



**PULLING TOGETHER: ROLE AND STATUS  
OF TAXATION IN THE CONTEXT OF  
REGIONAL INTEGRATION.  
THE EAC CASE STUDY**

**By**

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# Presentation Outline

- Introductory Remarks
- Regional Integration: Theory and Practice
- Role of Taxation in Regional Integration
- Tax Harmonisation Vs Tax Competition in Regional Integration
- Tax Harmonisation in Selected Regional Economic Blocs
- Methods of Tax Harmonisation ( From the Legal Perspective)
- Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges
- Conclusion
- Recommendations for Successful Regional Tax Harmonisation: Stakeholders and their Respective Role ( Tax policy orientations?)

## Introduction

- Taxation is instrumental to regional integration: (Villayos, Barreix and Villela,L)
  - Prior to integration, each country has its own tax system
  - After joining a regional economic bloc: the different tax systems =significant “blockage to trade” or “fiscal barriers to integration”
  - The overall debate opposes : Tax harmonisation vs Tax Competition
- Difficulty to reach a consensus on taxation . “ *taxes are the last topic on which one could expect sovereign nations to reach a consensus*” (Avi-Yonah)

# Continued

- Even when agreement has been reached on **Tax Harmonisation** : What does it mean/entail : tax integration?, tax coordination?, tax cooperation?, tax approximation?, tax unification?, tax convergence?, tax standardization?, tax compatibility? = **“Alice in Wonderland” situation**

*“the situation is somewhat similar to that described in Alice in Wonderland, where words did not have a precise or objective meaning because their significance was decided by those using them”.* (Villayos, Barreix and Villela,L)

- The underlying question : Is tax harmonisation an attainable objective or just a “holy grail” ?

## Continued

- **Tax Competition** : does it leads to “market-driven” tax harmonization or Harmful tax competition ?  
“Is regulated tax harmonization or is market driven tax competition the best solution to the awkward state of asymmetric tax rates that currently exists in the EU”? (Stults )
- Where does the EAC stand in respect of this debate ? = Is opening up economic space for business and investment: opportunity for more tax revenues bleeding or for closing tax loopholes ?
- The assumption from the outset : **Taxation is a fundamental instrument to foster regional integration in the EAC**

# I. Regional Integration: Theory and Practice

- **Theory on Economic Integration Process: Balassa's theory**

- 1) Free trade area

- 2) Customs Union

- 3) Common market

- 4) Economic and monetary union

- 5) Complete economic integration with the establishment of a supra-national authority

# I. Regional Integration: Theory and Practice

- **Theory on Economic Integration Process: Balassa's theory**

Sn	Stages	Key Features
1	Free Trade Area	-Removal of tariffs and quantitative restrictions between participating countries - Application of own tariffs against non members
2	Customs Union	-Equalization of tariffs against non members -Non discrimination in gross-border movement of goods
3	Common Market	-Removal of restrictions on cross-border movement of factors of production
4	Economic and Monetary Union	-Suppression of discriminations due to disparities in policies relating to factors of production
5	Complete Economic Integration	-Unification of monetary, fiscal and social policies - Setting up a supra-national authority whose

# I. Regional Integration: Theory and Practice

- **The Practice does not always follow the theory :**

➤ **EAC ( Burundi, Kenya, Rwanda- South Sudan-Tanzania and Uganda):**

1. Customs Union- 2. Common Market- 3. Monetary Union and 4. Political Federation

Customs Union : effective from 2005

Common Market : effective from 2010

Monetary Union : Protocol signed on 30 November, 2013, projected for 2023.

