



tax justice network for Africa



**policy forum**

# TAX JUSTICE REGIONAL SEMINAR

4 – 6 MAY 2009

ORGANISERS:

POLICY FORUM

AND

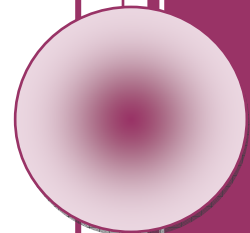
TAX JUSTICE NETWORK-AFRICA

Report on a seminar aimed at raising awareness and sharing experiences on emerging tax issues for Civil Society Organisations in the East Africa region. The Seminar also aimed at building research and advocacy capacity on tax issues for participants.

VENUE: KUNDUCHI BEACH HOTEL, Dar es Salaam.

**Policy Forum Secretariat**

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## ABOUT TAX JUSTICE NETWORK FOR AFRICA:

The Tax Justice Network for Africa (TJN-A) is a pan African initiative and part of the international Tax Justice Network.

TJN-A aims to promote socially just, democratic and progressive taxation systems in Africa. TJN-A advocates for tax systems which are favourable to the poor and finance public goods. We challenge harmful tax policies and practices which favour the wealthy and which encourage unacceptable inequality.

The purpose of this initiative is to mainstream tax justice in the economic discourse in Africa. We provide a platform dedicated to enabling African researchers, campaigners and policy makers to cooperate in the struggle against illicit capital flight, tax evasion, tax competition and other harmful trends in tax policy and practice.

## ABOUT POLICY FORUM

Policy Forum is a network of over 80 NGOs registered in Tanzania and drawn together by their specific interest in influencing policy processes to enhance poverty reduction, equity and democratization. Policy Forum sees governance and accountability as its comparative advantage and the underpinning pillar on which all its activities are based.

The network strives to increase informed civil society participation in decisions and actions that determine how policies affect ordinary Tanzanians, particularly the most disadvantaged. To enhance its effectiveness, Policy Forum focuses on 3 main activity clusters. These are:

**Local Governance:** This includes the regional, council and sub-council levels and concentrates on strengthening the link with citizens.

**Public Money:** The focus here is on issues relating to the acquisition, use and monitoring of money used for the activities of government on behalf of citizens. The aim is to enable citizens to be better informed and to be empowered to achieve greater and more meaningful influence over the acquisition and management and use of public money.

**Active Citizen Voice:** Activities are aimed at empowering citizens to have a real influence over how they are governed and how their resources are used. The aim is to amplify voice by raising awareness on key issues in the area of governance and accountability, improving access to information for Tanzanian citizens and those who represent their interests within and outside of Government.

## BACKGROUND

Although the level of awareness is still low, tax justice is slowly but steadily emerging as an important economic justice issue in the east Africa Region. A number of organizations in east Africa have taken up the initiative and have carried out exploratory activities aimed at creating an understanding of the issues and attempting to link tax issues with their ongoing programmes.

In Kenya, the Kenya Human Rights commission has done a study looking at the tax incentives in the flower sector and how this is related to the human rights abuse prevalent in this sector. The newly established National Tax Payers association in Kenya is in the process of developing grass root initiatives to focus both on government devolved funds and the tax component of government revenue. The tax Justice Network has commissioned the production of a country tax justice report for Kenya which is due to be finalized.

In Uganda the Uganda Debt Network (UDN) has carried out a study examining how tax system in Uganda contribute to the country's poverty eradication Strategies. Action Aid Uganda jointly with the Tax Justice Network-Africa are finalizing a study looking into the corporate taxation, tax incentives and tax avoidance in Uganda.

“tax justice is slowly but steadily emerging as an important economic justice issue in the east Africa Region.”

In Tanzania an alliance of religious organisation with the support of Christian Aid and the Norwegian Church Aid carried out and produced a study – The Golden opportunity- looking at the tax policy and practice in the Tanzanian mining sector.

## Objective

In view of the above developments, the organisers believe that it is important strengthen cooperation at country level and develop a regional approach and create a platform where organisations can share their experiences and discuss on how to develop their country advocacy strategies and also collaborate on issues of regional concern. The regional Tax Justice Seminar sought to achieve following objectives:

1. Raise awareness on emerging tax issues in the east Africa region
2. Share research experiences
3. Build research and advocacy capacity of participating organisation on tax issues
4. Develop a collective platform for engagement at country and regional levels through common advocacy agendas and strategies.

