AFRICAN TAX ADMINISTRATION FORUM
FORUM SUR L'ADMINISTRATION FISCALE AFRICAINE

TAX ADMINISTRATION AND POLICY DEVELOPMENTS

IN RESPONSE TO THE COVID-19 PANDEMIC IN AFRICA

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About ATAF

The African Tax Administration Forum is an organisation which was established by African revenue authorities in 2009, in order to improve the performance of tax administrations in Africa. The tax administrations of 39 countries in Africa are members of ATAF, i.e. 72% of tax administrations on the continent, making it the premier body on tax matters on the continent. Two additional countries, Mali and Somalia, are in the process of joining the organisation. ATAF believes that better tax administration will enhance economic growth, increase accountability of the state to its citizens, and more effectively mobilise domestic resources. Now in its 11th year of existence, ATAF has positioned itself as Africa's homegrown solution to improving revenue collection, advancing the role of taxation in governance and state-building and providing a voice for the continent on international tax issues.

Tax Administration and Policy Developments in Response to the Coronavirus (COVID-19) Pandemic in Africa

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1. COVID-19 PANDEMIC AND THE AFRICAN TAX CONTEXT

1.1 Introduction

The coronavirus disease (COVID-19) was first identified in December 2019 in Wuhan, China, and has since spread globally, resulting in a global pandemic declared by the World Health Organization (WHO) on March 11, 2020. The first case in Africa was traced in Egypt on 14 February 2020[1]. COVID-19 has since brought serious challenges to global economies and consequently tax revenue has remained suppressed due to this pandemic. Governments around the globe have taken a series of tax-relief and other non-tax relief measures to support their taxpayers and their wider economies.

1.2 COVID-19 and the African Taxation Landscape

The COVID-19 pandemic is expected to bring about a major decline in tax revenue in most countries due to the overall slowdown in economic activity and the tax policy and administration measures taken in response to this.

The major tax types that generally drive revenue collections will not be spared by the COVID-19 pandemic. For instance, value-added tax (VAT), which is mainly driven by consumption and production, will be negatively affected by partial or total nationwide lockdowns across Africa. In addition, reduced consumption levels of goods and services stemming from a decrease in disposable income will also hamper VAT revenue collections. VAT on imports will be heavily impacted too as many countries have closed their borders to all cargo except goods deemed to be essential. Even in the few countries with open borders for cargo, the volumes of vatable goods are expected to drastically decrease, resulting in low VAT revenues.

Corporate income tax will be eroded since it is a product of companies' profitability, which depends on productivity. In general, productivity increases when factors of production, namely land, labour, capital, and entrepreneurship are functioning well. Unfortunately, all the factors of production have been crippled by this pandemic. Employees are forced to work from home, with others being retrenched to enable business sustainability. Stock markets have fallen heavily, affecting capital and investment. During the partial or total nationwide lockdowns, many companies are streamlining their production, with others suspending production all together. In addition, in many countries, the lockdown meant only basic commodities like foodstuffs and medication could be sold. This has resulted in a reduction in the sales/turnover of many companies, and consequently lower profits. It is not clear yet when lockdowns across Africa will end but there is no doubt regarding the adverse effects they have had on businesses, with some businesses not likely to recover from this coronavirus crisis.

[1] Preparedness and vulnerability of African countries against importations of COVID-19: a modelling study, The Lancet February 2020

Personal Income Tax collections are expected to be negatively impacted too as the remuneration of employees comes under stress. Thus, pay as you earn (PAYE), the largest and most stable form of PIT, which employers withhold on the remuneration of employees and pay over monthly to tax administrations, will be affected by the fact that many employers have had to either cut salaries and/or put workers on unpaid leave; and in the worst case scenario, have had to retrench staff. Some of the economic relief measures introduced by tax administrations include deferrals on payments of PAYE by business to support their cashflow and this too in the short term will have an impact on PIT (*see ATAF's Suggested COVID-19 Measures for Revenue Authorities).*

Customs duty performance is reliant on an increase in the volumes and values of goods subject to customs duty. These normally pass through the ports of entry which include harbours, airports and ports prescribed and situated at border posts and inland ports. Due to COVID-19, many of these ports have minimal business as governments worldwide imposed restrictions on trade, consequently resulting in low customs duties. A comprehensive analysis of customs duty performance in some African countries is provided in Section 3.2.4 of this paper.

Excise duties normally increase with an increase in consumption of excisable products such as consumable products (e.g. petroleum and alcohol and tobacco products) as well as certain non-essential or luxury items (e.g. electronic equipment and cosmetics) (Gilbert , et al., 2020). Many governments in Africa imposed restrictions on consumption of these products during the lockdown periods. Enforcement of social distancing rules and bans on the sale of non-essential goods further hampered the consumption of these products, especially alcohol and luxury items.

In addition, in this context of global pandemic, many households prioritised savings for health purposes rather than consumption expenditures, resulting in a general decrease in excise taxes.

The economic devastation wrought by the COVID-19 lockdowns compelled governments worldwide to put in place a raft of tax and non-tax relief measures designed to support businesses and employees in the face of the pandemic. Some of the measures put in place across African countries included deferral of tax payments, tax rebates, exemptions and reliefs, suspension of penalties and interest for late payments and extension of filing periods. Even though most of the measures put in place are expected to further reduce revenue inflows in the short to medium term, they are deemed to be necessary to protect the economy, and hence the tax base, in the long-term. Some jurisdictions have quantified the revenue forgone through these measures and it was substantial in a number of cases. For instance, South Africa estimated its cost to around R70 billion in support to the COVID-19[2], 78% (R55 billion) of which relates to a period from three to six months.

[2] South African Treasury, 2020.

1.3 Motivation, Purpose and Scope

In its first COVID-19 related report published by ATAF, in April 2020, on *Suggested COVID-19 Measures for Revenue Authorities*[3], ATAF emphasised the importance of these measures in support of the economy. This paper follows that report and provides feedback (Sections 2 and 3), analyses (Section 3) and recommendations (Section 4) on six key aspects relating to African Tax Administrations namely: tax-relief measures; non-tax relief measures; business continuity; enterprise risk management; tax frauds; and customs revenue. It also provides suggestions on how donors and development partners may intervene in assisting African tax administrations during and post the COVID-19 global pandemic.

This paper produced by the ATAF Secretariat relied on input provided by African tax administrations, obtained through surveys and virtual engagements. The analysis was made possible through data collected from a total of 23 countries as provided in Table 3-1. An in-depth review of relevant literature was also carried out to enhance the analysis.

This ranged from the review of existing pandemics and effects on taxation in Africa; the twin-challenge of maximizing domestic revenue and providing relief during the crisis; and the international response to help Africa reduce the impact of COVID-19. The literature review included the collection and analysis of existing reports on Covid-19 produced by African tax administrations.

This analysis does not provide country-specific recommendations due to differences in the situations and environments of countries. However, the suggestions provided are comprehensive enough to be customised to any country's unique set of circumstances, and are not intended to be a "one-size-fits-all" solution, to mitigate the socio-economic implications of COVID-19 in Africa.

[3] ATAF, 2020

2. LESSONS FROM PANDEMICS AND EFFECTS ON TAXATION IN AFRICA

2.1 A Review of Past Pandemics and Effects on Taxation

The Spanish flu of 1918 helps us to understand some of the issues that pertain to the COVID-19 pandemic. During that period large cities around the world, such as New York and Philadelphia in the United States, were temporarily shut down. Businesses, like today, were also closed, with sporting activities and social gatherings banned. There was also a shortage of labour, resulting in wage increases, since the highest number of the pandemic's victims were men and women in the prime ages (15 to 40 years). Economic historians are at variance with one another on the actual quantum of the Spanish flu to the economy. Some argue that it is difficult to quantify the revenue loss because it is also difficult to isolate the impact of the flu from the impact of the First World War (Colvin, 2020).

Despite this, Colvin (2020) argues that we can still derive lessons from the Spanish flu. Firstly, public health response to the spread of the disease must focus on containment. The Spanish flu killed many people because policymakers delayed imposing lockdowns and other social distancing measures to stop its spread. Secondly, the public sharing of information is critical for controlling diseases. Thirdly, nations must be prepared for the economic and human consequences of the virus and act accordingly to contain its impact.

COVID-19 also presents similar experiences to the Ebola virus that affected some countries in Africa, such as Liberia and Sierra Leone, in 2014. Social distancing measures and restrictions on travel and trade were also imposed in a bid to contain the disease. Another striking similarity is that global mineral prices fell significantly.

These developments had a ripple effect on tax revenues for the jurisdictions affected. For instance, in Liberia revenue in 2014 fell by 12.4%, while in Sierra Leone the targeted collections were not met by 14%.[4]

The World Bank estimated that Ebola cost Liberia and Sierra Leone approximately US$2 billion over the 2014-2015 period. In 2015, the Bank had projected tax revenue forgone of US$46 million in Liberia; US$ 540 million in Guinea and US$920 million in Sierra Leone. This figure was more than 12% of their combined GDP. Tax revenues were also heavily depleted because multinational enterprises operating in countries that were affected pulled back new investments, especially in mining, oil and gas and further repatriated many foreign workers, resulting in huge cuts in production of exports.

