

The tax systems in Mozambique, Tanzania and Zambia:

Achievements, challenges and recommendations for Norwegian support

Odd-Helge Fjeldstad & Kari Heggstad

Chr. Michelsen Institute & International Centre for Tax and Development

www.CMI.no

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“We should elevate ourselves from being just tax collectors and tax administrators to being state builders”

*Ms. Allen Kagina, Commissioner General
Uganda Revenue Authority*

Purpose of the study:

- (1) Systematise and analyse existing knowledge of the capacity and constraints of the tax systems in Mozambique, Tanzania and Zambia
- (2) Advice Norwegian authorities on how this knowledge can be translated into practical, effective and concrete development policies

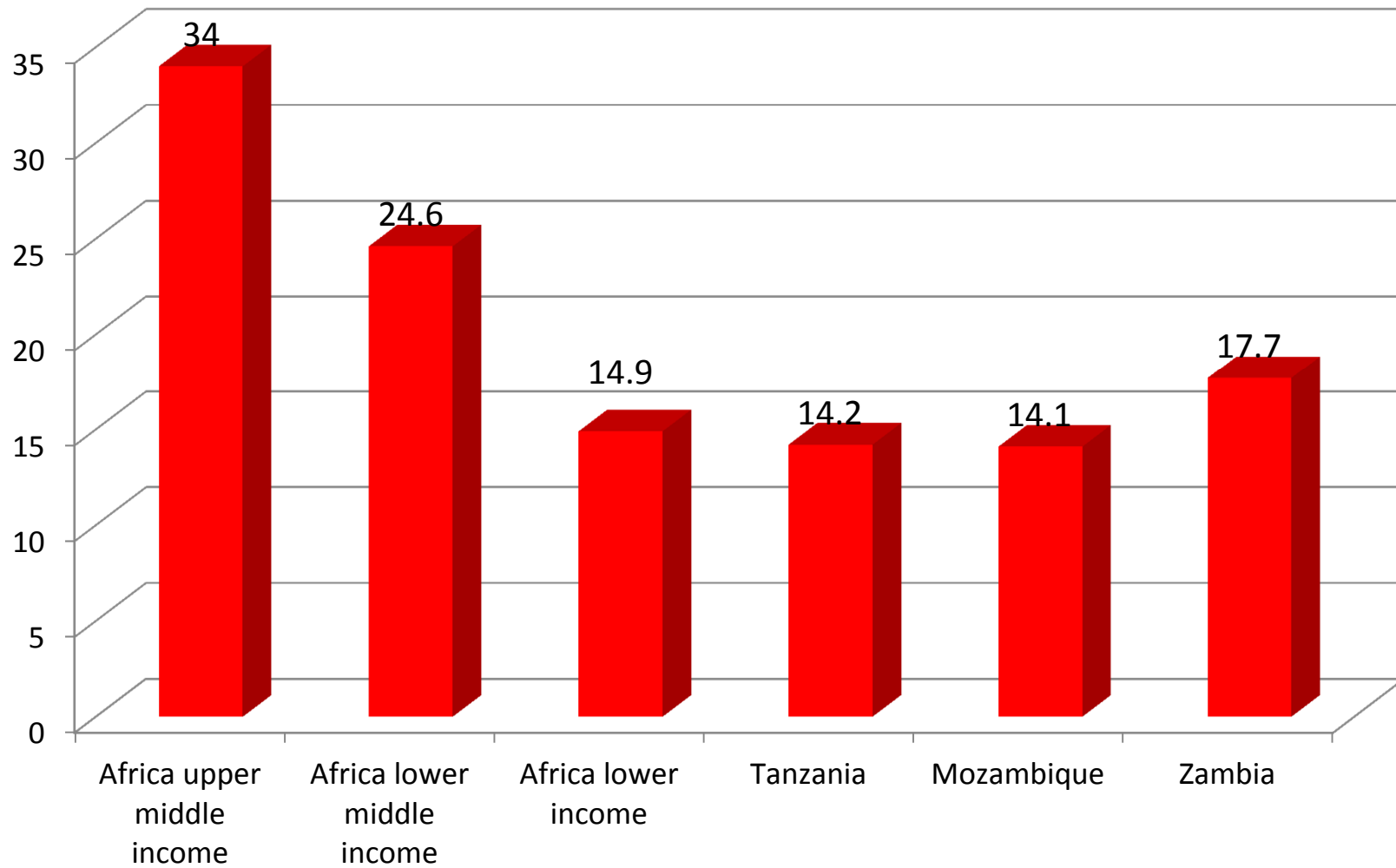
Outline of the study:

