhokya, TUCTA
4) Jason Ward and Severine Picard, Progressive Policies- European Union

5) Mr. Abebe Gebrehiwot Yihdego
6) Lyla Latif (Dr.), Chair Committee on Fiscal Studies
7) Thulani Benedict Shongwe, ATAF (on-line)
8) Prince Peters Adeyemi, NASU, Nigeria
9) Shani Kibwasali, TALGWU, Tanzania
10) Everlyne Muendo, TJNA, Kenya
11) Jaco Oelofson, AIDC, South Africa
12) Sabrine Aouini Ben Salah, FGPF, Tunisia

Objectives of the Conference:

The conference was organised to evaluate the regional tax campaign; develop and review a new set of objectives; provide capacity training for the campaign team and union leaders; and develop the linkages with current economic issues such as debt and privatisation: To this end, participants:

- shared success stories and challenges of the tax justice campaign. This provided an opportunity for learning from each other;
- this provided a perspective on PSI's position amidst global tax reform proposals;
- shared an overview of the AU tax strategy vis-à-vis the OECD tax proposal, call for UN tax convention, and initiatives of other tax stakeholders;
- re-skill and retool campaign teams, including trade union leaders for a successful campaign in the future; and
- Established linkages with other campaigns such as privatisation and debt.

Day 1- 6th July 2023

Opening remarks: Representatives from FES, TJN-A, AIDC, FES & AU

Emmanuel-FESA: Debt is mounting, IFFs increasing, poverty increasing, and the income inequality gap is on the rise. State and MNCs have a dominant voice in all aspects and this is unacceptable. International Instruments must be fairer. Tax is key. Tax is not just a tax issue. It's a choice for Africa and a sustainable way for development for Africa. Debt servicing has become more expensive and DRM diminishing. There is also a need for CSOs to keep up. Influence decisions whether politically or otherwise and share experiences among each other and with trade Unions in the global field of tax.

Daniel was thankful for the support of all stakeholders and specifically highlighted the need for Trade Unions to contribute their voices to the tax discussions and also take leadership in this area. While taxes may appear political they have a major role to play in development and unions must not shy away because DRM has a very serious impact on public services. There is thus a need to collaborate with CSOs because of their expertise in tax. Campaign in the Special Economic Zones, extractives et al.

Evelyn TJNA, in her opening remarks, stressed why international tax is pertinent within the national context because of globalisation and MNCs. DRM has become very critical yet countries are responding erratically and increasing the tax burden. MNCs making profits off the roof. She stressed the need to be active in how the International tax framework is designed. She gave an example of how personal income taxes are more than corporate taxes. Thus, there is a need for more inclusive conversations.

AIDC giving an NGO perspective in South Africa remarked that their work is very close to that of trade unions. The South African government during the pandemic had a three years austerity programme to cut budgets and lower the tax rate. Since workers in public service are extremely overworked, wages were increased by 7% at a time when inflation was/is high. Despite this, case studies show that tax abuses from companies is high and this leads to lower amount of revenues for unions to bargain with. He ended with a clerical call for international solidarity in Africa.

Key Points from Presenters:

Session 1: The impact of tax policies on employment, debt, and public services

Panelists: Joel Odigie, ITUC Africa, Benard Adjei, PSWU and Tumaini Peter Nyamhokya, TUCTA

Joel: Discussing how to address the issue of poverty, and income inequality on the continent stressed the need for an aggressive campaign on social protection- public service related to education beyond elementary levels, water, and sanitation, tracing of the national food basket.; which is weak on the continent. He stated that any time shocks happen our people are less likely to cope. There is now an agreement that workers (all classes) can lead change (the working class must lead.)

Tax justice work remains a terrain of struggle. How do we defeat value-added taxes on essential goods in an era where the vulnerability of the poor continues to expand? Thus it is critical to target state actors; pressure them if we agree taxes are an instrument of representation that brings about the answers to our demands. We must put the issue of tax in the electoral space. The issue of minimum wage coverage across the continent must be addressed as statistics show that everyone working takes care of six (6) dependants. He also stressed the need to address mental health and the plight of working women specifically those in the informal economy- Most women bare the burden of multiple taxation (market scene) and multiple levies.