## INTRODUCTION

### OPENING

The meeting was opened by **Alvin Mosioma the coordinator of the Tax Justice Network for Africa (TJN-A)**. He thanked everyone for coming and mentioned that it was rewarding that the region was so well represented with only a few people who could not attend. He recounted that this workshop was the second and part of the Cape Town Work Plan which agreed to conduct a series of regional tax Justice workshops across Africa with the aim of raising awareness among CSOs on Taxation and Development. The first of such meeting was held in Lusaka and plans were underway for a Western Africa meeting towards the middle of the year. The Coordinator said he looked forward to a fruitful meeting and he hoped that participants will come up with a clear work plan on what they intend to do after the workshop. He later called upon the co-organizer, Policy forum national Coordinator, Semkae Kilonzo to also say a few words

**Semkae Kilonzo** gave a warm welcome to participants from the region to Tanzania and explained a little about the Policy Forum and why, as an organisation that focuses on public money, was keen on tax justice issues. He said that Policy Forum was looking forward to the training as its Budget Working Group had in previous years focused predominantly on the allocation and expenditure aspects of the budget and had only begun looking closely at revenue issues using the extractive industries in Tanzania as its backdrop. Because they had not delved as much in tax justice issues, the network was hoping that skills attained in this area during the seminar will help them integrate taxation into their work.

### WORKSHOP EXPECTATIONS

The following were the expectations participants had going into the workshop:

It was felt that the workshop should develop effective mechanisms that would advance CSO to implement once participants returned to their countries.

It was hoped that the workshop would look at tax more as a component of restructuring and redistribution of resources.

A participant felt that the workshop would find strategies that would give civil society a voice across Africa to help ordinary people.

It was also felt the workshop should define ways in which civil society and policy makers could create a platform to engage fruitfully in the policy formulation process in a more active way than they were currently involved.

It was also felt that what would be of paramount importance for civil society to engage effectively in the tax debate would be to define difficult concepts in tax justice recognizing that tax was a very technical subject, defining these concepts would enhance understanding and effective debate on the subject

## OBJECTIVES OF THE WORKSHOP

The meeting agreed to adopt the objectives presented on the pre-circulated workshop program which were:

1. Raising awareness on emerging tax issues in the east Africa region and create better understanding of the nexus between taxation and development
2. Share research experiences
3. Build research and advocacy capacity of participating organization on tax issues aimed at providing participants with tools necessary to influence tax policy in their respective countries including toolkits on basic tax analysis techniques
4. Identifying initial **priority areas of concern on tax related issues and undertake projects at country and regional level.**

## DAY ONE

### TAX JUSTICE IN DEVELOPMENT CONTEXT - GLOBAL CONTEXT.

#### Presenter: Brian Kagoro - ACTIONAID KENYA

The presenter began by giving his audience the background, history, goals and objectives behind the establishment of the Tax Justice Network and he talked of the latest developments and issues surrounding tax justice in the international scene. In setting the context, he said there were unjust tax regimes in Africa as a result of World Bank policies that many countries have adopted. He gave an example of Zambia as a country that that focused on policies to attract Foreign Direct Investment and increase exports in the mining sector in a manner that has not brought it gains and has in fact left it worse off.

“Our regulatory legislative framework is 50 years behind and not able to deal with or handle the complexities involved”

He then went on to discuss the importance of African countries having a visionary national growth strategy, one that involves the state playing a more active role in setting the agenda with regards to international trade and investments. “Our regulatory legislative framework is 50 years behind and not able to deal with or handle the complexities involved.

Instead, we are more and more towards export generated growth, which is a movement BACKWARDS,” he said, adding that Africa countries are at a stage where they must deal with taxation in a broader context and must make internal actors invest domestically to stimulate growth in within the country. “There is a need to get locals to invest in their on economies in a sustainable way.” He gave the example of Kenya: “The Government of Kenya offers a Chinese investor huge incentives (tax holidays) to invest in its country and extract profit without Kenya gaining anything. We should ask how do we stimulate a growth build-up from domestic activities or investments?”

Mr. Kagoro also mentioned the ecological debt caused by such extractive activities of multinational companies. He said that there was dumping and pollution happening and the break down of our natural / biodiversity resources. And because natural resources are a global public good, we will end up paying for its destruction.

## TAXATION AND DEVELOPMENT - AFRICAN PERSPECTIVES

**Presenter: Alvin Mosioma coordinator - TJN-A**

“the resource gap which will prevent African countries from reaching the Millennium Development Goals. Low income countries, many of them in Africa, will require up to 135 billion USD in order to achieve the MDG.”

