



**AFRICAN TAX
ADMINISTRATION FORUM**

**FORUM SUR
L'ADMINISTRATION
FISCALE AFRICAINE**



OECD GLOBAL FORUM ON VAT

BREAK-OUT SESSION A: IMPLEMENTING INTERNATIONALLY RECOMMENDED SOLUTIONS IN A NATIONAL CONTEXT: LESSONS, CHALLENGES, TRENDS

Topic: Managing VAT Digital Reform



The need to Implement VAT Rules on e-Commerce

VAT as the main revenue stream in Africa and the world – safeguarding these revenue and minimising competitive distortion between foreign online and local sellers is a priority for Africa



Rapid Growth of E-commerce in Africa – Africa has seen a significant increase in the number of online shoppers, growing at an annual average growth rate of 17%, with market revenue figures reaching tens of billions of dollars.



Growth in Digitally-Deliverable Services – Accelerated by the COVID-19 pandemic. There's an observable increase in the import of digitally-deliverable services in Africa, reaching a value of over USD 52 billion among the top ten African regions.



However: Strong digital growth brought challenges to the VAT systems globally and in Africa – mainly, significant revenue losses and unfair Competition between local and NR suppliers.



The Journey to Implementation of VAT Rules on e-Commerce

Global responses addressing VAT challenges on e-commerce

Governments worldwide recognised that these VAT challenges require a globally co-ordinated response – to maximize compliance levels by NR online suppliers.

And hence the OECD delivered a comprehensive internationally agreed policy framework for addressing the VAT challenges of the digital economy.

Over the years, the OECD countries and key international and regional organisations delivered a policy dialogue which laid the foundation for the policy framework.

The principles and standards of this framework are laid on the '**International VAT/GST Guidelines**' and in '**Addressing the Tax Challenges of the Digital Economy: Action 1 – 2015 Final Report**' and

2017 ATAF joined the discussions on '**The Role of Digital Platforms in the Collection of Vat/GST**' – start / intensifying the journey to implementation.

The production of the '**VAT Digital Toolkit For Africa**' – ©OECD/WBG/ATAF 2023



The VAT Digital Toolkit for Africa

The Toolkit is a fit for purpose, tailor made for African perspective, as there is no one size fits all scenario.

Provides:

Detailed guidance on successful implementation of VAT on digital trade:

- Legislative framework, which is the starting point. Including all the important components of the recommended policy framework to implement VAT on digital trade.
- Practical guidance for implementation, covering challenges, opportunities and circumstances in Africa.
- Enforcement of VAT digital policies in light of jurisdictions' specific needs and circumstances

The Toolkit is not prescriptive, but rather provides advice and guidance on the possible approaches, based on the internationally agreed standards and best practices

It is aimed at assisting tax authorities and supporting capacity building on VAT design and administration, supplementing other initiatives in this field.



The VAT Digital Toolkit for Africa

Policy framework based on the four main pillars:

(i) Creating legal basis for jurisdictions to assert taxing rights on cross border digital trade.

- Inadequacy of domestic laws to tax cross border supplies of services and intangibles
- Destination principle guided by OECD International VAT/GST Guidelines
- Ensure place of taxation rules for international B2C supplies of services and intangibles
- Determine customer's usual residence (B2C) or location of permanent business presence (B2B)

(ii) Establishing effective VAT collection mechanism:

- Simplified registration and collection regime for non-resident suppliers
- Establishing reverse charge for B2B suppliers of services and intangibles
- Consider extending scope to supplies of low value imported goods