What do we do then, he asked? Mobilisation remains key and we must be ready to engage. We must have a yardstick for governance in terms of tax reforms, address the debt crisis, finance social protection, and collaborate.

Bernard: He reminded the meeting that the impact of injustice is the same in all countries although the degree may vary. He noted that most are interested in saving companies other than its people and this narrative must change. He gave the example of the 2008 financial crisis. This led to a lot of inequality and poverty as the people continue to pay for the crisis. He stressed the need to increase the wage bill and countries must also promote and protect human dignity. Accordingly, he stated that trade unions become key in this. When it’s time to make hard decisions, let us make them. Economic development has been one-sided and skewed to the “one” percent. The narrative must be changed.

Tumaini- Tanzania: He stated that while they are not experts in tax, they have been at the frontline in advising their government- specifically in the area of workers’ rights and benefits. For instance, they led a spirited fight against the taxation of retirement benefits in Tanzania, and indeed taxes on retirement benefits were scrapped. Rewarding of workers in the mining sector. Under the then President Magufuli (Late)- Mining laws were changed in that more power was given to the government to negotiate and also cancel licences. Thus he felt Tanzania was moving in the right direction.

Q&A: This session elicited very interesting questions:

Who is the real taxpayer? And who bears the tax burden? A case in point is Kenya's Finance Act, of 2023.[1] Who is living beyond the poverty line? We demand tax justice yet have no minimum wage. It was agreed that there is a need for clean strategies- a different kind of mobilisation, education, and awareness, financing social protection, campaigns on state capture, need to have alternatives that work better than capitalism, and above all locating the interests of diverse groups in the bigger picture and advocating for better working conditions.

Session 2: Understanding the Landscape: Key Concepts and Illustrations of corporate tax avoidance- By Jason Ward and Severine Picard

Picard started by demystifying tax and encouraging the trade unionists to not consider it as a super technical issue. Technicity is a smoke screen to keep people out of the room yet some of the concepts are fairly simple. She noted that in shaping corporate tax rules, the standards set are too far away from countries within the global south and are not contextualised. The declining tax revenue is evidenced in the ratio of tax to GDP which is very low i.e., between 14 and 15% in Africa, yet the OECD it is at 33%. During the Covid crisis, for instance, the decline was by 1% and very contrasted among countries. She also posed the question, who pays taxes? She highlighted the unfair nature of the VAT. She stressed the need to reconsider policy choices and also address revenue leakages.

Key concepts: Resident (taxing rights to the resident company)- purely that is problematic and source tax (where the value is created). Bilateral tax treaties favour residence taxation.

She took the participants through the areas of corporate tax avoidance, transfer pricing, IIFs and Conduit companies, shell companies, and Tax havens and highlighted the Case of Microsoft- a company not paying taxes or paying very little taxes. That the company exists to 'steal' money and has had a long history of tax evasion. BEPS Action plans, Pillar 1 & 2 including their implications for developing countries. Thus there is a need for solidarity- asymmetry and liaisons in the matters of tax. All countries must have a say. Data exists but is not being shared. She thus opined that:

- Unitary taxation- is key to addressing the issues around TP
- There is a need for inclusivity.
- Pillar 1: encouraged stakeholders to get figures- revenue estimation from Digital taxation- holding governments accountable as much as they can.
- SMEs- pay attention to the fact that they are paying taxes on losses.

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[1] Petition No. E181 of 2023 Okiya Omtatah Okoiti & others v The Cabinet Secretary for National Treasury & Planning & Ors- The Act was challenged in the High Court for its uncontitutionality in terms of the proposed new taxes and to the same still remains suspended

- Giving Kenya as an example. KRA on cost-benefit analysis of pillar 1 to Kenya- listed pros and cons; giving estimates with no concrete lead on what decisions Kenya will make. Pillar 1 will give more than DST unless they change the DST design. What are the revenue prospects? Kenya is weighing her options and waiting to see who else gets on board with Pillar 1. Basic advise. US and Europe must get on board. There is a need for a cost-benefit analysis of Pillar 1 because it is a convention and it won't have a legal effect until it's ratified by a country and that's the design.
- Pillar 2: Minimum taxes. Positive development. Effective tax rate (15%), not a statutory tax rate (which is lower). A need to review tax incentives. Are there alternatives to Pillar 2? Governments can design it with a different design specifically to have stronger protection on source taxation.