1. Introduction
2. Tax revenues and tax structure
3. Revenue administration
4. Political economy of tax policy and revenue administration
5. Broadening the revenue base
6. External support
7. Conclusions and recommendations

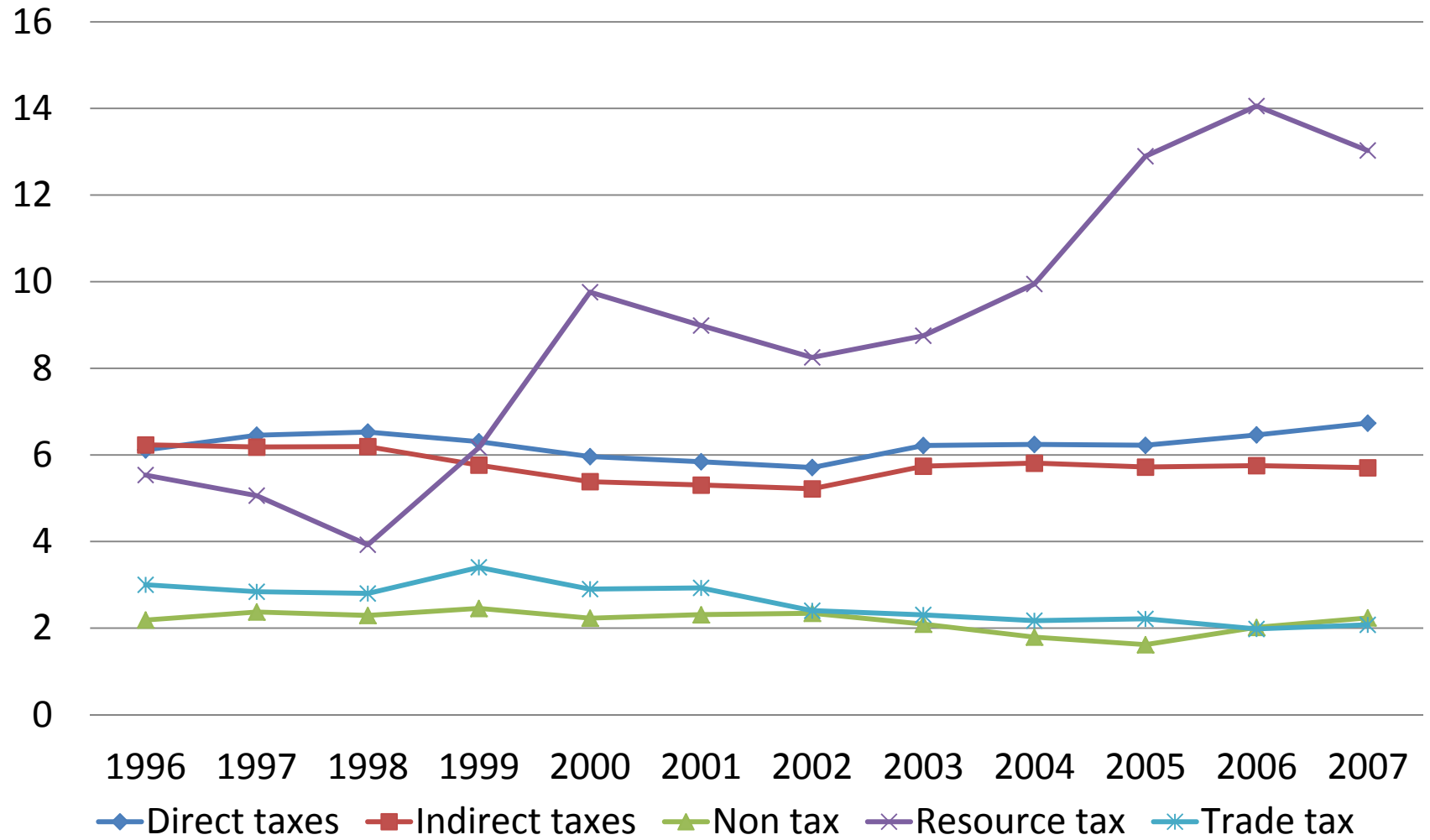
Some reference points

	Mozambique	Tanzania	Zambia
Geographical area (sqkm)	799,380	947,300	752,618
Population (mill) (% < 15 years)	22.9 (46%)	42.7 (42%)	13.9 (47%)
Tax adm staff (2010) (in Customs & Excise)	3010 (1776)	3727 (1236)	1500
GDP per capita(\$nominal) GDP per cap (\$ppp) (2010)	473 1,000	542 1,500	1,286 1,500
Tax-to-GDP (2009)	15.4	14.2	15
Aid-to-GDP (2008)	20.2	11.2	7.4