The presenter started with a pointing out the resource gap which will prevent African countries from reaching the Millennium Development Goals. He stated low income countries many of them being in Africa will require up to 135 billion USD in order to achieve the MDG. He then posed the question: Where should this resources come from? The presenter went on to explain that dependence of external resources in the form of overseas development Assistance or/and Foreign Direct investment will not raise the required resources to fill the financial gap. He argued that

domestic resource mobilization and especially tax was necessary if poor wanted to develop a sustainable economy and address poverty challenges. Beside it the revenue generation capacity of tax the presenter stated that taxation provided additional advantages to poor countries including: Being a more sustainable source of financing less prone to external shocks, creating policy space for poor countries to implement homegrown solution thus creating their ownership of the development process as well as strengthening their State capacity, Strengthening the social contract (Taxation and representation), Improve the distribution of income and wealth thus reducing poverty and inequality and Enhancing government transparency and accountability. The capacity of Africa countries to mobilize tax revenue has however been reduced to a number of obstacles including: Ineffective tax systems, Tax evasion and avoidance by the wealthy and MNCs, Capital flight, Tax havens, Harmful Tax Competition and Forced Market Liberalization This challenges have been identified as a major course of revenue leakage from Africa with estimates showing that the continent lost up to **\$607 billion** in accumulated stock through capital flight by the end of 2004.

The presenter stressed on the need to address this challenges and called on participants to actively participate in advocating for solutions to these problems. The presenter provided the following Recommendations as key to addressing the above challenges:

1. Support for campaigns aimed at corporate transparency; this include International accounting standards on country by country reporting
2. Campaigns against tax concessions and for progressive tax policies;

3. measures to counter the promotion of aggressive tax avoidance by bankers, lawyers and accountants
4. Support to campaign for the end to banking secrecy and tax havens;
5. Support global efforts to return stolen wealth from Africa and to put in place measures to discourage illicit transfers abroad

The presenter finished his presentation by stating the role of TJN-A in supporting African CSOs to actively participate in the campaign for Tax Justice.

### Questions/outcomes

- It was noted that in Uganda have got different taxes, 5% local authority tax, insurance tax, at the end of a day taxpayers find their money gone, so how can CSOs contribute to the debate, on how to find new sources of revenue?
- Powerful people in Africa and their wealth are not taxed because they are powerful so how do we destroy this power that prevents a progressive taxation? We need to address the political dimension.
- There have been some campaigns in Africa for debt cancellation but the figures show that all the countries could pay their debt if the stolen money could be repatriated.

## TAXATION AND GOVERNANCE

### Presenter: Dr. Dereje Alemayehu – Christian Aid

The presenter gave a theory discussion on the link between taxation & governance. He started off by giving historical evidence that links the emergence of accountable governance to generalised taxation. Using the British monarchy and early America rulers as examples, he showed how governing establishments heeded the call of their subjects. In Britain, he said, as the establishment needed more money to wage wars, British monarchs bargained with propertied classes and conceded political space in exchange for tax contribution of the latter. In America's independence struggle, the battle cry was "no taxation without representation," adding that: "The power of some European monarchs was curtailed not when their heads were cut off, but when their hands were tied to keep them away from the treasury"

Dr. Alemayehu also noted that there existed empirical evidence that points towards governments becoming more responsive to their citizens when dependent on them for revenue. "The more dependent the state revenue on taxes, the more accountable governments to their citizens/citizens representatives," he said, adding that generally, he said, the higher the tax /GDP ratio the more accountable the government in a country. He

illustrated this point using budgetary process. For the national budget to get approved, Members of Parliament have to sit and discuss it before giving it the go ahead. Dr. Alemayehu also added that there are accountability requirements within government bodies and the auditor general to prove that the budget was wisely spent.

He also noted that the more dependent the state is on generalised taxation, the more it has a stake in prosperity of the country because its survival depends on continuous, predictable and increasing revenue. He elaborated: “If share of state revenue is say 25% of GDP rulers plan to increase the government revenue would not be to administratively raise the share of state revenue to say 30%, but to devise and implement policies to raise the GDP by 5%.”