The team encouraged participants and their countries to get into action mode as International taxation can only change through national interventions.

Session 3: Implications of Global Tax Rules on Africa

Decrypt the Current Global tax rules and their impact on African Countries: by Mr. Abebe Gebrehiwot

"No one is free until we all are free"- Dr. Martin L. King

- He started by pointing out the fact that over the years it has been agenda upon agenda in the global tax space yet there have been major issues regarding international instruments: unsuccessful OECD TP rules. 2015 OECD- BEPS Project, 2016- inclusive framework on BEPS, 2017- The first high-level signing of the MLI.
- His concern was whether these instruments were fit for all. He further questioned whether bilateral negotiations are a tool for divide and rule. Where are the Regional Tax models- Do we have an AU Model? No!
- He then addressed transfer pricing guidelines in Ethiopia- there is no confidentiality and no data exists in this regard- everything remains confidential and as such defeats the principle of transparency.
- However, the landscape is changing as the government is now trying to keep track of the MNCs. The country has a list of up to 179 MNCs in Ethiopia and this is a step.
- Only taxes from employment have been successful. Tax exemptions: there are enough tax exemption instruments in the country and they are in place. He admitted that IFFs are a big problem in Ethiopia. Big shortage of hard currency in Ethiopia.
- On being asked whether there have succeded in the area of transfer pricing, the answer was no and qualified by the lack of data.

Assessing my Country's Corporate Tax System- Key elements of analysis- Lyla Latif (Dr.) Chair- Committee on Fiscal Studies

In relation to the theme of the conference, Dr. Lyla prepared a guide she designed to guide (toolkit)- trade unionists and CSOs to conduct informed assessments of country-level corporate taxation.

- She started by asking the participants to challenge current tax structures which are largely colonial tax systems based on capitalism.
- In guiding the participants, Dr. Lyla asked them to familiarise themselves with the key indicators and the accompanying assessment criteria. She separated the participants into groups and sent them out into breakout rooms to discuss a hypothetical case study: PSI Addis (as per the attached toolkit document).
- The task of each group was to identify the key issues that need assessment to better understand the Company's corporate taxation landscape. The questions to guide are as below:
  i. What type of taxes might PSI Addis be subjected to in Kenya, Hightower; and incentiVille? How might the different tax regimes affect the tax obligations and overall tax contributions?
  ii. What implications might the company's employment practices have on its corporate tax contributions in Kenya?
  iii. What financial information would you need from PSI Addis to conduct an accurate assessment of its tax practices?
  iv. How might the tax contributions of PSI Addis affect public service funding in Kenya?
  v. What challenges might you face in obtaining the necessary information to assess PSI Addis tax practices?

- In resolving question (i), some of the taxes identified by the participants included Corporate Income Tax (CIT)- PAYE, withholding tax, VAT, and DST because of the nature of the company's operations.
- On the issue of the Company employment practices, the participants were keen on the type of workers employed at the company and the fact that they almost equaled informal workers which according to most participants was a way of evading taxes like PAYE. Thus they opined the need to have proper contracts that are permanent in nature.
- It was also noted that the company seems to be keeping a low profile in terms of its finances and may be deliberate in bypassing tax laws and in essence evading taxes or avoiding taxes by paying very low taxes due to its corporate structure.
- These avoidance and evasion schemes erode the tax base and deny the countries in which the company operates the necessary resources to finance the different countries' needs (social protection) which in turn affects the workers.
- The financial information needed to be included, financial statements for each segment, country-by-country reporting, and signing well-negotiated tax treaties that protect source countries from evasion.