[4] World Bank, 2015

2.2 The Twin-Challenge of Maximising Domestic Revenue and Providing Relief to the Economy

As Africa battles the COVID-19 pandemic, tax administrations face conflicting demands from their governments due to the imperative to collect more revenue to finance the governments' effort in the fight against Covid-19 *and* to implement tax measures that provide relief to taxpayers and the economy as a whole. The situation raises a tension between tax policy and tax administration. As observed by (Martinez-Vasquez & Barl, 1992)

"The conflict between policy and administration arises because stabilization programs are by their very nature emergency programs, and administrative preparation may be given little attention. ......If the tax administration is not prepared to absorb the change, the results may be less than expected. In any case, the day-to-day job of the tax administration may be compromised, and effort may be diverted from other activities that are more in the long term of interest of the country."

There is a risk that emergency tax policies may be enacted without considering the broad constraints of the tax administration, but they are nevertheless undertaken because they are tools that are available to the government to deal with crises. For this reason, tax measures remain the most important and widely used tools for the governments to respond to public policy challenges and emergencies like COVID-19.

Even at the earliest stage of the Covid-19 pandemic, many African countries acted quickly and brought in new policies to reduce the negative economic impact of the pandemic and ultimately "flatten the curve" in the spread of the pandemic.

Nearly all African countries[5] instituted measures to support the citizenry, taxpayers and the businesses community to cope with the negative impact of the pandemic. These measures range from fiscal measures in the form of temporary incentives, deferments and suspension of penalties, to monetary and micro-financial measures. According to a report by Development Reimagined (2020), over 36 African countries earmarked a specified budget to finance various economic measures, which included direct costs to the healthcare system, one of the most strained sectors of the economies. It is estimated that each country is spending an average of 1.07% of its GDP to respond to COVID-19 and this amounts to a total of over US$ 37.8 billion for all the 36 countries[6]. In the same vein, ATAF, in April 2020, published a report titled *Suggested COVID-19 Measures for Revenue Authorities* which tax administrations can consider in their responses to Covid-19 pandemic while at the same time maintaining their core function of raising tax revenues to finance the general functioning of the governments.[7]

[5]IMF 2020
[6] Development Reimagined 2020 (ICTD, 2020)
[7] ATAF 2020a

Although tax administrations face the dilemma of collecting more revenues to support the fight against COVID-19 while at the same time ceding some revenues in the form of relief to the economy, it can be argued that the ultimate goal is to ensure that at national level a recession is avoided- companies do not go bankrupt- and that vulnerable citizens are protected. What matters the most is to identify the economic and social tools that achieve these goals in an efficient and effective manner. Most African economies are pursuing a balanced blend of relief measures to, on one hand, support large companies and on the other hand, target low income earners or those without an income to alleviate hunger and poverty.

According to a report by Development Reimagined (2020), as at 27 April 2020, all the 44 African countries for which data was available had implemented a total of 152 measures in response to the COVID-19 pandemic.

Of these, 64 were social safety nets and included tax relief and cash transfers, 54 were aimed at increasing access to essential services, 32 measures were meant for income protection and the rest were for gender-based policies.[8]

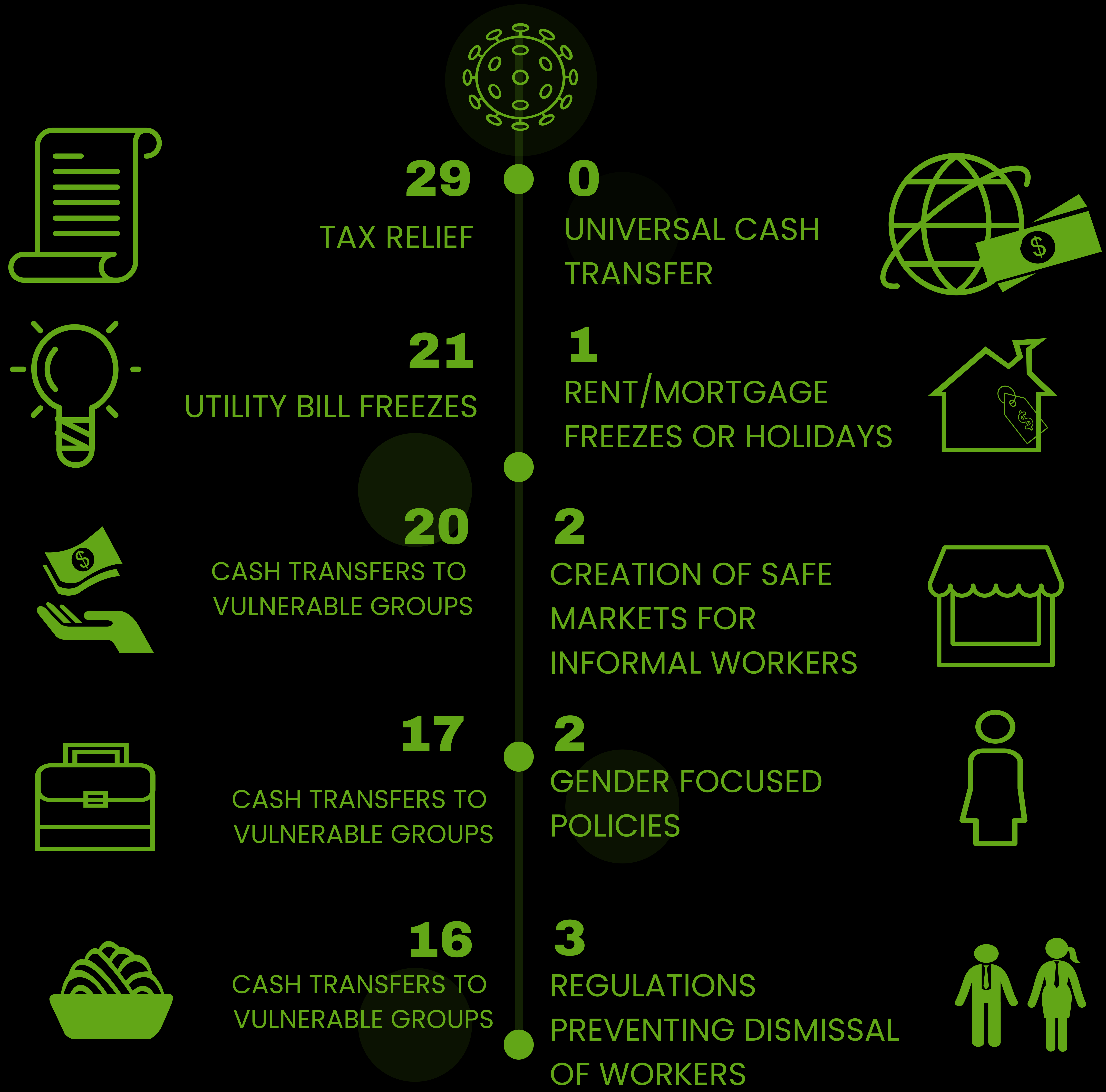
The Development Reimagined (2020) report observed that tax relief is the most common measure being used in the economic fight against COVID-19 pandemic. As at April 2020, about 29 African countries were already implementing tax relief measures. This was followed by utility bill freezes (21 countries) and cash transfers to vulnerable groups (20 countries). This confirms the findings of the ATAF surveys reported in this study (under Section 3.2.1) where the responses indicate that tax related measures were extensively being used by many African countries.

Figure 2-1 shows the number of countries and the various tools that they are using to lessen the negative impact of COVID-19 on the economy, businesses, and the vulnerable groups of the society.

[8] Development Reimagined 2020

Figure 2-1 : Tax Relief Measures versus other Tools being used in response to COVID-19 Pandemic

NUMBER OF COUNTRIES USING EACH TOOL



Note: African countries using different economic and social tools based on their needs and budgets[9]

Image source: Reimagined, 2020.

While most of these tools, like tax relief and cash transfers, can be said to have been tried and tested, there remains scope for more innovative tools that may preserve tax revenues while at the same time shielding the economy from the negative effects of COVID-19. Unfortunately, research in this area remains scanty. It is argued that *"It is very challenging for African governments to use tax measures to counter the economic consequences of the pandemic, and even more challenging to use tax measures to shield the poor"*[10]. The main reasons for this challenge lie in the narrow tax base of the African economies[11] and lack of fiscal firepower i.e. limited scope of collecting taxes on the one hand and the lack of funds for public spending on the other.

How African tax administrations can tax in the post-COVID-19 era in light of the twin challenges

While navigating the troubled waters of the COVID-19 pandemic, it is imperative for African tax administrations to already strategize how they will tax better post COVID-19. There are various measures that can be considered in order to maximise revenue collection when business returns to the '*new normal*'[12] and they include:

i. Dedicate resources towards vigorous enforcement of debt collection, auditing, and other processes. Since most countries are providing relief in the form of a tax amnesty, it is imperative that the tax amnesty is followed with improved enforcement. This will ensure that the tax administrations focus on the quick wins that may raise revenue relatively easily.

i. Focus on audit, debt management and recovery from large taxpayers with huge tax arrears. The offices responsible for large taxpayers should conduct analyses to identify opportunities that exist in terms of tax gaps and debt and prioritise accordingly. In addition, there is a great risk of large taxpayers declaring excessive losses attributed to the slowing of business due to the pandemic. Tax administrations must remain vigilant in this regard.

ii. The tax administration ought to be closely in touch with the personnel responsible for tax policy at the government's ministry so that enough support is provided to the tax administration to resuscitate the fiscal system. For instance, post-COVID-19, tax administrations will require government support to ensure that they can obtain third party information from other government agencies and private entities like banks for tax collection purposes. Furthermore, tax administrations may also consider targeting other untapped sources of revenue by focusing on segments like high net worth individuals (HNWI). As many of these form part of the political and social elite, this will require strong political will and support.

iii. The tax administrations can request for temporary increase in funding in order to successfully implement the above suggested action points post COVID-19. For instance, at the end of the time-bound measures like tax amnesty, it is highly recommended that tax administrations should intensify and invest in post-tax amnesty enforcement in order to achieve its main purposes which are increase in revenue and compliance (Masiya, 2019) & (Christian, 2002).