“the more dependent the state is on generalised taxation, the more it has a stake in prosperity of the country because its survival depends on continuous, predictable and increasing revenue”

On political and bureaucratic capability of the state, he observed that it is enhanced by generalised taxation. This is because to determine societal needs and nurture bargaining and compromise between competing interests, the state needs to enhance its political skills. Also, in order to design and implement effective policies to deliver public services efficiently, the state would need to enhance its bureaucratic capacity.

Lastly, he held that generalised taxation enhances engagement of a country’s population in policy and political processes. As taxpayers check “value for money” of their contributions in terms of the quality of government service delivery, they are using their rights to build interest in the way the establishment rules on their behalf.

In his conclusion, Dr. Alemayehu reasoned that taxation is primarily a political issue which should be viewed from nation and state-building and development perspectives and that taxation policy must address the four ‘R’s: Revenue, Redistribution, Re-pricing, Representation.

## TAX JUSTICE KENYA REPORT

### Presenter: Jack Ranguma - TJN-A

The presenter first explained to the participants that the purpose of his presentation was how CSOs can structure civil society campaigns on the importance of taxation. He cited an example of the current situation in Kenya was GDP growth has gone down to 2.5% and

therefore a tax reform is on the agenda. He stressed that there are numbers of things going on in the Kenya revenue Authority that need to be worked on which are tax capacity, effort, and transparency and expand Kenya Revenue Authority to informal sectors. He said that it is a strategy to work on taxation: having the global economic crisis and election year coming up.

He therefore came up with three classifications as an option:

1. First, improved income taxation and transparency introduction. The revenue effort is 35% to 65% of tax capacity which brings cost benefit analysis between tax effort and tax capacity. He said there is a need to be aware of campaign goals and effect.
2. Second, Taxing Natural Resources. People need to get everybody know that they are part of.
3. Taxation and political accountability. Taxation can be an important catalyst for citizens to engage in politics and demand greater accountability.

### Questions/Outcome:

- It was felt that the Member of Parliament have become irrelevant to their constituencies and people they lead. They don't pay tax as required.
- It was noted that in Kenya people have no culture of paying tax and those who are formal paying tax they do so not out of conviction but because they need to get salary.
- It is important for countries, to have a proper good system of taxation as most of people don't know what is going on with the tax money.
- It is important to CSOs to understand that they are dealing with tax justice issues. So the questions was posed, why are the very rich people not paying tax, or why our legislation are full of loop holes for corruption?
- The economic arguments are better but also problematic, Global goods and the logic can be used by us civil society .There is a half claim whoever exploits this global goods should pay .The debate about tax is a debate about the state in development. it is useful that Civil Societies don't dick themselves. It was noted that the government can force liability but never take away person's right to be a citizen.

### Resolution:

- It is important for citizens to be involved from the beginning during the budget process.
- To emphasize on the removal of MPs' from the situation of self interests were they decide their own salary.

- It's good to pay tax to the government if the governments spend money well. It important also that the government is accountable and transparency.
- We as CSOs should promote and make suggestions on how tax can promote growth.

## TAX COMPETITION AND FOREIGN DIRECT INVESTMENT. RACE TO THE BOTTOM?

**Presenter: Mr. Wole Olaleye - Action Aid Kenya.**

In the current debate on globalization there is concern that foreign direct investment amounts to a “race to the bottom” in that as poor countries compete to attract investments from abroad by creating an environment whereby capital inflows earn higher rates of return for the investor, they are inadvertently competing to lower their regulatory standards (taxation, environmental, labour, etc).

“everybody is telling us that FDI is the solution for Africa. The former president of Nigeria spent more than half of his time flying around the world getting FDI for his country”

Mr. Olaleye's presentation was about elaborating on this concept. He used Nigeria, which has vast quantities of oil and gas deposits, as an example: “everybody is telling us that FDI is the solution for Africa. The former president of Nigeria spent more than half of his time flying around the world getting FDI for his country.” He stressed that the race to have a competitive tax regime is a global problem and not limited to African countries. This is all happening

without adequate technological transfer or much job creation.

Mr. Olaleye stressed that studies clearly show that all these tax offerings are of no significant importance when the transnational companies decide about their investments. Findings show that political stability is a very important factor. “tax incentives are not – they are minor,” he said, also adding that Export Processing Zones (EPZs) have little gains for the countries that have established them.