Political Federation ???????/ =**optimistic**



# I. Regional Integration: Theory and Practice

- **WAEMU (West African Economic and Monetary Union) : Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Niger, Senegal, Togo, and Guinea-Bissau :**

Single currency (CFAF) was adopted before the formation of WAEMU and the Customs Union became effective in 2000

# I. Regional Integration: Theory and Practice

- **SADC (Southern African Development Community)** Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe

no clearly stated phases of integration

# I. Regional Integration: Theory and Practice

## ➤ COMESA

Preferential Trade Area for Eastern and Southern Africa (PTA) was established in 1982 , transformation into COMESA in 1993, envisaged introduction of a customs union for 2004 was postponed to 2008 but not yet materialised

**Is it a Common Market ?**

# I. Regional Integration: Theory and Practice

## African Continental Regional Economic Integration Plan

Phase	Objective	Timeframe
1	Creation of regional blocs in regions where such do not yet exist until 1999	Until 1999
2	Strengthening of intra-REC integration and inter-REC harmonisation	Until 2007
3	Establishing of a free trade area and customs union in each regional bloc	Until 2017
4	Establishing of a continent-wide customs union and thus also an FTA	Until 2019
5	Establishing of a continent-wide African common market	Until 2023
6	Establishing of a continent-wide economic and monetary union (and thus also a currency union) and pan-African parliament	Until 2028
7	End of all transition periods	Until 2034

## II. Role of Taxation in Regional Integration

Number	Phase	Tax Component
1	Free Trade Area	<p><b>Removal of tariffs on intra-trade in goods</b>            Each country determines its own barriers (tariffs) against nonmembers</p>
2	Customs Union	<p><b>Removal of tariffs on intra-trade in goods</b>  <b>Application of Common External Tariffs</b> on trade in goods from outside the Community</p>
3	Common Market	<p><b>Removal of all tax barriers to trade and the movement (including discriminatory</b> (Domestic taxes , as opposed to taxes on international )  <b>Application of MFN Treatment in respect to tax agreements /clauses with third-parties</b></p>
4	Monetary Union	Harmonisation of fiscal polices
5	Political Federation	Ensuring tax justice among citizens= <b>similar tax burden,</b>

# III. Tax Harmonisation Vs Tax Competition

## III.1 Arguments for Tax Harmonisation:

- i. avoiding **tax distortions** to the location of economic activity within the Common market ( economic efficiency): tax induced-non rational location
- ii. Ensuring that the **Common market** operates as **smoothly** as possible (removal of tax restrictions to the four economic freedoms)
- iii. **Stabilization of tax revenues**
- iv. Addressing conflicts of taxation rights and tax avoidance/evasion
- v. Avoiding **harmful tax competition**

# III. Tax Harmonisation Vs Tax Competition

## III.2 Arguments for Tax Competition:

- **Explicit** tax competition occurs “*where jurisdictions actively compete with the goal or intention of attracting economic activity and/or resources to their tax base*”
- **Implicit** tax competition refers to the situation “*where jurisdictions lower or limit tax rates in an effort to keep resources and/or economic activity from leaving to other jurisdictions*”
- **Tax competition** is all about the movement of taxpayers or tax bases in seeking for a better location for tax purposes and the governments’ reaction in attracting or retaining them.

# III. Tax Harmonisation Vs Tax Competition

## III.2 Arguments for Tax Competition:

- **Key quote** : Adam Smith (1776)

*“The proprietor of land is necessarily a citizen of the particular country in which his estate lies. **The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country.** He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could, either carry on his business, or enjoy his fortune more at his ease”.* = *Countries can compete to host the proprietor of stock who is a citizen of the world/ even land can now be put into stock*



# III. Tax Harmonisation Vs Tax Competition

## III.2 Arguments for Tax Competition:

- the “*race-to-the bottom*” vs “*race-to-the-top*”
- *race- to the -top* : *Assumption* : politicians and bureaucrats are self-interested tax revenues maximizers, self-seeking, self-serving agents”, who act to maximize their own utility; elected representatives are “reelection-maximizing officials, whose actions “will always be determined by special interest groups” [“Leviathan” model government]

Therefore : **minimize** government activity/ **capacities of mobilizing tax revenues** and allow the market to operate without any but the most necessary constraints.