[9] Development Reimagined, 2020

[10] ICTD 2020

[11] ATAF 2020b

[12]It is undeniable that the COVID-19 pandemic will forever change how tax administrations execute tax operations and relate with taxpayers. Therefore, the situation shall never return to normal but instead a 'new normal'.

2.3 International Assistance to Africa and the Impact on Taxation

Ever since 11th March 2020, when Covid-19 was declared a global pandemic by the World Health Organization (WHO, 2020), different types of support have poured from the developed world towards Africa. In this section, we focus on economic support and briefly discuss the impact of the support on taxation in Africa.

2.3.1 Economic Support to Africa

Since the pandemic was declared, Africa has benefitted from a wide range of economic support initiatives from multilateral institutions, bilateral partners, and philanthropists.

Multilateral Institutions

The World Bank was among the first multilateral institutions to pledge economic support for developing countries when, on 3rd March 2020, it announced plans to make available initial funding of up to USD 12 Billion to support countries coping with the economic and health impacts of COVID-19 (World Bank, 2020). The financial package would provide grants and low-interest loans for low-income countries and loans for middle-income countries, using all of the Bank's operational instruments with processing accelerated on a fast track basis. The Bank pledged to prioritize the poorest countries and those at high risk with low capacity, a majority of which are in Africa. From 15th April 2020, when the Bank announced $37 million for Malawi, it pledged to deploy up to $160 billion in financial support over 15 months to help countries regain economic recovery in the face of COVID-19 (The World Bank, 2020).

On 13th April 2020, the International Monetary Fund (IMF) announced that it had approved immediate debt relief for 25 countries, 20 of which are in Africa. The African countries benefiting are: Benin, Burkina Faso, Central African Republic, Chad, Comoros, Congo, D.R., The Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone and Togo. To help these countries address the impact of the COVID-19 pandemic, the Fund offered US$500 million in grant-based debt service relief under its revamped Catastrophe Containment and Relief Trust (CCRT) (International Monetary Fund, 2020). Coordinating their efforts, Wellcome Trust and the United Kingdom Department for International Development (DFID) jointly pumped in €2.26 million to the Africa Centres for Disease Control and Prevention (Africa CDC) to support the COVID-19 response by African Union Member States (African Union Commission, 2020). In addition to the pool available, several developed countries such as the UK, Japan, China, and the Netherlands pledged to pump in additional resources to the CCRT.

Table A-1 (in the Annexure) provides a list of other international and multilateral institutions that have pledged support to Africa to curb the impact of COVID-19. The table details the institution, amount of support, targeted countries and objective.

2.3.2 Impact of International Support on Taxation

The aid that African Governments have received from the international community has had a supportive effect on the fiscus of African countries, thereby reducing the pressure to some degree on revenue collection in an already constrained economic environment. It has helped fund the procurement of COVID-19 prevention and treatment equipment and given governments the fiscal space to put in place tax and non-tax concessions to cushion businesses in the COVID-19 era.

3. ANALYSIS OF THE IMPACT OF COVID-19 ON REVENUE SYSTEMS IN AFRICA

3.1 Scope, Methodology and Responses from ATAF Membership

From the ATAF perspective, the unforeseen COVID-19 pandemic sparked an obligation to branch off from its routine programmes to respond to the impact of this pandemic on its member states. As described in section 2.2, due to the COVID-19 pandemic, many African revenue administrations have taken measures to ease the burden on their citizens while simultaneously maintaining their revenue mobilization strategies. To date, African countries have not fully exited the lockdown phases, resulting in much required significant recovery packages. ATAF has taken this opportunity to share among its members the various measures implemented across the continent and beyond, the gaps that have been identified and to further provide some thoughts on how African tax administrations can sustain themselves during and post COVID-19 pandemic.

In addition to the literature review undertaken in the study, ATAF conducted three surveys among its member states using questionnaires as a method of data collection to support the analysis. The first two surveys related to the policy measures that countries have implemented in response to the Covid-19 pandemic and customs data respectively. The third survey was based on business continuity plans by member countries. Responses obtained from the two ATAF-OECD webinars that were conducted on ‘measures undertaken by African tax administrations’ and ‘business continuity’ were also considered. The data collected comprised a mixture of quantitative and qualitative inputs, and in that way, ATAF had a broader comprehension of the measures, their motivations, and the expected impact. The sample size comprised all the 39 member countries of ATAF. To observe a common institutional context, the respondents to the questionnaire were tax administrations of ATAF member countries.

Out of the surveys sent out to 39 ATAF member states, we put together a cross sectional database of countries based on the responses available up to the 26th of May 2020 for the tax and non-tax relief measures and 1st of June 2020 for the customs data. The data analysis was built on complete responses from 23 revenue administrations for survey 1. The customs data, survey 2, received 18 responses from revenue administrations while, for the business continuity survey, 17 countries responded. Table 3-1 presents a matrix of the surveys’ respondents. Overall, collectively, the total responses received are representative of the continent from all linguistical groups and geographical locations. The responses, however, do illustrate that the types of tax policy measures implemented were slightly different from one country to another. Due to the unique nature of the COVID-19 pandemic and the fact that it is still ongoing, the projections of the impact of this pandemic on national revenues need to be interpreted with caution.

Table 3-1: Member countries responses to the ATAF surveys

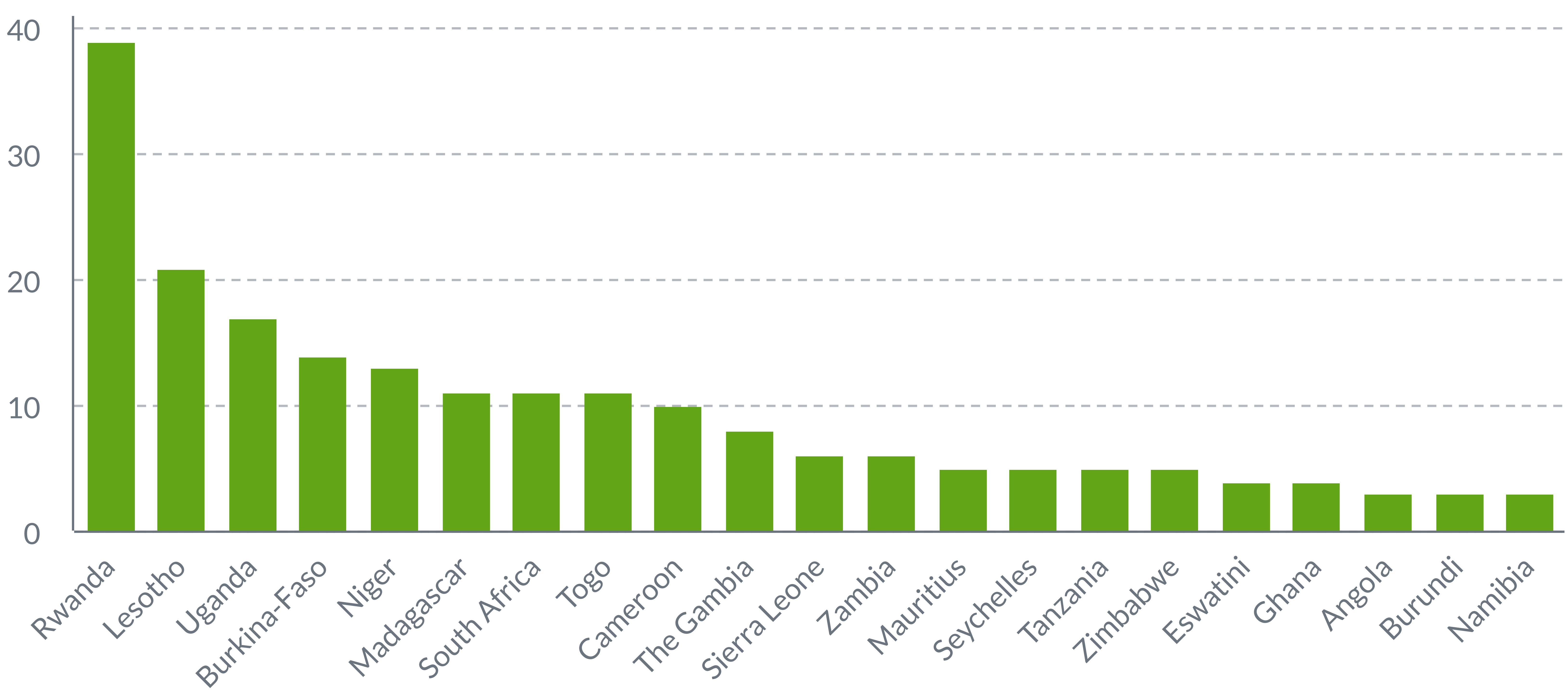
Countries	Tax related measures	non-tax related measures	Customs data	Business continuity
Angola	X	X	X	
Benin				X
Botswana	X	X	X	X
Burkina-Faso	X	X		
Burundi	X	X	X	
Cameroon	X	X		
Chad	X	X		
Cote d'Ivoire			X	X
Eswatini	X	X		X
Gambia	X	X	X	X
Ghana	X	X	X	X
Lesotho	X	X		X
Madagascar	X	X	X	X
Malawi			X	
Mauritius	X	X	X	X
Mozambique			X	
Namibia	X	X		X
Niger	X	X	X	
Nigeria				X
Rwanda	X	X	X	X
Seychelles	X	X		X
Sierra-Leone	X	X	X	
South Africa	X	X	X	X
Tanzania	X	X	X	X
Togo	X	X	X	
Uganda	X	X		
Zambia	X	X	X	X
Zimbabwe	X	X	X	X