## Discussion outcomes:

1. We need a harmonized tax regime for Africa - One that has common and agreed minimum standards for countries of the continent. Equally, agreed harmonized labour and environmental standards would be welcome.
2. We should strive to expand domestic investment as well and also ensure that FDI does not “crowd out” but “crowd in” domestic investment (by having robust mechanisms that enable the creation of domestic firms as a result of new foreign ones entering the country).
3. Human rights are important. A typical contract between the Government of Tanzania and foreign companies ensures the investing company accesses land when it needs it: This might mean the Tanzanian military forcing the removal of local communities if required to do so.

## THE UGANDA CASE

### Presenter: Ms. Specioza Kiwanuka - Action Aid Uganda

She presented an overview of their research conducted and pointed out that taxes are regarded as one of the key revenue sources. She said that in their findings, they revealed that poor countries are also competing on attracting foreign investment and it has caused negative consequences such as a person has to pay for the lost money due to the tax evasion.

She added that they experienced difficulties in getting information on TNCS in Uganda and what TNCs' does in Uganda. She added that they focused much on looking on the budgeting process, what is the tax base, the number of TNCS, policies on investment, growth and advises that the government get from the World Bank. They hope to communicate /corporate with the Government for them to be assisted on issues they suggested on.

## TAXATION AND DEVELOPMENT: TANZANIA POLITICAL CONTEXT

### Presenter: Hom. Zitto Kabwe (Tanzania MP)

Mr. Zitto Kabwe, the Member of Tanzania parliament spoke on mining issues relating to Tanzanian political context, he said Tanzania is facing a very big problem on big Sectors, Mining companies not paying taxes since 1990 removed tax incentives to attract foreign companies. He stressed that apart from having the Tanzania Revenue authority, till recently, the Minister had exclusive power to give tax grants to companies. He pointed out that most of the telecommunication and mining companies do no pay tax since their establishment. He said those companies do pay VAT only and they are laws facilitating avoidance and tax exemptions. He said that some companies were given 20% of taxes that were supposed to pay as incentives.

He cited an example of Bulyankulu Gold Mining which started in 2000 and has life span of 20 years won't pay tax before 2019 and means that only one year of CIT, monetary effect on Africa is officially 833bnUSD.

### Questions/outcomes:

1. It is extremely unfair to be giving all these exemptions to someone who will just be leaving before starting paying taxes.
2. Perhaps it is possible that MP's involves revealing the underground economy that is so much a problem is best tackled by extreme penalty laws and by developing a system of exchange this getting banks giving information to TRA from those who are evading their tax liabilities.
3. There is a democratic problem when ministers are actually autocratic making permanently tax exemptions and contract of permanently right to repatriations .Because it means they are not only executing the country's' legislation, they are making the tax policies of the country and policies should pass through parliament ,the legislative lies in parliament not in the ministries office.
4. This presentation just revealed the tip of an iceberg. And all of this is entirely legal they do not steel but abiding with the law. It is very easy to blame the politicians and the TNC's where the CSOs were??
5. We have to ask ourselves why the companies came here with their expertise?

### Resolution:

- There is a discussion going on in the AU on harmonizing the mining contract so we don't compete from each other.
- We do have graduates at the University of Dar es salaam from the department of geology since 1970s'; in other case there is no need of having expertise from abroad
- The reports from committees are public, recommendations were a little bit compromised, the Bomani report should not be the end Policy Forum and Other CSOs' should get more involved.

## DAY TWO

### DOMESTIC TAXATION AND ECONOMIC JUSTICE

#### Presenter: Ms. Wakaguyu Wakiburi

The presenter broadly gave a lecture on what is tax and why civil society should be involved. She concentrated much on how domestic taxation or revenue should be equally balanced with expenditure for economic growth. She said “in every financial year, every government should ideally balance its budget equation for the continued uninterrupted economic growth”. She said, normally, government expenditures are either for Development projects such as infrastructures, schools and hospitals or recurrent expenditures such as salaries, governance and consumptions expenses.

She said that “A tax is a compulsory transfer from individuals and businesses to the government”. It is not paid in return for any specific government services. She said that there are three broad categories

of taxes. First, indirect taxes which are taxes paid when income is consumed and are normally imposed by the government when goods and service are consumed and when cross – country borders imposed as trade taxes or tariffs. Here, consumers bear the tax burden but they do not pay the taxes to the government. She stressed that “Consumption taxes impose a heavy burden on the poor because the poor spend a larger share of their income on basic necessities instead of saving that those who are better off.

High income households save more of the incomes that they earn than they spend. Only incomes consumed are subject to consumption taxes. Incomes saved are not subject to consumption taxes”. She added that some countries have attempted to address equity issues concerning consumption taxes by exempting certain basic necessities such as food items or health care from taxation.