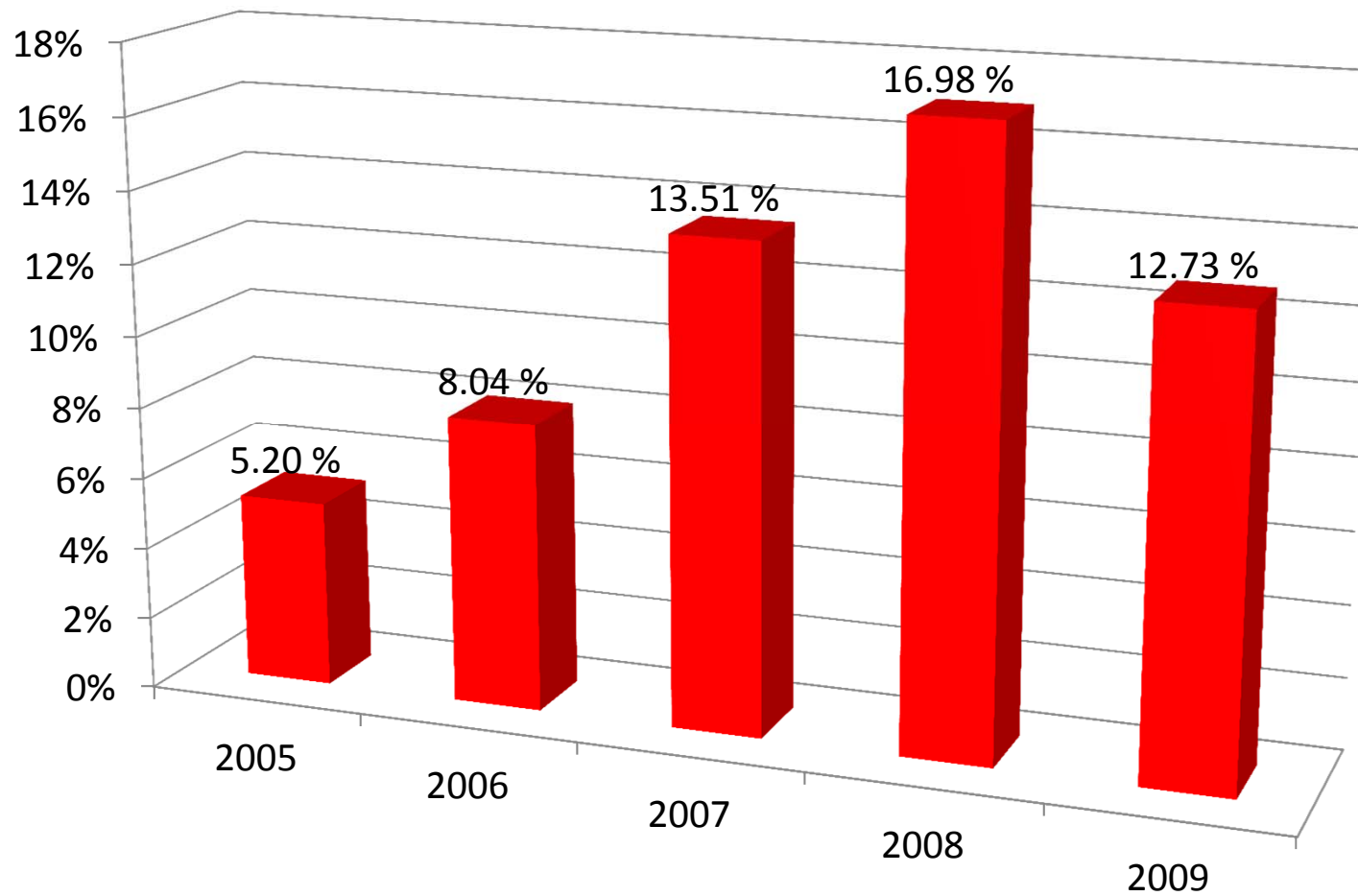
Tax revenue in percent of GDP 2007



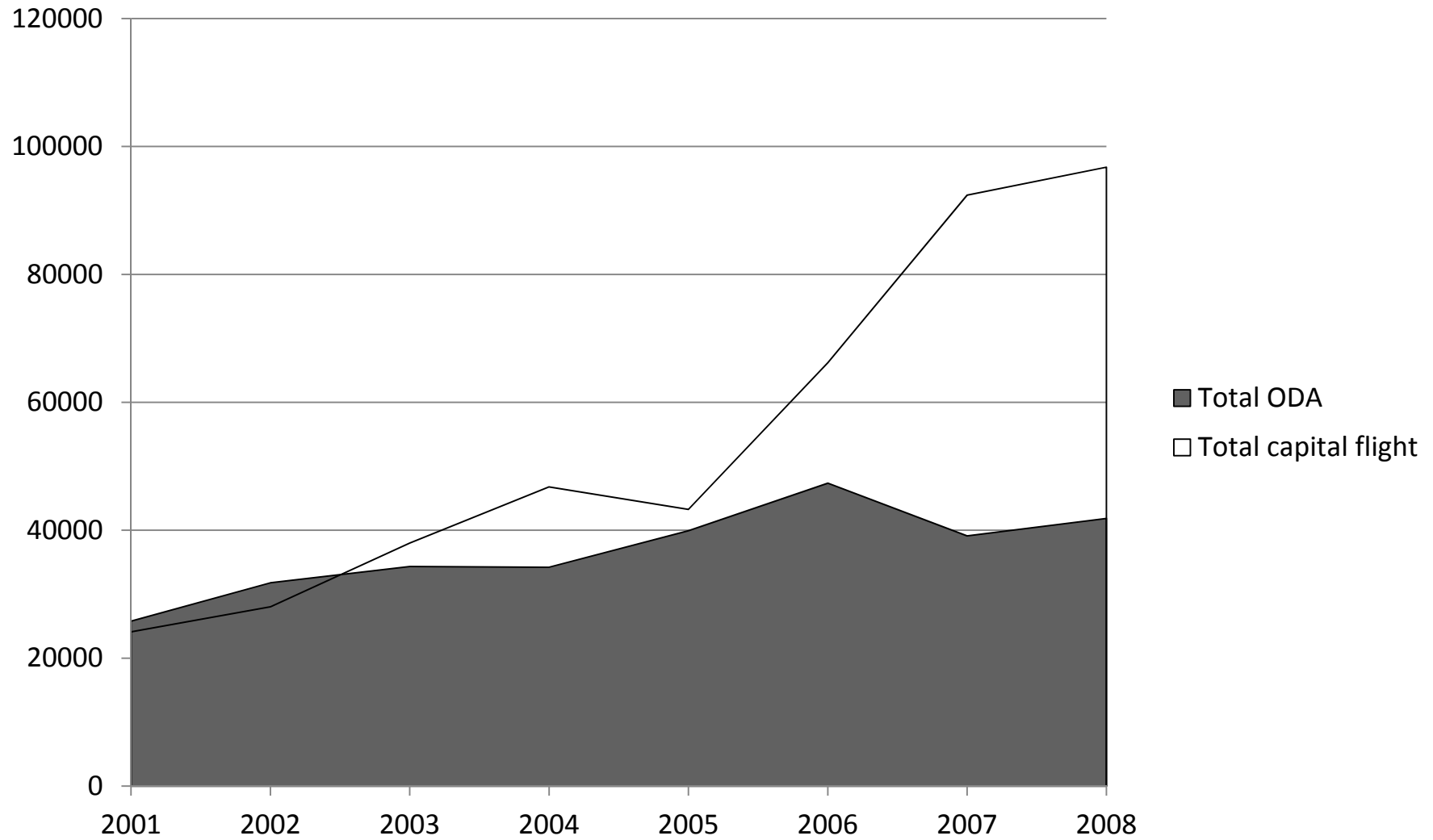
Africa: Revenue mix as share of GDP