# III. Tax Harmonisation Vs Tax Competition

## III.2 Arguments for Tax Competition:

➤ *race- to the -bottom/* a race to public poverty : *Assumption :*  
governments are “essentially benevolent maximizer of social welfare” who pursue the national public interest in decision-making [the “*Benevolent* or the *Nirvana* model government]

**Therefore : build and sustain government capacities of mobilizing tax revenues** and don't rely on the “invisible hand of the market”.

# III. Tax Harmonisation Vs Tax Competition

## III.2 Arguments for Tax Competition:

- **Fair tax competition Vs unfair or harmful tax competition**

- Fair competition : = beneficial effects

- 2 forms of Harmful tax competition/OECD:

- ❖ harmful preferential tax regimes : *“unintentional mismatches between existing tax systems, which do not involve a country deliberately exploiting the interaction of tax systems to erode the tax base of another country. Such unintentional mismatches may be exploited by taxpayers to the detriment of either or both countries”*

- ❖ tax havens” jurisdictions : aggressive “poaching” of other country’s tax base

# IV. Tax Harmonisation in Selected RECs

## IV. 1. The EAC Colonial Period :

- Burundi and Rwanda were considered as a single territory- “Territory of Rwanda-Urundi” from 1923 until 1962 : **a single tax system**
- Kenya, Tanzania and Uganda formed a real common market since 1920 until 1967 (maintained immediately after the independence):
  - *no restrictions of inter-territories commerce in terms of internal tariffs,*
  - *common External Tariff,*
  - *the East African Income Tax (Management) Act, 1952, for the three countries/East African Income Tax (Management) Act 1958*
  - *East African Tax Department*

# IV. Tax Harmonisation in Selected RECs

## IV. 2. The EAC One : Treaty for East African Co-operation (1967-1977)

- Kenya, Tanzania and Uganda :
  - the Common External Tariff established allowed some deviations for certain items depending on agreement by the respective finance ministers;
  - no internal tariff within the region but introduction of a transfer tax
  - Article 29 : general legal basis on which domestic taxes harmonisation could have been founded/East African Income (Management) Act 195
  - the East African Tax Board

# IV. Tax Harmonisation in Selected RECs

## IV. 2. The EAC One : Treaty for East African Co-operation (1967-1977)

- Kenya, Tanzania and Uganda :

-Article 19 : “a common scheme of fiscal incentives towards industrial development

It was never agreed on in practice : Kenya wanted a uniform scheme of fiscal incentives while Tanzania favored a common scheme that would have allowed the less developed partner states to offer more incentives.

# IV. Tax Harmonisation in Selected RECs

## IV. 3. The EU :

- - **The subsidiarity principle of the EC Treaty** : freedom of M.S to design their tax system = no full harmonization envisaged, as long as they don't adversely affect the smooth functioning of the single market
- -no Harmonisation of direct taxes (including income tax), unlike indirect taxes/ but “*A]although, as Community law stands at present, direct taxation does not as such fall within the purview of the Community, **the powers retained by the Member States must nevertheless be exercised consistently with Community law**”, Finanzamt Köln-Altstadt v. Roland Schumacker, Case C-279/93,1995 E.C.R. 1-225.*

# IV. Tax Harmonisation in Selected RECs

## IV. 3. The EU :

- “Approximation of laws” is used for direct taxes
- the “*Acquis communautaire*” in *direct taxes harmonisation* :
  - i. the Council Regulation EEC No.2137/85 of 25 July 1985 on the European Economic Interest Group (also EEIG).
  - ii. the Council Directive 2010/24/EU of 16 March 2010 on **mutual assistance** for the recovery of claims relating to taxes, duties and other measures
  - iii. the Council Directive 2011/16/EU of 15 February 2011 on **administrative cooperation in the field of taxation**
  - iv. the Council Directive 2011/96/UE of 30 November 2011 on the **common system of taxation applicable to parent companies and their subsidiaries in different Member States**, known as the Parent-subsidiary Directive



