

Taxation and Digitilisation: UN Tax Committee work and Malawi Experience

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UN TAX COMMITTEE

- The UN Tax Committee strengthens international cooperation on tax matters, domestic and international, with a special focus on needs and capacities of developing countries in this area.
- It generates practical guidance for governments, tax administrators and taxpayers to strengthen tax systems for sustainable development and works through Subcommittees and working groups such as the Group on Digitalization and improvement of Tax Administration.
- The mandate of this group is to consider means of improving tax administration through digitalization and other means.

Digitalization of Revenue Administration

- Developing countries need to finance the spending necessary for sustainable development, with domestic revenue mobilization (DRM) critical to achieving that goal.
- In the quest to mobilize more resources to finance public expenditures for economic and social development, it is important that governments design effective tax systems that will facilitate the achievement of DRM.
- Well-planned, efficient, and equitable taxation helps to pursue economic growth, reduce inequalities, combat poverty, and provide social services.

- A key component of efficient tax systems is digitalization. Manual processes and procedures limit the efficiency of tax administrations and greater efficiency could be achieved by digitalizing these processes.
- Moreover, in an increasingly digitalized business environment, tax administrations need to digitalize their processes to effectively tax digitalized businesses.
- Information and Communication Technology (ICT) has made technologies cheaper, more powerful, and widely standardized, improving business processes and bolstering innovation across all sectors of the economy.

- As a result of this, the economy has become digitalized, changing many business models and giving rise to new ones.
- Tax administrations need to adopt some of these technologies, as they realise the benefit of doing so in keeping up with the changing business scene as well as effective taxation of the digitalised economy, which is slowing becoming the mainstream economy.
- The Covid-19 pandemic has accelerated this transformation and many businesses have had to become digitalized to remain relevant and afloat.

- The Group on Digitalization and improvement of Tax Administration is currently working on a guide to support countries looking to digitalize tax administration.
- This guide will address issues such as the legal framework that needs to be in place as well as examining processes in tax administration to advice on ways to digitalize these in ways that protect taxpayers' information and eases their compliance with tax laws.
- This guide is intended to assist revenue authorities seamlessly plan and execute their digitalization plans with the goal of increased compliance hence increased revenues.

Importance of USF in promoting the work of the UN Tax Committee

- Ensuring that more people have access to digital platforms at affordable rates

Malawi experience

- Estimated population of 20 million
- A least developed country
- Economy based on the agricultural sector
- There are few resources to build efficient fixed-line telecommunications infrastructure
- One of its biggest connectivity challenges is that most of the population live in rural or remote communities
- Need to extend ICT connectivity to the unconnected and underserved rural and remote communities.

Malawi experience: Taxes

- Excise tax on airtime at 10%
- VAT on data services at 16.5%
- Corporate tax at 30%
- Regulator levy at 3.5% of turnover
- Spectrum fee
- Import taxes
 - Generally exempt for machinery
 - duty, excise and VAT on some products

Final thought

To what extent are taxes a barrier to accessible and affordable digital platforms/services in low income countries?

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