Call for countries to emphasise source-based taxation.

- The idea of this assignment was to help underscore the complexities of corporate tax assessment in a global context and the benefits of using the structured guide. Indeed this was a highlight of the two-days' conference as it propelled members to think through the eyes of the toolkit. It made the participants easily break down the complexities around taxing a company with such a structure.

The reflective session for Day 1

This session started off with questions in these areas

- Is there a need for coordination of VAT?
- How are we performing in terms of IFFs; policy tracker, ACFTA, and Special Economic Zones?
- Can AU tax policy be homegrown? Africa has no tax model.
- How does ATAF work with AU, Finance ministries, and countries? Are their recommendations/resolutions enforceable?
- What does trade and tax entail?

It was noted that a unified African voice doesn't remove the sovereignty aspect. Countries should be quick to ask for the first taxing rights (source-based taxation). Policy changes require legislation and debate in parliament.

- UN Tax Convention Discussion- Contestation between the OECD and the UN. Who takes up the mantle of international tax decisions? Is there an element of doublespeak? Pressure on African countries to get on board. OECD has a lot of data. What will be their role after this?
- Is there a need for an Inter-governmental body within the UN? 2022 was critical for UNTC- Two resolutions by the G77.
- Secretary General's report will hopefully agenda set in tax. What will it look like? Institutional body? Adhoc body?

Day 2: 7th July 2023

The Journey so far: a discussion on best practices and lessons learned

Envisioning the future and quest for new tax campaign strategies; emerging demands

Session 1: Sharing experiences- Special Economic Zones (SEZ)and Gold- Ghana, Nigeria, and Tanzania

Reasons for SEZs: To create jobs, promote technology transfer, incentives given promote FDI (this is not a major influencer of the decision to invest)

- Incentives in EPZ are normally 10 years, with no WHT.
- Incentives in the NEPZ i.e., Labour is also an incentive in Nigeria- No strikes allowed (different from Ghana's position).
- African governments are letting too many taxpayers go off the hook. The government further goes ahead to provide land. The estimated loss is huge. Ghana situation (Link to social protection i.e., this could have helped get the required social services.
- Kenya has the largest number of Economic Free Zones.
- Contributions to reform free zones concepts and the kind of incentives provided can be found in a 2022 UNTAD Report- In line with the UN 2030 Agenda for Sustainable Development which provides an opportunity for SEZs to attract investment by putting

SDGs at the forefront of the value proposition). The real question is, what is their contribution to exports, and GDP amongst others?

Resolutions and proposals made, the case of Nigeria.

- Ministry of Finance should not grant incentives without running them through parliament.
- Proposals for the amendment of the Exports Processing Zones Act (Almost 20 Years old). Amend through the Finance Act. Finance Act to be passed this year (2023)
- It doesn't make sense for these zones not to be subjected to tax. 25% of their goods are sold in the domestic markets. This should be subjected to tax as they already have incentives.
- Scrapping of the provision for Nigerian workers that limits strikes and the need to address the grievances through the various institutions of Nigeria.

Recommendations, the case of Ghana and Tanzania

- Reconsider the incentives regime versus profits made.
- Government should have a very large stake in these companies (than giving autonomy to private companies to control our royalties) yet continue to channel their profits in tax havens.
- Revenue Authorities need capacity building– in the context of work, the concept of implementation- workers organised as union members.
- Train parliamentarians- on the need to raise revenue. The Government should make sure it collects tax effectively so that it is able to meet its needs. There is a need to have a parliamentary interface group (inclusive of Parliamentarians, NGOs, CSOs, etc) in parliament who speak on tax. For instance, an African Parliamentary Network Forum on IFFs, targeting parliamentarians including Regional ones. Continental meetings: bring the MPs together to discuss matters tax. Experience sharing, peer-to-peer review, strategy meetings, aim within the national caucuses, and make sure there are interfacing with CSOs (more of a secretariat).
- Everybody must pay tax accordingly.
- The need to have bloc cooperation in the development of policies on SEZs (tax incentives, workers)
- Media campaigns: position paper on tax issues; life, television programs.
- Expanding CSOs- Prioritise their members and capitalise on the tax platform (public finance-based people and knowing where this human resource is). The need to focus on Franco-phone Countries (Anglophone countries are doing a lot better). Understand the Ethiopian context i.e., shortage of revenue, war, and instability internal and external.