Second are direct taxes which are levied when income is earned by both individuals and businesses. She explained that individual earnings are from employment and from other sources and in most of the countries taxes are levied through pay as a person earns. She said that employment income may also be subjected to social security taxes or payroll taxes to finance social insurance program, health care, retirement benefits. Equity issues are

“Consumption taxes impose a heavy burden on the poor because the poor spend a larger share of their income on basic necessities instead of saving than those who are better off. High income households save more of the incomes that they earn than they spend.”

addressed here through structuring the tax rates so as to impose a tax larger burden on higher levels of income. She cited an example of Kenya whereby “Pay as you earn” ranges from 10% to 30% to give relief to a person earning less than Kshs, 10,164 (127 US%).

Third are wealth taxes. She explained to the participants that those are taxes that are levied on wealth and are normally on individuals ‘net worth’ which is their assets such as investments – houses and other property minus their liabilities. She added that in some countries it takes the form of a transfer tax, which is, tax on wealth when it is transferred from one individual to another. She said also that taxes on property such land rents are also wealth taxes and are sources of revenue for local governments. “Wealth taxes are highly concentrated targeting those who are the best-off but can be shifted to those with lower incomes” she stressed.

Later the presenter explained to participants on why the civil Society Groups should be involved in tax policy in any country. She said that basically there four reasons:

- a) Ensuring funding for important programs. The presenter said that it is important for Civil Society Group (CSG) to know where the funding are coming from so that to assess the government revenue policy. It is also important for CSG to be involved so that to assess whether the government revenue projections are realistic. According to her “When the revenues collections are short the government will cut expenditure especially if the country is in debt and has little flexibility to borrow more. This will result in funding for investments in social programs being cut first as government devotes scarce resources to other commitments that it views as more urgent” she stressed. Thus, CSGs can engage in tax issues in ensuring revenue adequacy for social programs, advocate new expenditure policies that may require substantial funding and by proposing specific taxes or other revenues sources to pay for the social programs.
- b) Ensuring distribution of income and wealth. The presenter said that Civil Society Groups must be involved to ensure that there is fair distribution in income and wealth in the country. She said that Tax policies influence income and wealth distribution in a country and so the Civil Society Group should be involved to advocate new and fair tax policies.
- c) Promoting economic growth that benefits all. Tax policies impacts on a country’s economic growth by influencing incentives to work, serve and invest. She said then that CSOs are involved to insist that revenue policies strike an appropriate balance between them. CSGs should therefore look for opportunities to further both goals for instance, by strengthening the country’s tax administration.
- d) Enhancing government transparency and accountability. The presenter asserted that issues of funding for social programs, distribution of wealth and income and promoting economic growth that benefits all citizens are related to the broader concerns shared by the CSGs. The Civil Society Groups should therefore strive to improve government transparency and accountability so that government budgets are responsive to the needs of the country and its citizens. CSGS should educate the public about tax issues and promote transparency in tax policy. Open debates on tax

policies are an essential ‘Fiscal – Social contract’ where citizens are willing to pay taxes because they are convinced that the tax system is fair and is raising revenue for valued programs and services.

- e) Lastly, the presenter sum up her presentation by presenting basic issues those CSGs should take into consideration in advocacy. She said that Tax policy has potential to address issues of poverty and inequality. She said that there are several relationships that determine whether tax policies reduce poverty and result in fair distribution of income. She mentioned them as taxes and fairness, taxes and economy and taxes and tax compliances.

### Discussion Outcomes:

- There is a lack of capacity and training among the tax government officials. CSOs can come in and play a big role in terms of training and capacity building.
- Lack of government transparency on tax revenues hinders the public and CSO’s not to be informed. CSO’s need to advocate for more transparency.
- Advocacy for transparency on tax revenue should not only be left for Civil Society Organizations and media but also in other sectors such as health and education.
- The public have little information on tax compliances. It is an area which government and CSO’s have not researched much and so need to be worked on.
- Civil society organizations in Tanzania need to know how to get information from government offices. It was revealed that the government before imposes taxes it normally publishes in the government’s gazettes.
- It was stressed that the role of Civil Society Organization should strive to shift the burden of taxation from the rich to the poor.