3.2. Discussion on Findings

3.2.1 Analysis of Tax-Relief Measures

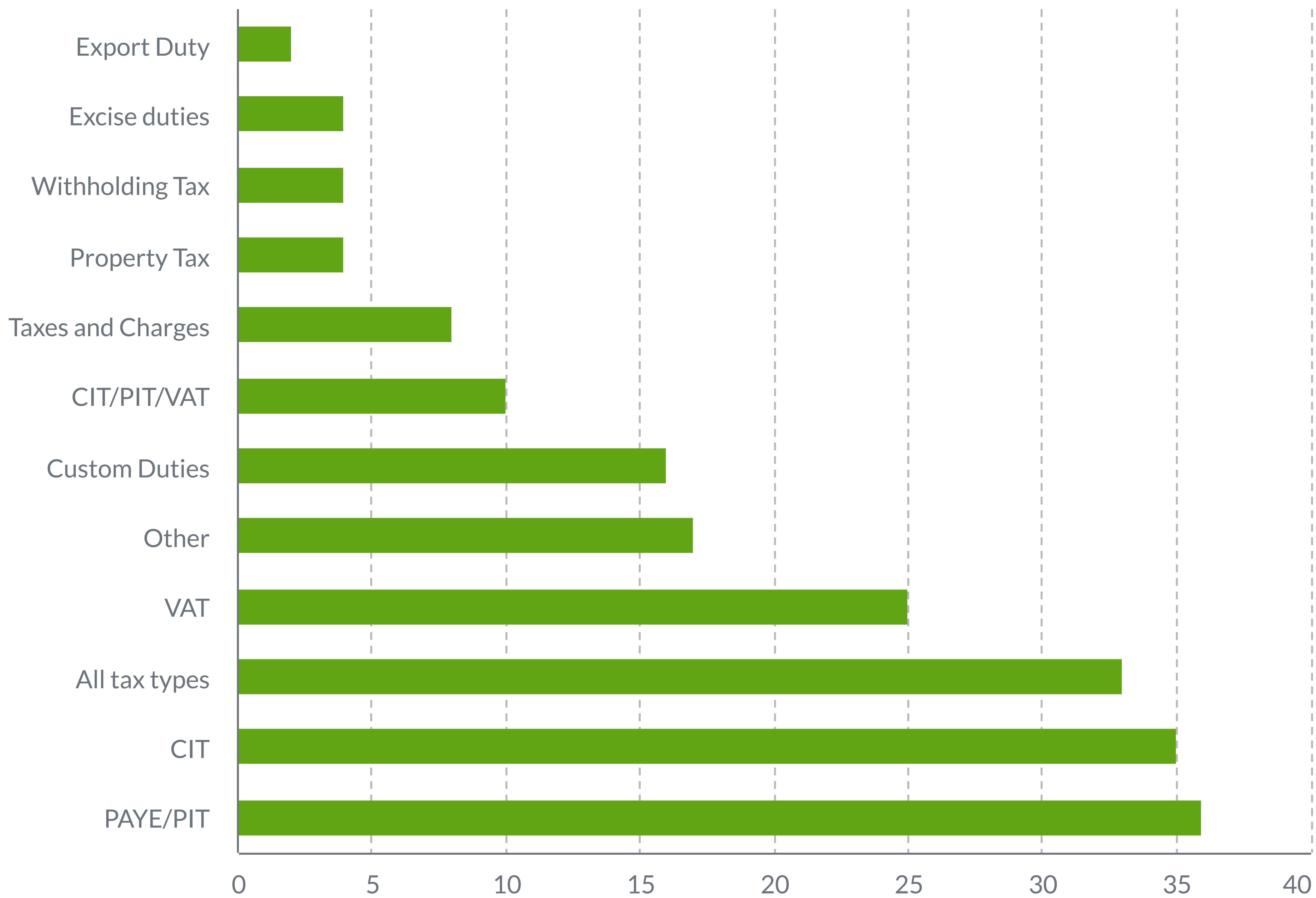
ATAF member countries reported several tax-relief measures put in place to combat the effects of the COVID-19 global pandemic. These measures include accelerated refunds, encouraging voluntary compliance, extension of filing and payment deadlines/tax deferrals, suspension of audits, support to health initiatives, tax amnesty, support to business investment, enhancing business cash-flow, enhancing business continuity, enhancing household cash-flow and measures to support the informal sector and/or small businesses. The number of measures imposed per jurisdiction is depicted in Figure 3-1.

Figure 3-1 : Number of Adopted Measures by jurisdiction



Rwanda had the highest number of measures put in place (39), followed by Lesotho (21) and Uganda (17). Namibia, Burundi and Angola were among the countries that reported few tax related measures put in place to mitigate the effects of COVID-19. Figure 3-2 depicts the number of measures imposed per tax type.

Figure 3-2 : Measures by Type of Tax



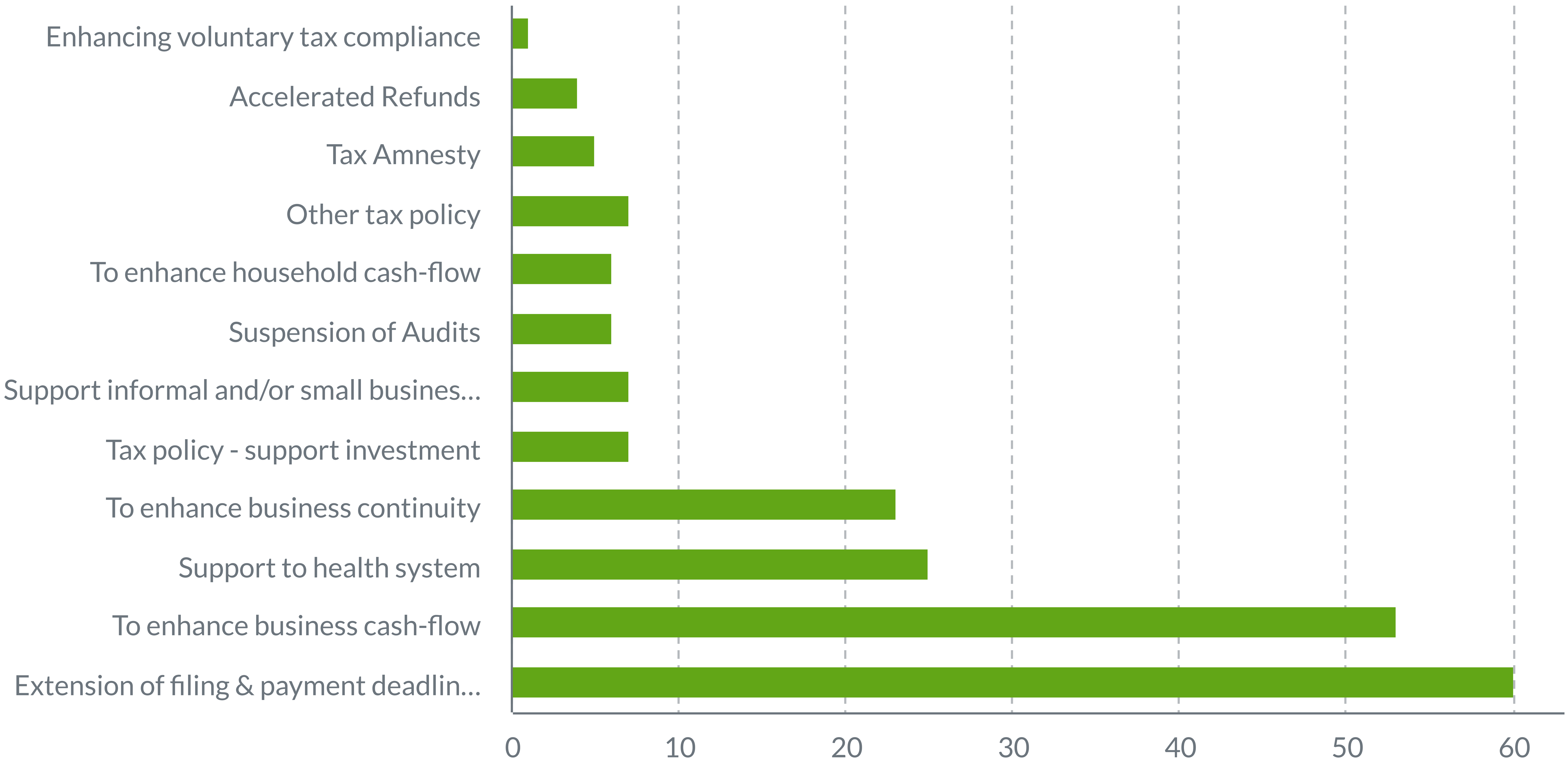
	PAYE/PIC	CIT	All tax types	VAT	Other	Customs Duties	CIT/PIT/VAT	Taxes and Charges	Property Tax	Witholding Tax	Excise duties	Export Duty
Count of type of tax	36	35	33	25	17	16	10	8	4	4	4	2

PAYE/PIT had the highest number of tax-related relief measures, followed by corporate income taxes, and VAT. In third position, was “All Tax Types” indicating that the measures put in place affected all tax types. For PAYE, this may be explained by the fact that it cuts across different measures such as relief to health workers, support to enhance household cash-flow and subsidies to companies to avoid laying off workers. For VAT, relief was mainly on expediting VAT refunds to enhance cash flow, exemptions and zero-rating of goods meant to fight the pandemic and tax deferral[13]. CIT measures mainly aimed to support business cashflow, investment and tax deferral, and these were also provided by many jurisdictions. Excise duty had fewer measures, mainly because in many jurisdictions, a ban was placed on the sale of alcohol, wines and spirits, which are usually high revenue earners. Some jurisdictions like South Africa and Botswana banned the sale of tobacco.