The VAT Digital Toolkit for Africa

(iii) Leveraging digital platforms to aid in collection

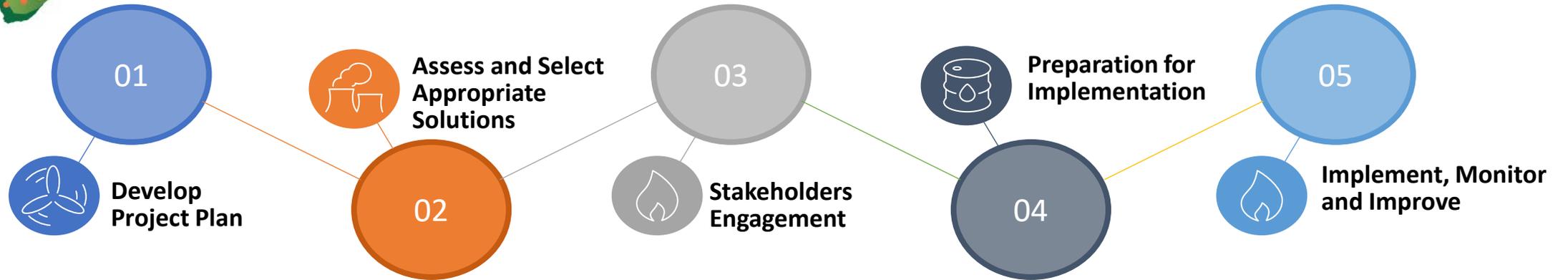
- Enlisting digital platforms in the collection of VAT on online supplies – deemed supplier rule and/or full VAT liability regime)
- Encouraging and promoting compliance – imposing information reporting requirements

(iv) Fostering effective communication and compliance management

- Policy design and administration that encourage compliance
 - Clear and consistent rules, processes and procedures
 - Early communication to raise awareness
 - Providing appropriate lead time
- Enforcement and Compliance
 - Debt recovery through international co-operation
 - Penalties and other enforcement measures to deter non-compliance



Overview: The Process For Implementing VAT Rules in Africa



- Assemble a project team with project lead
- Define the scope, objective and timeframe
- Identify stakeholders
- Develop communication strategy

- Assessment of various policy, legislative and administrative options with consideration given to the VAT and general tax system of the jurisdiction
- Identification of statutory instruments for implementing the regime
- Assessment of resource requirements e.g. ICT
- Peer Learning

- Consultation with business community and tax practitioners to discuss the solutions, experience in other jurisdictions and areas critical to ease of compliance
- Consultation other identified government agencies, development partners and other stakeholders

- Use international cooperation frameworks and third-party data to obtain information on relevant persons to register under the regime
- Effective communication with stakeholders – announcements on effective date, inform identified businesses on the need to register and other relevant issues
- Development of practice notes, guidelines, circulars and other relevant documents
- Design and test ICT infrastructure

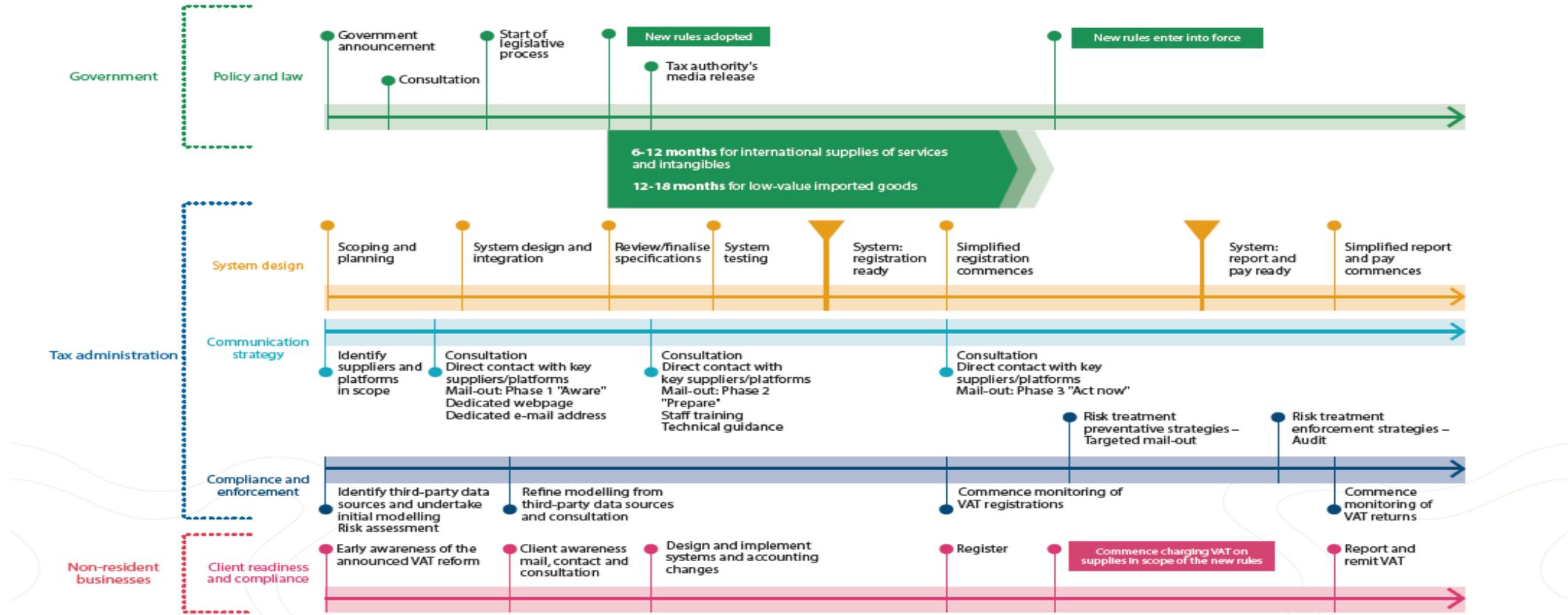
- Go Live!
- Assist taxpayers in onboarding to the simplified regime
- Develop risk assessment framework based on compliance data, third party data and information obtained through international cooperation frameworks
- Monitor, analyze and adjust where necessary for improvement of the system