## TAXATION AND MULTINATIONAL CORPORATIONS (MNCS)

### Presenter: Mr. Francis Weyzig

The presenter began by giving a definition of Multinational Corporations as company groups that had presence in a number of countries worldwide and explained that MNCs did not exist as they only existed off other companies. He added that each company was a separate legal entity but that they did their accounts jointly.

The presenter explained to the participants that MNCS employ a lot of tax planning so that to shift their income around to avoid being taxed. He referred them as tax avoidance which is not illegal but the line between aggressive tax avoidance and tax evasion, which is illegal, is very thin.

The presenter further explained on how MNCs employed different strategies such as transfer “mis-pricing“ management fees, royalties and interests to transfer profit earnings to tax where they don’t pay lots of tax.

He later taught participants how to use Comtrade, a public UN database to reveal information on the quantity and value of commodity trade between countries. If reported by the country in question, he said it can be used to find leads about mis-pricing of commodity exports. He demonstrated its applicability by asking participants to use the website’s query functionality to find the quantity of gold exports of Tanzania to its major trading partners. In taking part in this exercise, participants could see for themselves that South Africa’s share in the total **value** of Tanzania’s gold exports in 2006 was \$236.8m of a total of \$610.7m, making up a 38.8% share. In terms of the total **quantity** of Tanzania’s gold exports in the same year, this amounted to 14,425 kg of a total of 57,828 kg making up a 24.9% share. It was hence obvious for the participants to observe that the export prices to South Africa were higher in comparison to Tanzania’s other trading partners.

### Discussion Outcomes:

- It was learnt that a majority of Multinationals Corporations were designed in such way that they are able to avoid tax where they operate. This is detrimental to national development and it was recommended that businesses must adopt CSR standard taxation which advocates publication of all necessary accounting information.
- It was noted that in Tanzania’s law each subsidiary is treated as an individual legal system and so would be impossible for a country to catch up with those values unless it deals with those legal fiction that operates in the company’s structure.
- The participants were taught on how to use UN Comtrade database which will be useful for research and hence advocacy around tax justice issues.
- It was felt that CSOs should push their governments to become more transparent when contracting with MNCs. Civil Society Organizations should be involved from the onset in order for them to be able to influence the process.

## CASE STUDY PRESENTATION: TANZANIA EXTRACTIVE SECTOR – GOLDEN OPPORTUNITY

### Presenter: Mr. Tundu Lissu

The presenter gave an overview of the key findings of the report “A Golden Opportunity”. The report examines the reasons why Tanzanians have not been able to benefit from mining sector despite that gold mining is the fastest growing sector of Tanzania’s economy. In his presentation, he said that in Tanzania minerals now account for nearly half the country’s export and Tanzania is African’s third largest gold producer. But yet ordinary Tanzanians

are not benefiting from this boom both because tax laws are overly favorable to multinational mining companies and because of the practices of these companies.

## Discussion outcomes

- Tanzania's mining law should be amended to ensure that the national economy benefit much more from mining sector
- Multinational companies operating in Tanzania should be required by law to make a full public declaration of how much they pay and receive in tax from gold mining.
- Relevant decision maker should not be self interested and consistently make decision in favor of Tanzania as a whole.
- Transparent is very important from the offset of the MNCs throughout its operations. This is crucial to achieving transparency during subsequent of development especially in a country where government officers have discretionary powers in the licensing process.
- Mining contracts must provide an opportunity for local communities to be involved.
- Civil Society Organizations were urged to make the government accountable.
- It was revealed that parliament has a key role to play in developing a national strategy for mining and must play a much bigger role in scrutinizing government policy.

## DAY THREE

### TRANSLATING RESEARCH WORK TO ADVOCACY

#### Presenter: Ms. Kato Lambrecht

The presenter began by giving a definition of advocacy, which in general was defined as activities which organizations or individuals can undertake to exert pressure for change in a specific policy or behaviour of a government, company, organization or individual. It is about actions designed to influence decision makers to implement policies and practices that affect those with less power. Presenter said that in order for advocacy to be effective CSOs should; encourage participation, ensure legitimacy, be accountable, act peacefully and represent the affected group.

The presenter shared that before advocacy intervention is done it is important to identify the problem so that to be able to see which interventions or advocacy strategies will be most appropriate. This is because CSOs may need several approaches to understand the problem from different perspective of communities.

The presenter, also, stressed that before advocacy is done it is important to have accurate, reliable and sufficient information. “This will help you understand the context, causes and effects of the problem and hence help to clearly identify required policy changes and assess whether you organization is in a position to achieve” she stressed.