The frequency per measure imposed is reflected in Figure 3-3 below.

[13] The extension of filing and payment deadlines

Figure 3-3 : Frequency of Measures



The measure with the highest frequency was tax deferral. This may be explained by the fact that the lockdown prevented both businesses and tax administration staff from performing their duties. The other measures that were mostly adopted by African tax jurisdictions include: enhancement of business cash-flow; measures to support health; and measures to enhance business continuity. Measures to encourage voluntary compliance were not prioritized as only one country reported such a measure. This was mainly because most taxpayers were financially constrained and due to social distancing requirements were unable to pay their taxes.

Analysis of each Tax-Relief Measure Imposed

The following is a brief analysis per measure implemented.

Extension of Filing Deadlines/Tax Deferrals

Several measures (60) targeted extension of filing and payment deadlines due to the lockdowns imposed by governments. Uganda had the highest number of these measures, totalling 13, followed by Rwanda and Lesotho with 11 apiece and Madagascar with 5. These measures represented 29% of total measures and were reported by 76 % of the respondents (16 out of 21 jurisdictions) in total. Some countries described the extension of filing and payment deadlines as tax deferral and these were: Burkina Faso, Lesotho, Niger, Cameroon, and Sierra Leone. However, in the analysis extension of filing deadlines and tax deferrals were combined since they were the same measure, differing only in terminology. Filing and payment deadlines were mainly extended due to the lock-down and this was a necessity to alleviate the administrative burden on taxpayers.

Measures to Support the Health System

Fourteen countries (67% of the respondents) indicated support to health initiatives as one of the tax-relief measures put in place. In total, there were 25 tax-relief measures supporting health, which constituted 12% of the total measures put in place. Some examples of these measures included exemptions from VAT on importation and sale of goods meant to fight COVID-19, implemented by Burkina Faso and Cameroon. Zimbabwe and Ghana provided PAYE relief to frontline workers in the health sector, while Gambia, Lesotho and Sierra Leone focussed on customs relief measures through reducing the acceptable Cost, Insurance & Freight (CIF) value for imported goods by 20%, speedy clearance and special treatment of goods meant to fight COVID-19 and deferment of customs duty, respectively. Cameroon further allowed donations and gifts meant to fight the COVID-19 pandemic made by businesses to be deducted in total from corporate income tax.

Measures to Support Business

A total of 53 tax-relief measures, as reported by 15 countries (71% of respondents), were targeted at enhancing business cash-flow. Highly ranked and aligned to the latter measures, were measures to enhance business investment. Examples of measures to support business cashflow included the granting of permission to pay tax in instalments and 12-month credit to taxpayers making payment on the importation of capital goods and raw materials used in production of bread-basket goods in Angola. Burkina Faso suspended employer and apprenticeship tax, and further reduced patent contributions by 25%. Madagascar postponed filing of financial statements, while Rwanda suspended 25% down payment admissible for amicable settlement. The country also removed stringent enforcement measures such as garnishee of assets.

Several countries, including Eswatini, Namibia and Rwanda, reported measures to do with acceleration of VAT refunds to enable business cash-flow; Eswatini also focused on granting relief to affected businesses who were scored better in compliance in the previous year.

Four countries out of 21 reported having put in place tax-relief measures to support business investment and these are: Burkina Faso, Burundi, Niger and Zambia. Zambia suspended export duties on concentrates of the mining sector and precious metals. Burundi provided reprieve for hotels and industries that were not able to honour their tax obligations. The country further reviewed the depreciation rate for buildings from 2% to 5% to cater for capital investment in the hotel industry.

Measures to Support Informal and Small Businesses

Four countries reported that they had put in place tax-relief measures to support either the informal sector or micro-businesses. These countries are Burkina Faso, Lesotho, Mauritius, and Togo. Three of these had put in place measures to support small business, while only one recorded a tax-relief measure to support informal businesses. This is quite reasonable since the informal sector escapes the tax net in many African tax jurisdictions. Measures included exemption from micro-enterprise contribution in Burkina Faso, waiver of simplified business taxation in the transport sector in the case of Lesotho and introduction of a self-employment scheme in Mauritius. Togo suspended penalties from small businesses who could not file on time due to lockdown. Informal businesses were the most affected businesses during the lockdown period and would require non-tax relief measures to combat the impact of the pandemic as they represent a substantial portion of the economy in many African countries.

Suspension of Audits

Burkina Faso, Rwanda, the Gambia and Togo indicated that they had suspended audits. Six measures were implemented under this category, consisting of 3% of the total measures put in place. While some countries outrightly suspended all audits, others went the route of suspending only comprehensive audits as they focused more on desk audits to safeguard staff and taxpayers' health through observing social distancing rules. In the case of Burkina Faso, audits emanating from fraudulent activities were not suspended, while Rwanda and Togo suspended all audits that required physical interaction with taxpayers. This was meant to promote social distancing, thereby reducing the spread of the disease. Due to the high levels of non-compliance in African tax jurisdictions, this measure could negatively impact on revenue going forward.

Measures to Enhance Household Cash Flow

Five countries, namely: Burundi, Madagascar, Niger, South Africa, and Togo put in place measures to enhance household cash-flow. In total, there were six measures put in place in this regard, which constituted 3% of total measures put in place. They included provision of access to living annuity funds in the case of South Africa and exemption from property tax for developed properties for residential use in Togo. Burundi indicated that they enhanced household cashflow through suspending payment of the road tax disc.

Tax Amnesty

Four countries, namely Eswatini, Lesotho, Gambia and Uganda reported measures to do with tax amnesty. Tax amnesty measures constituted 2% of total measures put in place. Eswatini extended tax amnesty for debtors who would be able to pay the principal amount by September 2020. These shall be relieved from paying penalty and interest. Lesotho introduced a penalty waiver for specified businesses, while Uganda provided amnesty for taxpayers who volunteered to disclose in March and April 2020.

No penalties and interest would be paid on the outstanding debts by these taxpayers. It is anticipated that post COVID-19, some jurisdictions will likely continue to pursue this measure to provide relief to taxpayers.

3.2.2 Non-tax Relief Measures

A total of 121 non-tax relief measures were reported. These can be classified mainly into three categories, namely: 1) maintaining health; 2) support to business; and 3) support to households. Some of the measures imposed to maintain or sustain health include social distancing, partial to full lockdown, mandatory wearing of protective gear, closure of borders, suspension of social gatherings. Measures that supported business included agricultural business loan schemes; industrial support measures; introduction of bank loan repayment schemes to aid companies. In several countries, factories were also allowed to continue operating. Regarding support to households, in some countries social security payments were suspended to improve household cashflow, while in other countries, such as Rwanda, charges on mobile payments were waived. It is interesting to observe that although many countries put measures in place, only a few allocated a budget to them. It is not clear whether the survey respondents did not provide the said budget or whether countries did not actually have the budget in place for those measures. In either case, it would be prudent to track the expenditures and assess revenue forgone due to these measures. Burkina Faso, Ghana, the Gambia, Lesotho, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe were the only countries that reported having allocated a budget to sustain these measures.

3.2.3 Enterprise Risk Management, Tax Fraud and Business Continuity Dealing with Enterprise Risks During and After the COVID-19 Pandemic

One of the key aspects of a healthy tax administration is its ability to effectively identify and manage risks to its operations. The COVID-19 pandemic presents a huge risk to the operations of the tax administrations in Africa and across the World. (IMF, 2015) posits that risks to tax administrations can be classified into two main categories, namely, compliance and institutional risks, with the former emphasising risks to revenue loss due to taxpayers' failure to meet their obligations with regard to registration, filing, payment and reporting of declarations. The latter concerns risks which may lead to interruptions of the functions of the tax administration due to internal and external events such as natural disasters, failure of the ICT system and sabotage.

The COVID-19 pandemic as an external crisis mainly falls in the category of an institutional risk because it has greatly impacted the business continuity of tax administrations by forcing closure of most taxable businesses leading to a sudden shrinkage in the tax base. Therefore, the pandemic and the consequent disruption of core tax functions, emphasises the need for a strong enterprise-wide risk management process that can ensure that the tax administration's corporate system is safeguarded against external threats. According to (European Union, 2006) , risk management process involves identifying, analysing, assessing, prioritising, treating, and evaluating risks. This process is done in a structured manner and ought to form part of the multi-year strategic and annual operational planning (IMF, 2015). There are standards and guidelines aimed at guiding the risk management process in tax administrations.