Implementation Road Map

VAT Digital Toolkit for Africa

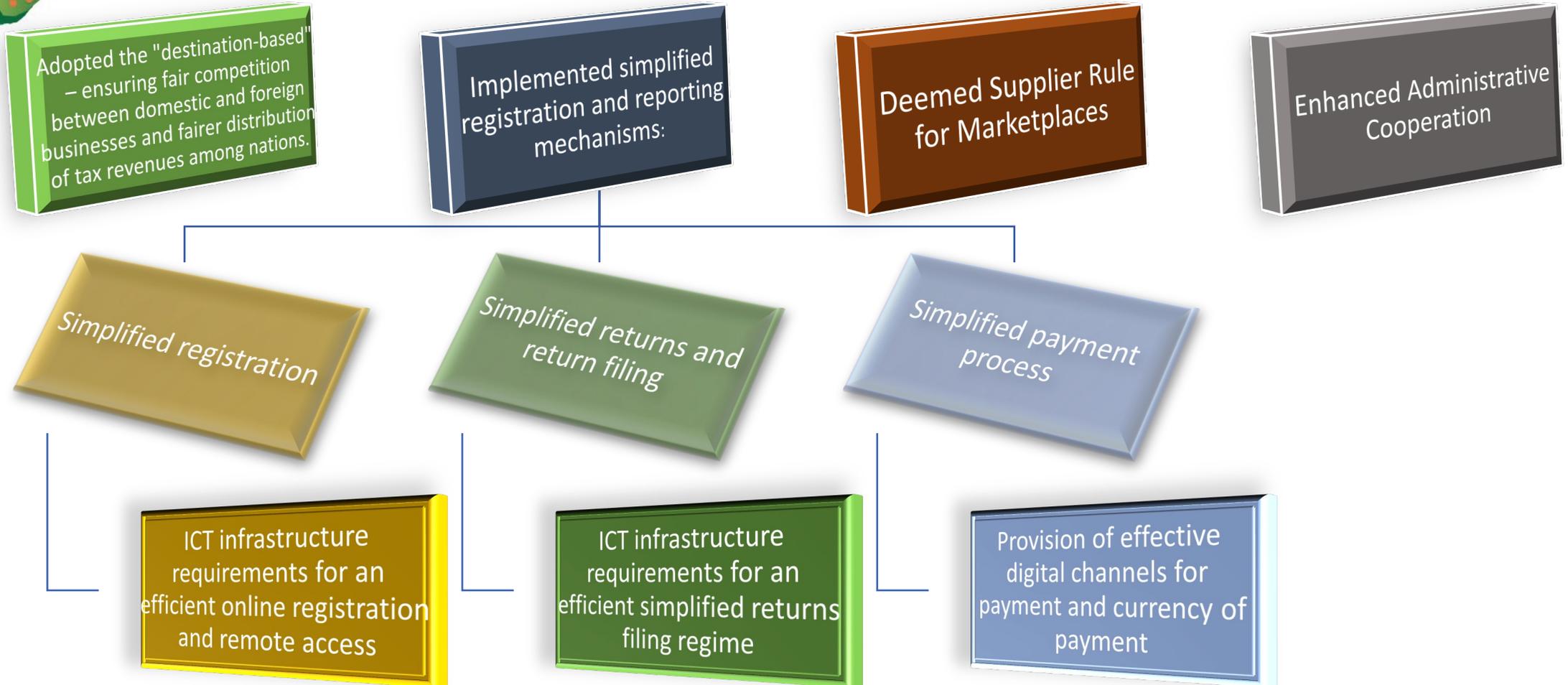
Figure 6. Indicative project implementation timeline