What do we do next?

Yaku, South Africa, Everlyn TJNA.

These have been their demands:

- Broader tax reform/austerity measures: South Africa has a progressive tax system tax to GDP, carbon border adjustments.
- Finance development
- Avoiding a debt trap through a progressive tax system and reaching a budget surplus.

- The debt to GDP ratio doubled since the financial crisis, Corruption, Covid, and harsh budgetary cuts. Some measures employed, for instance, CIT cut by 1%, and income tax adjusted to give inflationary relief- have worsened income inequality.

- There are no innocent billionaires. High Networth Individuals (HNWI) must be taxed- join the call for a wealth tax. Perspectives: even if you factor in a 30% avoidance rate- good revenue can still be raised. The tax authorities must give priority to taxing HNWI. For instance, in January 2023, 17% of lifestyle audits raised millions of rands. Priority makes a big difference.
- Tax authourties and stakeholders must purpose to have a good relationship with the media.
- Tax justice training with leadership. Collection of 100,000 signatures towards tax justice. Getting its own legs now. Grass root caucuses.
- Working with Government directly and also sponsoring members' bills to deal with IFFs. It must be at the heart of our work. Proposal: Centralise Anti-avoidance, give revenue authorities powers to prosecute
- International taxation

- Political economy analysis- OECD, G7, G20- Inclusive framework (international tax arena), who plays fair?
- UN Tax model. UNTC and FACTI Panel- all players. Why do we need the UN tax convention and how do we come to it? UN General Assembly Resolution 2022. Agenda setting for a global tax body.
- Public support of UN General Assembly Resolution 2022. Agenda setting for a global tax body

Everlyn TJNA

- Working group, communique, and press briefing
- The success story of Tax Justice work in Zambia. These pressures have borne fruits. CSOs are now being contacted by Zambian Revenue Authority (ZRA)- 25 Representatives from ZRA. why were they so keen to have a meeting with the CSOs?
- Meeting of the consortium of CSOs once quarterly. No public participation.
- TJNA and Tunisia- There is the Tunisia Economic Observatory.
- OECD Pillar 1 & 2 (PR) and rejection by CSOs. Kenya and Nigeria reject the 2 pillar solutions- there is pressure mounting. Note that Kenya is negotiating a trade agreement with the US so reasonably that they have not given a stand on DST. The Finance Act 2023 has introduced this though.
- Reinenfore the linkages between tax and debt, social protection, austerity measures, and wages.

Overall recommendations and action points

- Tax is a political issue. Strong union leadership is needed and we must ensure that we take an investigative approach to tax and tax justice. Access to and demand tax reliefs, Call for renegotiations or removal of tax treaties. Have a tax fairness report.
- Collaborations are key among all stakeholders- including trade unions and parliamentarians. South-to-south collaborations, nonstate actors. North-South solidarity.

- We must be clear on our position on OECD Pillar 1 and what the proposed convention means for Africa. Think about and through any alternatives we may have.
- Trade unions should be taking the lead role in the expansion of social protection, Workers' plight, and be a platform for them. Advocate for removal of tax on workers' benefits.
- Advocate for wealth and property taxes- Uganda has a HNWI unit; borrow on Uganda's success story.
- Have homegrown solutions for our issues. For instance, the Stop the Bleeding campaign by TJNA in collaboration with AFRODAD, PALU, and FEMNET. Others must join too**.**
- Assessing MNCs on their subsidiary location. Automatic exchange of information.
- Communicate more. Public space with our thoughts, article writing, and online coaching. 1 hour a day and demystify technicality. Set up a working group. TU-CSOs on SEZs.
- Above all continue to link between tax to all other areas like debt, human rights amongst others

Prepared by:

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