# IV. Tax Harmonisation in Selected RECs

## IV. 3. The EU :

- “Approximation of laws” is used for direct taxes
- the “*Acquis communautaire*” in *direct taxes harmonisation* :
  - v. the Council Directive 2005/19/EC of 17 February 2005 amending Directive 90/434/EEC 1990 on the **common system of taxation applicable to mergers, divisions, transfers of assets and exchange of shares concerning companies of different Member States.**
  - vi. the Council Directive 2003/49/EC of 3 June 2003 on a **common system of taxation applicable to interest and royalty payments made between associated companies of different Member States** (also known as “Interest and Royalties Directive”), as amended by the Council Directive 2004/76/EC
  - vii. the Council Directive 2003/48/EC of 3 June 2003 (as to date amended) **on taxation of savings income in the form of interest payments (on debt claims).**

# IV. Tax Harmonisation in Selected RECs

## IV. 3. The EU :

Viii. The **intra-EU network of double tax treaties**

IX. The **EU Arbitration Convention**

X. the **Code of Conduct for business taxation** : “gentlemen’s agreement”, “a formal political commitment made by the governments of the Member States, to “tackle harmful tax competition in order to help achieve certain objectives such as reducing continuing distortions in the single market, preventing excessive losses of tax revenues or getting tax structures to develop in a more employment friendly way””

xi. the Commission notice on the application of **the State aid rules** to measures relating to direct business taxation ((98/C 384/03).

# IV. Tax Harmonisation in Selected RECs

## IV. 3. The EU :

- xii. Resolution of the Council on a Code of Conduct on transfer pricing for associated enterprises in the European Union
- xiii. the “*Fiscal Blueprint*” in tax administration : instrument used in assessment of “the administrative capacity of candidate countries to effectively implement and control the EU tax *Acquis*.”
- xiv. the ECJ Case Law or “**Judicial Harmonisation**” : the powers retained by the Member States must nevertheless be exercised consistently with Community law; the Treaty “produces direct effects and creates individual rights which national Courts must protect”.

# IV. Tax Harmonisation in Selected RECs

## IV. 3. The EU :

- xv. VAT : Maximum rate: 25% - Minimum standard rate: 15%; - Member States may apply one or two reduced rates of not less than 5% .
- Xvi. Excises : Alcohol beverages: **minimum rate** : Beer=€0.0935 per liter
- Xvii. Cigarettes: **minimum rate**=57% of a retail price

# IV. Tax Harmonisation in Selected RECs

## IV. 4. WAEMU (West African Economic and Monetary Union) :

- i. VAT : - Single positive rate between 15<sup>0</sup>% and 20<sup>0</sup>%
  - Registration threshold
  - Common rules for tax base
- ii. Excises : -**Minimum and maximum tax rates** by type of goods
- iii. Corporate Income Tax: **Single rate** between 25<sup>0</sup>% to 30<sup>0</sup>%
  - Standard definition of CIT base
- iv. Portfolio income: Withholding tax on dividends:10% to 15%; interest: 0% to 6%: capital gains: 0% to 7%
- V. Multilateral tax treaty : Ceiling rate on interest and royalties:15%; dividends: 10%

# IV. Tax Harmonisation in Selected RECs

## IV. 5 SADC (Southern African Development Community)

- i. Guidelines on tax incentives : avoiding harmful tax competition
- ii. Double Taxation Agreement : Model DTA for SADC
- iii. Indirect taxes : effort to minimize..smuggling... harmonise the application of excise rates , harmonize..VAT regimes

**Not data on the extent to that they are followed in practice.**

## V. Methods of Tax Harmonisation

### i. Harmonisation from below:

The fact of different countries which **unilaterally harmonise** their respective laws : resulting from voluntary adoption of similar laws or from “common perceptions of rule makers”, “competitive convergence” (i.e competition among the jurisdictions)

## V. Methods of Tax Harmonisation

### ii. Harmonisation from above :

different states harmonise their laws as a result of the implementation of a specific agreement between them to do so:

➤ **Positive method integration:** integration through positive action, requiring a positive action by the individual states and/or the Community organs: thought hard-law (legally binding) and soft-law ( non legally binding) instruments ( ex. the OECD MTC, Model Tax Agreement on Exchange of Information in Tax Matters