Source: OECD/WBG/ATAF (2023), VAT Digital Toolkit for Africa, <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-africa.htm>.



How VAT Rules Were Adapted to the Domestic Contexts





Lesson Learned, Challenges and The Results

Africa has learned a lot from implementing VAT rules, among other things

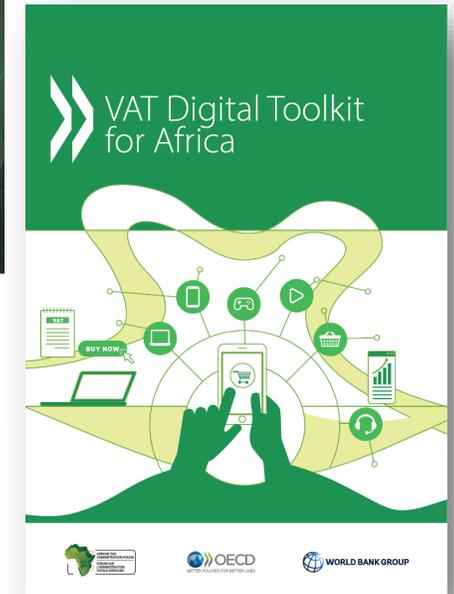
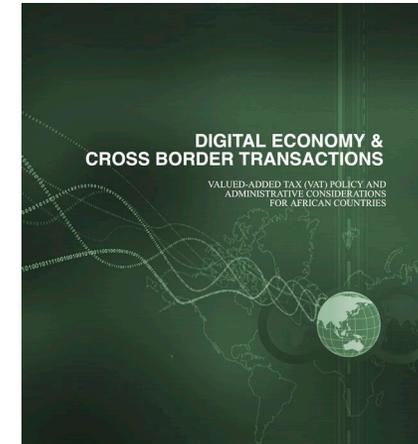
Challenges differ between countries, but most common

- Transition from traditional tax systems to modernized version
 - Adoption of e-invoicing solutions to enhance transparency and real time reporting
 - Simplification of processes
 - Effective collaboration with major stakeholders such as platform owners
 - Educated workforce and clients
 - Improvement of local infrastructure to ensure compatibility with other systems
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- Difficulty enforcing compliance on non-resident suppliers
 - Limited tax administration capacity
 - Limited Access to Information for monitoring and enforcement / risk assessment
 - Reporting – high volume of transactions, data security and privacy, reporting requirements differ across jurisdictions
 - Weak digital infrastructure
 - Data protection rights
 - Complex Digital Business Models
 - Rapid Pace in Technological Changes



Where we are?

1. African countries are at different stages of implementation of a VAT compliance regime for cross border eCommerce. **Most regimes are at a nascent stage.**
2. **20 African countries** have provisions covering VAT compliance regime for cross border eCommerce
3. **12 African countries** have received **targeted technical assistance** from ATAF. **Facilitated stakeholders engagement** including the business community
4. **Over 600 revenue officials** across **35 jurisdictions** have participated in capacity building engagements
5. **Over USD 350 million** (approx.) total collection from 2022 - 2025 by 6 countries.





Thank You

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