Although the pandemic has dealt tax administrations a huge setback, it has also provided an opportunity for growth and creation of value in revenue and tax administrations in Africa post COVID-19.

The opportunity lies in the fact that going forward tax administrations will have to adopt good practice in institutional risk management in order to minimise possible future damage similar to that caused by COVID-19. Some African tax administrations, like the Rwanda Revenue Authority (RRA), the South African Revenue Service (SARS), and the Zimbabwe Revenue Authority (ZIMRA) already have enterprise-wide risk management structures in place which are critical in dealing with institutional risks like COVID-19. According to (IMF, 2015), (European Union, 2006), and (OECD, 2004), there are several of such international good practices in managing such institutional risks and they include having in place:

i. Disaster preparedness and recovery plan: it is imperative that tax administrations have in place a plan for continuity of the operations in the event of disaster or a crisis that destroys part or all resources and assets of the tax administration. The plan should also assess the likelihood and consequences of institutional risks and crises like COVID-19 and put measures in place accordingly.

ii. Compliance Improvement Plan (CIP): it is also international good practice for tax administrations to have in place a multi-year CIP in order to permit a systematic identification and mitigation of risks to the whole tax system.

iii. Risk Register: tax administrations need to have a centralised risk register that identifies institutional risks that threaten the business continuity of the tax administrations. Regular updating of risk registers will help identification of emerging risks to the tax administration like the COVID-19 pandemic, hence acting as an early warning mechanism.

iv. Staff training: tax administrations ought to have disaster recovery procedures in place. For instance, staff can be trained on simulations games in the event of a disaster. Tax administrations that previously simulated working from home or at half the capacity of the human resources must have found it easy to switch to working from home during the COVID-19 pandemic.

v. Develop preventative measures: this can involve implementing internal controls like data backup to protect the tax administration from suffering error and fraud.

vi. Oversight to detect and deter unwanted events: internal assurance mechanisms e.g. internal policies, audit trails and external oversight need to be in place and practised by tax administrations to ensure compliance with the tax laws and prevention of fraud.

Dealing with Tax Fraud during and post COVID-19

Crises like the COVID-19 pandemic give rise to the opportunity for different forms of fraud, including tax fraud. According to the Fraud Triangle Theory by Donald Cressey, fraud is likely to flourish based on three main instances which are: pressure and incentive, opportunity and rationalisation (Lederman, 2019). The theory can also apply in taxation, more especially during the current COVID-19 pandemic, because it has led to financial and emotional pressure that incentivise individuals or firms to commit fraud. Due to the disarray in attention and focus of tax administrations and governments, fraudsters have an opportunity to execute fraud because their chances of being caught is lower due to the decline in internal controls during the pandemic. The foregoing confirms that during the COVID-19 pandemic tax administrations should also be cautious about tax fraud.

Tax fraud is a serious crime, and, in most countries, it is criminalised and punishable by law.

A report by the Financial Action Task Force (FATF) warns that during the COVID-19 pandemic, prevalence of fraud related to tax is likely to be rampant.[14] Furthermore, (CIAT/IOTA/OECD, 2020) reiterate this assertion by advising tax administrations to remain vigilant of fraud schemes that will seek to capitalise on the pandemic and put necessary measures in place to identify fraud and tax crimes that may negatively affect either the functioning of the tax administration or unsuspecting taxpayers. Examples of fraudulent schemes targeting the tax administration include refunds fraud and abuse of relief payments or measures targeting taxpayers during the pandemic.

Due to COVID-19 pandemic, there are several risks that may cause tax fraud to thrive. Tax administrations are constrained, and as indicated in the previous sections, many of them have adopted the strategy of staff working from home and some have introduced working in rotation. This implies that there are fewer officials to handle tax operations, resulting in officials being overwhelmed and thereby leading to reduced scrutiny and communication among relevant departments. Moreover, the lower quota of working staff at any one time, may encourage fraudsters to try and capitalise on this and attempt to slip through appropriate customer due diligence processes.

The FATF identifies several vulnerabilities that relate to tax fraud during the pandemic. COVID-19 and its uncertainties have led to increased financial volatility, which in turn has created opportunities for fraudsters to exploit. The most common fraudulent activities relating to the tax measures that have been instituted include expedited refunds processing and impersonation of officials to illegitimately benefit from the tax relief measures or dupe unsuspecting taxpayers.

[14] FATF (2020)

One of the most common tax measures responding to the COVID-19 is the expedited processing of tax refunds and subsidies. As proposed by (ATAF, 2020a), "the turnaround time for payment of refunds should be expedited to ameliorate the possible cashflow issues that taxpayers may face due to economic hardships that may be caused by the pandemic". While ATAF is quick to emphasise that this should be enjoyed only by compliant taxpayers, fraudsters may capitalise on this by impersonating taxpayers and submitting forged documentation. Therefore, while it is a must to streamline the refund process and make it as quick as possible, vigilance from tax officers should be observed and proper checks and balances as well as customer due diligence should not be overlooked. Overall, efficiency in refund processing should not be at the expense of laid down procedures as well as checks and balances. Therefore, it is imperative to focus on staff enlightenment and education for them to understand the possible forms of fraud that may come their way during this pandemic (ATAF, 2020a).

Moreover, during this pandemic, criminals may contact people using various means (i.e. email, telephone or even in person) and pretend that they are from the government with the aim of obtaining banking information or physical cash (INTERPOL, 2020). In some cases, some criminals may impersonate a taxpayer and lodge forged documentation to access benefits that have been instituted for legitimate taxpayers. Other criminals may as well impersonate tax officials requesting banking information for tax relief purposes (US Treasury, 2020). Since the current situation is volatile, unsuspecting taxpayers may easily fall for this trap.

To deal with these forms of fraud, tax administrations ought to take precautionary measures and must ensure the following:

i. Enlighten, educate and warn tax officials of potential opportunities that may permit tax fraud. These opportunities include pressure to act without due care, pressure to violate laid down procedures and laws as well as pressure on conflict of interest.

ii. Alert internal audits and investigations departments in tax administrations to be vigilant and watch out for potential tax fraud targeting both the tax administration or the taxpayers.

iii. Leverage on existing domestic inter-agency cooperation with other competent law enforcement agencies like the police and the anti-corruption bodies. This is particularly important now that officials working in front-line operations are limited due to teleworking.

Measures to Enhance Business Continuity

From the ATAF main survey on Measures put in place to fight COVID-19 (Survey 1), six out of 23 (26%) of the respondents provided feedback on measures in place to enhance business continuity. These countries include Lesotho, Rwanda, Tanzania, the Gambia, Uganda, and Zimbabwe. Rwanda had the highest number of measures supporting business continuity, totalling 10, followed by Lesotho and Tanzania which were tied at 4 each. In total, there were 23 measures put in place to enhance business continuity, which is 11% of total tax-related measures. It should be emphasized though that in the main survey there were no specific questions targeting business continuity, hence several countries did not provide feedback on this measure.

Apart from Tanzania and Zimbabwe, countries that reported on business continuity mainly focused on staff and taxpayer health and safety. Countries have done a lot to ensure the health and safety of both staff and taxpayers at the workplace.

All the six countries reported that they had resorted to online platforms for submission of returns and payment of taxes as a measure to ensure safety of both staff and taxpayers, as well as ensuring business continuity. Some countries have set their employees on rotation to man offices to ensure that social distancing is observed but at the same time offering the necessary services to walk-in clients.

The survey results (Survey 1) indicate that even the countries that reported progress regarding the business continuity plan (BCP), had significant gaps in that regard. As highlighted by the OECD (2020), ideally, a good business continuity plan for a tax administration should cover a wide area of aspects which include: governance arrangements; plan and support for dynamic business continuity; identification of activities that are critical and those that are not critical; risk management plan; focus on staff and taxpayer safety; establishing policies on remote working; having an up-to-date contact directory of staff and; recruitment and retention considerations for staff, which could include the possibility of recalling recently disengaged staff due to retirements.

Specifically, Tanzania's business continuity plan, which was implemented in 2017, seems to be holistic and encompasses three aspects, namely: BCP, crisis management plan, and disaster recovery plan for information technology. Tanzania's risk management, for example, identifies high-risk staff who should work from home. Zimbabwe has also implemented a COVID-19 risk mitigation strategy whose structure include: Staff members →Regional Safety and Health Committees (SHE) → COVID-19 Mitigation Committee→ Executive Management →ZIMRA Board.

In addition, the authority has also developed COVID-19 procedures which indicate steps to be followed when handling cases of affected staff and those suspected to be infected. The authority's BCP also include an element of crisis management, in line with OECD recommendations.

Another survey (Survey 3) was conducted focusing only on the issues around business continuity. Results of the second survey showed that 75% of the respondents indicated that they had a BCP in place while 20% indicated that their tax administrations had no BCP in place and 5% revealed that they were not sure whether a BCP existed or not. Sixty percent of the respondents confirmed that the BCP was being implemented in their tax administrations, while 30% said it was not being implemented, with 10% responding that they were not aware. The reasons provided on why the BCP was not being implemented included the fact that it was simply not a priority. Tax administrations also indicated that even though they had noticed an upsurge in cyber-attacks, they still could not implement a BCP with robust ring-fenced information communication technology (ICT) infrastructure due to lack of resources.

Table 3-2 presents some of the challenges that were discussed at the ATAF-OECD webinar on Business Continuity for Tax Administrations in May 2020. The challenges were grouped into three classes, namely: internal, external and resources.