Zambia mining revenue as share of total tax and non-tax revenue (2005-2009)



Illicit financial flows from and development aid to Africa 2001-2008 (mill USD)



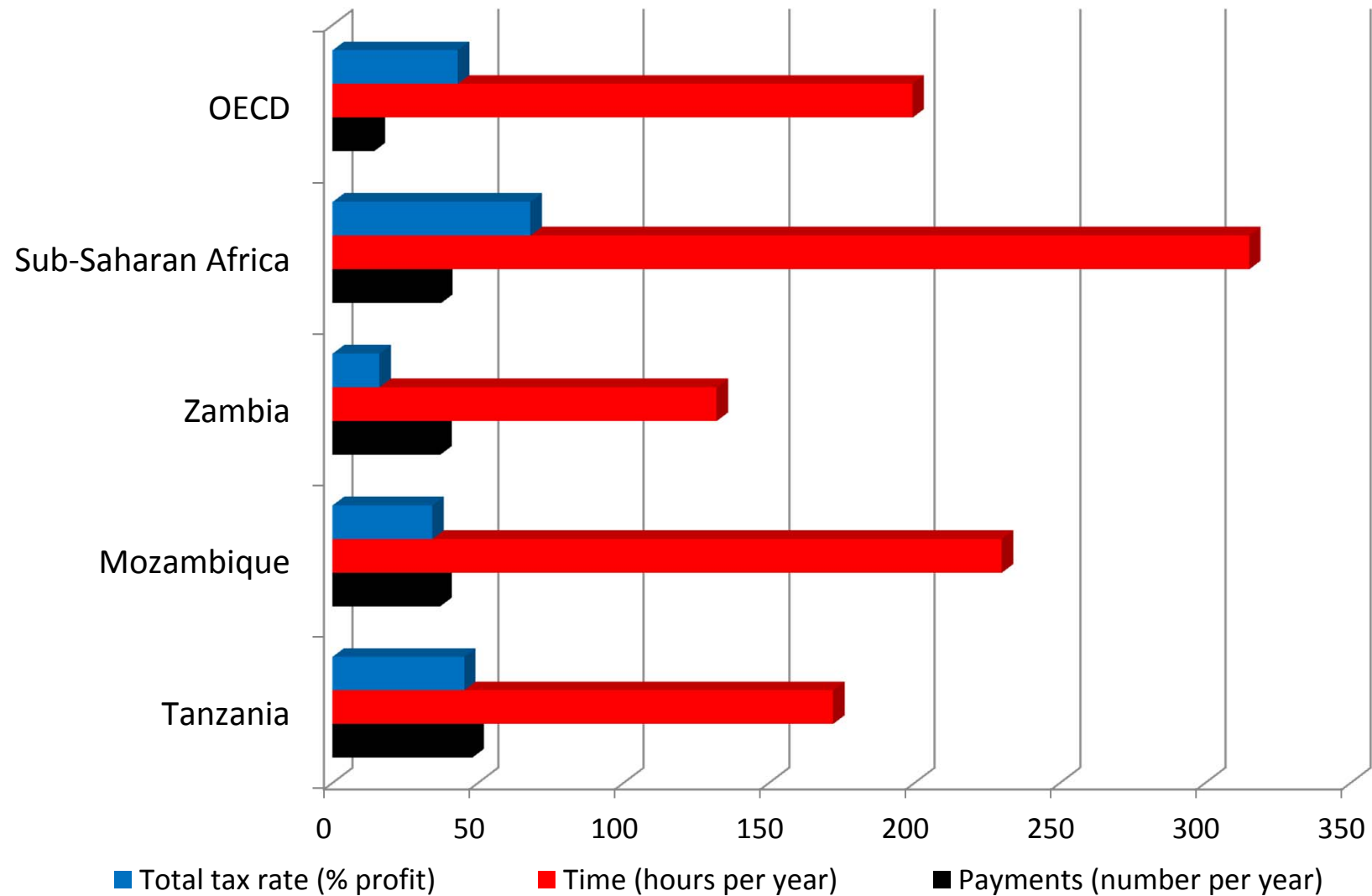
Estimated capital flight from Tanzania, Mozambique and Zambia (1970-2008)