➤ **Negative method of integration/ judicial harmonisation :** on the basis of compulsory Court's rulings



## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi. 1. Legal basis for harmonisation of Domestic Taxes

SN	Legal Instruments	Area of cooperation involved	Specific purposes
1	Article 83(2)(e) of EAC Treaty	Tax policies	Removal of tax distortions (more) efficient allocation of resources within the Community
2	Article 80(1)(f) of EAC Treaty	Tax investment incentives	Promotion of the Community as a single investment area
3	Article 85 (c) of EAC Treaty	Capital market transactions	Creation of a conducive environment for the movement of capital within the Community
4	Article 32 of EAC CMP	Tax policies and laws	Removal of tax distortions, Facilitation of free movement of goods, services and capital, Investment promotion within the Community

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi. 2. EAC (Level) Agenda for harmonisation of Domestic Taxes

SN	Type of Instruments	Issues to Address	Proposed Solutions
1	Common Standards on Taxpayer education at the EAC Level	Non -registration of SME and non compliance with Revenue Authorities	Pilot Project in Rwanda Sharing best practice examples among EAC PS
2	EAC Model DTA	Bilateral Double Tax Treaties concluded by EAC PSs that are not in line with the EAC CM's four freedoms(better treatment provided to third countries)	A Common Model of DTA for guiding all EAC PSs in future negotiation of Bilateral Tax Agreements

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

SN	Types of Documents	Issues to be addressed	Proposed Solutions
3	EAC DTA	International juridical double taxation and fiscal evasion	Avoidance of double taxation, exchange of information, assistance in collection of taxes Common training of trainers on DTA
4	Common Tax Training Standard and Training Methodology	Unharmonised tax training hamper the free movement of labour for public and private tax professionals, lack of Certified EAC Tax Officers/Advisors/Consultant	Establishment of a Regional Tax Institute
5	Regional Tax Procedure Code	Different tax procedures give rise to increased compliance costs for cross-border economic activities	Sharing best practices and incorporating them in a Regional Tax Procedure Code
6	Regional Tax Incentives and Exemptions Policy	Tax incentives give rise to harmful tax competition	Minimization of tax incentives and attraction of investments
7	Regional SME Tax Regimes	Lack of level playing field for SME Non- formalisation of trade	Alignment of SME tax regimes

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

SN	Types of Instruments	Issues to Address	Proposed Solutions
8	Code of conduct against harmful tax competition	Harmful tax competition arising from the lack of tax harmonisation hinder the EAC CM's freedoms and erode the tax base of the EAC PSs	Follow international standards and best practice for curbing harmful tax competition
9	Regional evaluation system of RAs performance and efficiency	Different systems for evaluation of Revenue Performance and Efficiency	Sharing best practices within the EAC
10	Regional Audit Programme and Manual	Different audit practices across the EAC	Sharing best practices in audit and allowing cross-border auditing
11	Regional Policy Architecture on Income Tax in the EAC and Income Tax Law architecture	Inconsistencies between domestic income tax policies	Removal of existing inconsistencies

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi.3. Harmonisation by Individual PS ( From Below):

- i. Memorandum of Understanding on **Exchange of Information on Tax, Expertise and other Related Matters**” entered into by KRA, TRA and URA in 2004 (Burundi OBR/Rwanda RRA have joined in 2010) : *“increasing their capacity to extract revenue from the business without providing, in parallel, the support that the business deserves ?”*
- ii. The East African Revenues Authorities (EARAs) Forum
- iii. Harmonisation arising out competitive pressure ( see the Table)

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi.3. Harmonisation by Individual PS ( From Below):

Sn	Types of Taxes	Extent of harmonisation
1	Personal income Tax	Top marginal individual income tax rate of 30 percent (30%) for resident taxpayers in all the EAC PSs.
2	Corporate Income Tax	Standard corporate income tax rate of 30 percent (30%) for resident taxpayers in all the EAC PSs. <b>Note the Case of Burundi Taxing deficits 1% of the turnover</b>
3	Income Tax	Standard withholding tax on interests of fifteen percent (15%) in all the EAC PSs, except Tanzania.
4	Income tax	Standard withholding tax on dividend of ten percent (10%) in Kenya and Tanzania.