Table 3-2: Business Continuity Challenges for African Tax Administrations

Internal	External	Resources
• Lack of clear and timely internal communication • Lack of clear and timely communication with taxpayers. • Bureaucracy- lack of governance arrangements for clear and timely decision making. • Inability to accept electronic documents.	• Additional responsibilities from government. • Low ICT adoption rates by taxpayers. • Inability of service providers to fulfil obligations due to COVID-19 impact or restrictions. • Inaccessibility of facilities due to restrictions. • Inadequate human resources due to non-health reasons like restrictions of movements.	• Inadequate human resources due to health reasons. • Inadequate ICT infrastructure for remote work. • Lack of a fully automated tax system • Inadequate financial resources due to decrease in revenue collection • Inadequate safety equipment and measures

From the table, some of the business continuity impediments highlighted by most of the respondents to the survey include: inadequate human resources due to movement restrictions (65%); inadequate ICT for remote work (52%); low ICT adoption rate by taxpayers (68%) and inadequate financial resources due to decrease in revenue collections (60%). Finally, 44% of the respondents were of the view that there is inadequate staff training on the use of digital platforms.

3.2.4 Impact of COVID-19 on Customs Revenue

Undeniably, the COVID-19 pandemic has had an impact on trade flows due to the closure of customs borders. In this section, the study seeks to understand how that reduction of trade has impacted on customs revenues.

In estimating the possible ripple effects of the closure of borders across Africa to trade revenues, customs data was collected from a sample of 18 African countries who are member states of ATAF. The countries are reflected in Table 3-1. All data were collected in local currency units and converted to Millions of USD for comparative purposes using official average exchange rates sourced from IMF and World Bank online databases[15]. To ensure data confidentiality, the analysis was aggregated across the 18 countries.

For the purposes of the analysis, we designated the period February 2020 to April 2020 as the 1st wave COVID-19 period. This period was selected because on the 30th January 2020, the WHO Director-General declared the COVID-19 (by then 2019-nCoV) outbreak a Public Health Emergency of International Concern. The outbreak was later named COVID-19 on the 11th of February 2020. Hence, we consider the month of February 2020 as the month which was pivotal in the awareness of the COVID-19 pandemic (by then just an outbreak).

The analysis used two methods to estimate the potential customs revenue loss on account of COVID-19. First, the study applied February to April 2019 month-on-month growth rates to January 2020 customs tax revenue to obtain projected estimates for February 2020 to April 2020[16]. These were then compared to actual figures for the same period in 2020.

Using this technique, Figure 3-4 shows the projected customs revenue for the months of February 2020 to April 2020 based on the growth rates that were registered in 2019 over the same period. After January 2020, it is observed that the projected revenues are higher than the actual revenues that were collected over the same period.

Second, as a robustness check, the study used the Average Effective Tax Rate (AETR)[17]. In this approach, we assumed that the average tax rates applicable on the imports in the year 2019 are applicable in the 2020[18]. That is, using 2020 Value for Duty Purposes (VDP) for the period February to April 2020, we applied the same AETR which prevailed in the similar period in 2019 to estimate the projected 2020 customs tax revenue.

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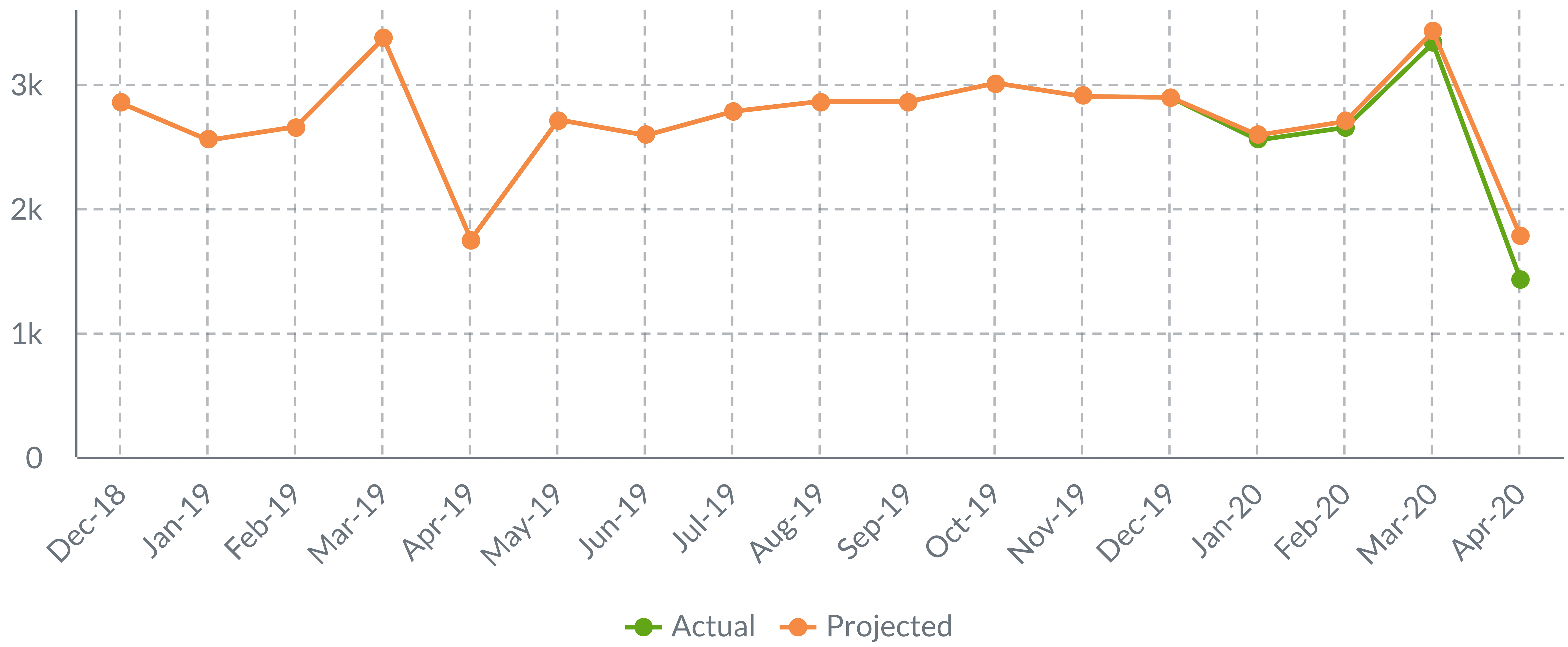
[15] The Databank. Retrieved from https://data.worldbank.org/indicator/PA.NUS.FCRF. Accessed on May 10, 2020.

[16] The broad technique has been recommended by the United Nations Conference on Trade and Development (UNCTAD) (2020) as one of the ways Tax Administrations can utilise trade data from Automated System for Customs Data (ASYCUDA) to analyze the impact of COVID19 on trade in their April 2020 article "*Adapting the use of Asycuda World to the Covid-19 Situation: Guidelines to Customs Administrations*". However, the actual formula drew inspiration from the Laspeyres Price Index proposed by a German economist and Statistician Ernst Louis Etienne Laspeyres (1834-1913).

[17] Simply calculated as the ratio of the tax revenue to its base.

[18]Drawing inspiration from the Laspeyres Price Index proposed by a German economist and Statistician Ernst Louis Etienne Laspeyres (1834-1913).

Figure 3-4 : Actual vs Projected Customs Revenue Aggregated across 18 Sampled Countries



In considering both methods, it can be concluded, with a grain of salt[19], that the customs revenue loss experienced during the 1st wave COVID-19 period for the 18 sampled countries is within USD 450-500 million with the share of the loss in total customs revenue ranging from 5-10 percent. Considering the need for tax administrations to meet their revenue targets, the erosion impact is substantial.

[19] Ideally, it would be best to use three-year averages to grow the data but in the absence of detailed data, the ceteris paribus assumption for 2019 holds.

4. CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Several conclusions were drawn from the analysis in the preceding sections. Firstly, global pandemics like Ebola and COVID-19 have serious negative effects on tax revenues in both the short-term and medium-term. Secondly, there is a twin challenge between granting tax relief to business and expecting tax administrations to meet or surpass the set revenue targets and it is incumbent on countries to find the just middle between the two. Thirdly, while a sizable number of development partners and donors have assisted African countries with financial assistance targeted on economic revival and health, not much was visible in respect to strengthening their taxation administration systems. It can also be concluded that several countries granted relief measures without sunset clauses and specific and quantifiable budgetary support, which could eventually have negative effects in relation to perpetuity of supposedly temporary measures and lack of a transparent system, respectively. On business continuity and enterprise risk management, there are gaps that need to be closed, in addition to the fact that some tax administrations are still lacking both in the area of putting in place and implementing these two crucial aspects. Lastly, as reiterated, with respect to customs revenue, it is estimated that 18 ATAF member countries have so far lost approximately US$500 million in three months, with the share of the loss in total customs revenue ranging from 5-10 percent.

Overall, the main objective of this study was to equip African tax administrations with the necessary information in the implementation of national strategies to control or halt this COVID-19 pandemic and begin to manage the post-COVID economy. This was done through analysis and sharing experiences of measures put in place in different tax jurisdictions in Africa and across the world, of challenges and lessons learnt.