Units: mill USD	2002	2000-2008	1970-2008
Tanzania	597	2 545	7 356
Mozambique	178	1 121	5 450
Zambia	72	5 120	9 348
Sub-Saharan Africa	21 808	323 577	532 926

Tax policy: achievements

	Mozambique	Tanzania	Zambia
Improved tax legislation	<ul style="list-style-type: none">• Simplified Tax laws/regulations (ISPC): VAT & income tax• Clearer rules for tax administration	<ul style="list-style-type: none">• Tax laws updated, harmonised, simplified• Income Tax Act 2004• EAC Customs Management Act 2005	<ul style="list-style-type: none">• Zambia 'best reformer' by Doing Business 2009 due to tax reforms• Income Tax Act & VAT Act have reduced ambiguities

The ease of paying taxes (2009)



Tax policy: challenges

	Mozambique	Tanzania	Zambia
Tax policy units in MoF not strong	<ul style="list-style-type: none"> Policy analysis in Ministry of Finance often an adjunct and reactive function of the tax administration 		
Sub-optimal links MoF other public institutions	<ul style="list-style-type: none"> Ministry resp. for Mining Ministry resp. for renewable nat. res. ? 	<ul style="list-style-type: none"> Local Gov. TMAA Min. resp. for renewable nat. res. ? 	<ul style="list-style-type: none"> BoZ on tax payment via banks Min. resp. for renew nat. res. ?
Tax exemptions extensive	<u>Foreign-owned mega projects:</u> <ul style="list-style-type: none"> 12% of GDP <3% of tax rev 	<u>Exemptions (09/10):</u> <ul style="list-style-type: none"> 2.3% of GDP 15% of TRA net-collection 	
Special tax regimes: 'a race to the bottom'	<ul style="list-style-type: none"> Rapid Dev. Zones 	<ul style="list-style-type: none"> EPZ 	<ul style="list-style-type: none"> Mining Export of non-trad prod.