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi.3. Harmonisation by Individual PS ( From Below):

Sn	Types of Taxes	Extent of harmonisation
5	Income tax	Standard withholding tax on natural resource payments of fifteen percent (15%) in all the EAC PSs, except Kenya.
6	Investment incentives	Ten (10) years tax holiday in respect of corporate income under a specific tax incentives regime (EPZ in Kenya and Tanzania, Free Economic Zones in Rwanda). Even Uganda which does not provide for such a zone still grants ten (10) years corporate income tax holiday for similar activities (exportation of finished consumer and capital goods). Burundi is set to introduce an EPZ.

## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi.3. Harmonisation by Individual PS ( From Below):

Sn	Types of Taxes	Extent of harmonisation
7	VAT	the standard <u>VAT rate of 18%</u> is similar for four (4) of the five (5) EAC Partner States (Burundi, Rwanda, Tanzania and Uganda) and all the Partner States apply a <u>0% VAT</u> on export of goods and services. Kenya applies a 16% rate. Burundi has an intermediate rate of 10% of limited commodities.
8	Tax Procedures	the obligations of taxpayers <u>to register with the tax administration</u> ; the fact that tax compliance is based on <u>self-assessment, followed by tax audit</u> ; the definition of taxpayers 'rights and obligations ;



## VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges

### vi.4. Harmonisation of Taxes on International Trade

- **CET :**
  - Standards rate : 0-10-25% : recurrent issues of stay of application of the CET : a number of companies in all PS
  - Removal of internal Tariffs : issue of certificate of origin

**VI .Status of Tax Harmonisation/Competition within the EAC : Achievements and Challenges**

**vi.5. Selected Examples of Loss of Tax Revenues due lack of Harmonisation/Tax Competition : Burundi**

## VI.5.i. Tax Revenues Allocation

Kind of revenue	Type of applicable rate	Expected income from taxes in 2016	Expected income from taxes /total : 709 356 011 123
Tax on revenue of corporations	Ad valorem	92 631 294 418	13.5%
Tax on natural persons	Progressive rate	1 945 963 115	0.27%
Tax on goods and services	Ad valorem	226 452 923 481	31.92%
VAT	Ad valorem	194 509 362 827	27.42%
Excise	Ad valorem	158 686 229 841	22.37%
Vehicle tax	specific	173 056 813	0.0002%
Customs duties	Ad valorem	34 957 180 628	4.92%
Sub-Total of indirect taxes on consumer			<b>81.7%</b>
Total		709 356 011 123	100%

## VI.5.ii. Tax Revenues foregone through Tax Credit (37%) for Investors in Telecommunications Sector

	Tax credit 2009	Tax credit 2010	Tax credit 2011	2012	2013	2014	2015
<b>A</b>			434 820 716	302 125 012	234 956 842		
<b>O</b>	8 399 197 077	432 317 721	611 009 482		1 164 525 976		
<b>U</b>		1 195 114 579	127 857 519		8 050 092 092		
<b>L</b>	11 619 309 387	9 522 559 978	4 543 732 337			12 665 294 985	
<b>SubTotal</b>	20 018 508 473	11 149 994 288	5 717 420 054	302 125 012		12 665 294 985	
<b>Total</b>	<b>49 854 342 812</b>						

## VI.5.iii. Tax Revenues foregone through Tax Credit (37%) for Investors in the Hotel Industry

	Tax credit 2009	Tax credit 2010	Tax credit 2011	Tax credit 2012	Tax credit 2013	Tax credit 2014	Tax credit 2015
<b>HTL</b>	52 223 280	165 737 923		331 005 211	1 041 229 910	1 100 191 607	
<b>HRG</b>		350 175 865		300 102 554	1 708 708 656		
<b>HSS</b>			263 175 377		255 000 289	1 030 259 566	
<b>HP</b>				2 079 008 093	195 221 011		
<b>Subtotal</b>	4 583 679 937	9 921 864 829	263 175 377	2 710 115 858	3 200 159 866	2 130 451 173	
<b>Total</b>	<b>22 809 447 040</b>						