4.2 Recommendations

The study recommends the following measures to boost revenue collections or at least to sustain reasonable amounts of revenue collections during COVID-19 pandemic:

4.2.1 Tax Policy and Administration Measures

a. Revision of Revenue Targets

It is recommended that tax policy makers revise the revenue collection targets to account for the negative impact caused by the pandemic. The revisions could be based on the revised economic growth figures since tax revenues usually have a direct relationship with economic performance. Revision of revenue collection targets would be vital in giving companies more time to recover while at the same time easing the pressure on revenue collection agencies.

b. Focus on Revenue Streams not Fully Explored

As part of a post COVID-19 recovery strategy, policymakers may also consider increasing focus on other revenue streams not yet fully explored in most countries. One way would be to increase focus on wealth taxes, such as taxation of High Net Worth Individuals (HNWI) and property taxes.

c. Modernise ICT Systems

The impact of the COVID-19 pandemic has also emphasised the need for tax authorities to rethink ICT systems for tax administrations. While ATAF, with support from the African Development Bank, is working on a framework for an *effective ICT Tax System implementation for Africa*, revenue authorities could seek technical assistance and donor support to revamp and develop their ICT platforms for revenue mobilisation. For example, ATAF members pointed out during the ATAF-OECD Webinar on Business Continuity that the servers of many tax administrations in Africa are not modern and advanced enough to allow staff to work from home or work virtually. In addition, many tax administrations raised the need for staff, especially the older generation, to be trained on ICT platforms. There is also the need to invest on existing virtual systems of communication that safeguard data security and taxpayers confidentially. These systems are necessary for continued communications within and across tax administrations, including communicating with taxpayers and other stakeholders.

d. Place Caps and Sunset Clauses on Tax Relief Measures

It appears from the ATAF surveys responses that several countries might have put in place these tax relief measures without stipulating caps and sunset clauses. The implication is that if the tax administrations are not alert, these measures may end up being offered in perpetuity, thereby continuously draining much-needed revenues. It is therefore critical for tax administrations to remain watchful and advise policymakers when reviews are necessary. Policymakers could also consider putting in place caps and sunset clauses to the measures, where they have not yet been put in place.

e. Put in Place Teams to Monitor Impact of these Measures

It is important for tax administrations to put in place teams that monitor and report on the impact of these tax relief measures. They should quantify revenue forgone due to these measures versus economic benefits derived. However, this will require funding and political support. Development partners may be requested to provide technical support and funding for such initiatives.

f. Increase Funding to Tax Administrations

Since most African tax administrations are financed through a retention of a percentage of the revenue collected, the declining revenues emanating from the pandemic and the tax relief measures granted imply inadequate resources to run the tax administration. Therefore, tax administrations should lobby for more once off funding to finance their operations to guarantee seamless business continuity post COVID-19.

4.2.2 Non-tax measures

It would be critical to find ways of automating and tracking expenditures related to some of these measures, especially those on support to businesses. Quantifying revenue forgone through granting these relief measures will assist in future impacts analyses. Donors and development partners would also be interested in the transparency of public finance management before considering funding proposals.

Regarding the closure of borders, it is recommended that borders continue being opened for trade in goods and services, while countries gradually open them for people. Non-essential travel may continue to be banned, while essential cross-border travel could be authorised based on substantive reasons such as education, medical care, visiting spouses.

With regard to easing lockdown restrictions, countries may consider a phased approach as is currently happening in South Africa and other countries. However, there is need for countries to carry out a cost-and-benefit analysis before moving from one level to another or lifting the lockdown. Since many African countries have high levels of informal economic activity, full lockdown measures could have serious negative socio-economic effects and should therefore be reviewed, especially in cases of reasonably low mortality rates from the pandemic.

African governments should also consider increasing support to the informal sector, one key engine of most economies in Africa, but also a sector with the most vulnerable workers, highly susceptible to economic shocks and health and safety risks. The International Labour Organisation (ILO) recommends giving informal economy players a platform to express their views and defend their interests, through their membership-based organisations[20]. In addition, jurisdictions should emulate the Mauritius example by supporting authorised employment generating activities, taking into account health and safety rules. Communication should be passed on through text messages, posters and radio spots to educate the players in this important sector of the economy.

4.2.3. Enterprise Risk Management, Tax Fraud and Business Continuity

a. Enterprise Risk Management

As reiterated under BCPs, post-COVID-19, African tax administrations should consider putting in place disaster recovery plans. It is imperative that tax administrations have in place plans for continuity of the operations in the event of disaster that destroys part or all resources and assets of the tax administration, pandemics and other unforeseen emergencies. The plan should also assess the likelihood and consequences of institutional risks and devise recovery plan. Compliance improvement plans (CIP) are also a must. It is international good practice for tax administrations to have in place a multi-year CIP in order to permit a systematic identification and mitigation of risks to the whole tax system. In this regard, African tax administrations can consider setting up Compliance Risk Management committees at corporate level.

b. Tax Fraud

African tax administrations have limited capacity to track and trace tax expenditures because they are usually not budgeted for and not reported.

Similarly, it may be hard to trace the tax measures against COVID-19 thereby leading to eventual loss of revenue due to fraud. In addition to the recommendations provided in section 3.2.5, it is imperative to enhance the reporting and tracking of the COVID-19 related tax measures. Here, ICT can be leveraged on by registering and tracking beneficiaries. It is also crucial to implement heavy fines to deter offenders of tax fraud or would-be offenders. Furthermore, tax authorities should ensure that tax offences are criminalised (OECD, 2017). They should also run awareness and communication campaigns sensitising taxpayers to be more vigilant and report any suspecting activities. Tax administrations are further reminded to protect and guard their systems and data.

c. Business Continuity

It is recommended that all tax administrations in Africa develop business continuity plans (BCP) that are constantly reviewed, monitored and updated. They should also ensure that the BCPs are implemented. Tax administrations should further develop and implement a guideline on internal communication process or educate staff on an existing one; explore appropriate digital channels of communication; and provide suitable legal or administrative framework to enable receipt of electronic documents.

The following were some of the suggestions put forward by African Tax Administrations regarding business continuity during the COVID-19 era: educate and encourage taxpayers to use digital channels; train tax administration staff on the use of digital platforms; ensure human resources working in offices are cut by at least 50% to avoid many people working in office and allow social distancing;

[20] ILO, 2020

investment in a robust and highly secured ICT infrastructure should become the topmost priority of every Revenue Administration; provide protecting and safety equipment for staff; and implement work rotations to avoid crowding. In addition, regarding human resources, there is need to ensure periodic testing of staff for COVID 19. There is also a need to initiate and maintain collaborations with other government agencies to effectively deal with other external threats.

4.2.4 Customs Revenue

From the analysis in section 3.2.4, a threat to meeting customs revenue targets was observed. Hence, countries that rely more on customs revenues may need to undertake action to safeguard revenues, for instance, by intensifying post clearance audits (PCAs) and putting in place systems to curb smuggling activities. During COVID-19, significant increases in smuggling activities around tobacco and alcohol have been reported in some countries. Another consideration amidst PCA is that tax administrations should determine how to safeguard the health and safety of staff and taxpayers due to the contact nature of the audits.

4.2.5 Development Partners and Donors

Development partners and donors could continue channelling financial support to the health sector and to support the economy. Since most African economies have a huge informal sector, national funds could be put in place to help this sector. This will go a long way in supporting many households in African countries who rely heavily on the informal sector. Incentives and technical assistance could also be provided to facilitate formalisation of informal enterprises in the medium to long term.

In addition, as countries move from containment to recovery, it is critical to restore a conducive environment for business and reinvigorate productivity growth to promote recovery and transition to formality[21].

Donors and development partners could also strengthen ATAF's capacity to provide solutions to African tax administrations in Africa. In addition, they could also provide support to tax administrations through secondments of staff, mentorship and financial support to strengthen their systems. Some critical areas that ATAF has identified in a recent analysis of member countries' needs and priorities include: strengthening ICT systems for domestic taxation; reviewing existing tax incentives regimes; reviewing the taxation regime for the extractive industry; renegotiating tax treaties; contract renegotiations in the extractive industry; dealing with corruption in tax administrations; tax fraud and taxation of special sectors such as telecommunications, mining and financial services. In order to avoid duplication of efforts, development countries offering tax related support to African countries could collaborate with ATAF.

[21] ILO, 2020

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APPENDIX

Table A- 1: Economic Support from International Institutions to Africa

Institution	Amount of Pledge/Support	Date of Announcement	Targeted Countries	Objective
UN Economic Commission for Africa	$100bn Emergency Financing Package	31st March 2020	Africa	Weather the Covid-19 shock and avert deaths from poverty
African Development Bank	$3bn social bond	Month-end of March 2020	African Economies	Alleviate the economic impact of COVID-19.
The African Export-Import Bank	$3bn financing facility	24th March, 2020	Member countries	Help countries adjust to Covid-19 shocks, meet trade debt payments that fall due and finance facilities for imports.
The World Bank	$14bn fast-track package		12 Countries in Africa[22]	Weather the Covid-19 shock and avert deaths from poverty
IFC-Private Arm of the World Bank	$8bn in financing			Help affected private companies and preserve jobs.
The Trade and Development Bank	Co-financing with global funding partners		COMESA Member States	Support financial institutions facing liquidity challenges.
The European Union (EU)	€450m to Morocco and €250m to Tunisia		Morocco and Tunisia	To assist in emergency fiscal packages.

[22] Cabo Verde; DRC; Egypt; Ethiopia; Ghana; Kenya, Mauritania; Morocco; São Tomé e Principe; Senegal; Sierra Leone; The Gambia.

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