Tax administration: Achievements

	Mozambique ATM (2006)	Tanzania TRA (1996)	Zambia ZRA (1994)
Revenue enhancement	Dramatic increase in Tax/GDP since 2005	Substantial increase in T/GDP	Stable (17%) until 2008, then drop >2%
Broadened tax base (reg. taxpayers)	<u>2006</u> : 382,000 <u>2009</u> : 960,000	<u>2002/03</u> : 190,000 (TIN) <u>2007/08</u> : 398,080 (TIN) <u>2002/03</u> : 13,634 (VAT) <u>2007/08</u> : 9,036 (VAT)	
Informal sector taxation	35,000 new small taxpayers 2009/10	Block Management System	
Tax adm. modernisation	3 LTUs (regional) to become integrated	<ul style="list-style-type: none"> • TMP • Integration of tax depts. • ICT 	Zambia best performer by 'Doing Business 2009' due to tax reform
ICT	Customs Scanners	Itax, TIN, TISS, Motor vehicle reg. system, ASYCUDA++, DIS	ASYCUDA++

Tax administration: challenges

	Mozambique ATM (2006)	Tanzania TRA (1996)	Zambia ZRA (1994)
Integration of departments	<ul style="list-style-type: none"> Integration Domestic Tax Dept. & Customs 		
Specialised capacity	<ul style="list-style-type: none"> Hard(er) to recruit, develop, retain specialists in areas such as ICT, accounting, auditing, and legal issues 		
Transfer pricing and capital flows	<ul style="list-style-type: none"> Capital flight is seriously eroding the tax bases Tax adm expertise in short-supply 		
ICT	<ul style="list-style-type: none"> Introduction and application of ICT at different stages of implementation. 		
Performance indicators	<ul style="list-style-type: none"> Need for better balance between revenue and service targets 		
Integrity	<ul style="list-style-type: none"> Procedures and practises must filter down throughout the organisation to be fully functional and effective 		

Accountability: achievements & challenges

	Mozambique	Tanzania	Zambia
Taxpayer-tax administration relations	<ul style="list-style-type: none"> Regular + occasional meetings ATM & bus. ass. 	<ul style="list-style-type: none"> Formal and informal forums Taskforce for Tax Policy Reform 	<ul style="list-style-type: none"> Citizens can submit tax and exp. prop to Gov. Formalised consultative process Gov-priv. sector
Taxpayers' rights	<ul style="list-style-type: none"> Important element of administrative accountability Tax appeals boards and tax tribunals Fair and transparent procedures to address tax disputes 		
Customer friendliness	<ul style="list-style-type: none"> Window dressing? 		
Civil society	<ul style="list-style-type: none"> CIP 	<ul style="list-style-type: none"> Revenue Watch NCA 	<ul style="list-style-type: none"> Caritas Revenue Watch NCA
EITI	<ul style="list-style-type: none"> All 3 countries candidate countries Validation May 2011 		

Action matrix for Norwegian support: what and who

	(i) Support to tax policy reform	(ii) Capacity building of ATM, TRA, ZRA	(iii) Support to civil society	(iv) Build research capacity on taxation
(a) Capital flight	IMF, Central Banks, ATAF, AfDB, OECD	NTA (specialised capacity building); ATAF	Internat. and domestic NGOs; TJN-Africa; media	Research Inst; ATAF, ICTD, Research Depts. in ATM, TRA, ZRA
(b) Natural resource taxation	MoF, IMF, ATAF, EITI, OfD, RAs & NGOs	NTA (specialised tax audits); ATAF; EITI; OfD	Caritas, NCA RWI, CIP; media	ICTD in coll. with ATM, TRA, ZRA, ATAF, AERC
(c) Accountability	Bus. associations, Taxpayer ass, CBOs, EITI	NTA (technical support to tax compliance); ATAF	Caritas, NCA, RWI, CIP; media, bus.as & taxpayer ass; media	ICTD in coll. with ATM, TRA, ZRA, ATAF, AERC (research on compliance)

Muito obrigado!

THANK YOU FOR YOUR ATTENTION!