## VI.5.iv. Tax Revenues foregone in the banking sector

	Tax credit 2009	Tax credit 2010	Tax credit 2011	Tax credit 2012	Tax credit 2013	Tax credit 2014	Tax credit 2015
D	589 833 650	211 436 445			791 758 633	599 975 751	
K		1 195 114 579	127 857 519	102 771 021	1 603 879 419	560 886 198	
C					221 004 520	1 160 861 949	
BA						591 141 894	
<b>Subtotal</b>	589 833 650	1 406 551 024	127 857 519	102 771 021	2 616 642 572	2 912 865 792	
<b>Total</b>	<b>7 756 539 578</b>						

# VI.5.v. Tax Revenues Foregone in the Fuel Trading sector

	Tax credit 2009	Tax credit 2010	Tax credit 2011	Tax credit 2012	Tax credit 2013	Tax credit 2014	Tax credit 2015
K	1 797 096 878	1 020 753 140	664 925 845		1 994 688 605	1 142 591 793	
B						1 551 040 000	
M						634 864 709	
Subtotal	1 797 096 878	1 020 753 140	664 925 845		1 994 688 605	3 328 496 502	
<b>Total</b>	<b>8 805 960 970</b>						

## Vi.5.vi. Tax Revenues Foregone in favor of Multinational Corporations (FDI)

Companies	Tax benefits
A	25 685 601 702
B	263.175 377
C	7 715 817 564
D	2 697 575 495
E	165.872 862
F	801.270 095
G	7 442 524 280
H	1 685 678 985
I	173.312 187
J	2 079 008 093
K	2. 503 829 327
L	11. 980 248
M	10 558 606
N	1 322 972 098
<b>Total</b>	<b>52 559 176 919</b>



## vi.5.vii. Tax Revenues Lost due to Fraudulent Practices/Abuses of Tax Incentives

SN	Types of Issues	Amount Involved	%
1	Abuse of Exemption	29 365 708 339	30,3
2	Tax Penalties	41 005 489 961	42,2
3	Tax Credit	7 432 887 688	7,7
4	Unpaid VAT	19 272 577 270	19,9
<b>Total</b>		<b>97 076 663 258</b>	<b>100,0</b>

## VI.6. Challenges Faced in EAC Tax Harmonisation

- **i.** the prevailing ignorance of the governance dimension of income taxation by the Partner States
- **Ii.** the lack of a strong Community organ to define common Community policies orientations and compel the Partner States to comply with their commitments to harmonise their income tax systems
- **Iii.** the reliance on legal instruments of bilateral nature in income tax harmonisation.
- **Iv.** Westphalien conception of sovereignty
- **V.** Fear of loss of Tax Revenues
- **Vi.** Focus on domestic as opposed to overall regional common interest

## VII. Conclusion

- Taxation is instrumental to regional integration
- Much that our leaders are not “benevolent”, we cannot rely on the “invisible hand of the Market” to mobilize tax revenues: Panama papers provided a living evidence to the most unconvinced.
- Tax harmonisation is an attainable objective / it is not a “holy grail”
- Opening up economic space for business and investment: has so far provided opportunity for more tax revenues bleeding
- There the need for closing tax loopholes, through Tax Harmonisation

## viii. Policy Recommendations

- Tax Harmonisation struggle should include widening the Tax Base in each of the participating States in a Regional Economic Community.
- Citizens/ Civil Society participation / involvement in the process of regional Tax harmonisation is a must
- Linking revenue mobilisation to expenses governance/management/ public services delivery
- Networking between civil society at the regional level to push for a successful regional tax harmonisation
- Regional Tax Harmonisation should seek to ensure sustainable revenues mobilization , effective tax justice and good governance



**Thank you for your attention**