“in order for advocacy to be effective, CSOs should encourage participation, ensure legitimacy, be accountable, act peacefully and represent the affected group”

The presenter also urged the participants to have a good planning and advocacy strategies as it helps to constitute a roadmap for the organization or network and ensure everyone is following the same map. She added that developing strategy help for an organization to clarify goals, objectives and methods of measuring success and understand risks of advocacy and assumptions.

Later, participants were divided into three groups and each group were tasked to write as an exercise a policy. The exercise was guided by six components, introduction, executive summary, effects and evidence, cause and responsibility, solutions and recommendations and Appendices.

## Discussion outcomes

- Participants were urged to engage and lobby members of the parliament on the issue tax justice
- Engage and lobby for national and international policy changes on taxation to facilitate development.
- In doing advocacy, CSO's should focus on what it can offer and ensure that its position is accurately represents the views of those it claim to represent
- Education and raising awareness are central to any development activity to empower people.
- Advocacy should not be left to CSO's only but also media can be used for awareness and dissemination of information
- Participants were able to identify common advocacy issues and strategies. They identified levels and key entry points for Advocacy in critical areas of concern.

## WORKSHOP EVALUATION

Questions	Answers
<p><b>Learning effects</b></p> <p>1. Did you learn something new from the workshop?</p>	<ul style="list-style-type: none"> <li>• Yes, how to use Comtrade database.</li> <li>• Price transfer in multinational corporations, capital flight and its impact on revenue in Africa</li> <li>• Tax competition, the realities around taxation, policies and bad tax practices by MNCs and their implications on government revenue and the poor</li> <li>• Translating tax research in to advocacy work on tax and data sourcing.</li> <li>• Using the internet for transfer pricing research</li> <li>• Illicit financial inflow and outflow</li> <li>• Stakeholder analysis, matrix of allies and decision tree</li> <li>• How taxation can develop a new development paradigm</li> <li>• How countries like Tanzania is losing millions of shillings through tax malpractices</li> <li>• Role of TZ parliament in the 1990s in the establishment of the present tax regime</li> <li>• Contribution of revenue in development</li> </ul>
<p>2. How relevant was the workshop for your work?</p>	<ul style="list-style-type: none"> <li>• Information gathered will enhance my organization in advocacy and good governance</li> <li>• It was related to tax networking which is my field of work</li> <li>• There is direct relationship between tax and community development because efficient collection of tax will result to equitable development and tax distribution</li> <li>• Poverty eradication and good tax system are directly related</li> <li>• There is direct relationship between tax revenue and community development</li> <li>• Good taxation promotes Human rights which is my field of</li> </ul>

	<p>work</p> <ul style="list-style-type: none"> <li>• In budget and political analysis tax systems are relevant</li> </ul>
3. Which things you learned you find most useful?	<ul style="list-style-type: none"> <li>• Database, advocacy strategy and capital flight</li> <li>• Translating research work to advocacy and tax monitoring</li> <li>• Researching NMCs activities, transfer pricing and looking at tax from both the revenue and expenditure sides</li> <li>• Illicit financial inflows and outflows and using com-trade website</li> <li>• Stakeholder analysis and decision making tree</li> <li>• Tax analysis and equitable and equitable utilization of the same</li> </ul>
<p><b>Suggestions for improvement</b></p> <p>1. What improvements can be made on the contents of the workshop?</p>	<ul style="list-style-type: none"> <li>• Addition of a session on information gathering.</li> <li>• It should be simplified next time</li> <li>• Inclusion of necessary actions to be taken for specific stakeholders to advocate tax justice</li> <li>• Make more hard copies for participants to participate effectively</li> <li>• Commit more time to action planning</li> <li>• Probe guidelines for group work</li> <li>• Link tax collection and expenditure</li> <li>• Carry capacity building to specific country research and advocacy, so as to enrich content with specific country experiences and challenges</li> <li>• Add a session on information gathering</li> </ul>
2. What can be improved about organization and program of the workshop?	<ul style="list-style-type: none"> <li>• It would be better to allocate more time for the workshop.</li> <li>• Have more participants</li> <li>• Giving handouts before presentation for purpose of time management</li> <li>• Stick to time as per workshop schedule with little flexibility</li> </ul>
3. Any other comments?	<ul style="list-style-type: none"> <li>• Conduct this training regularly</li> </ul>

	<ul style="list-style-type: none"> <li>• See ways of improving participation by host organizations</li> <li>• Include sessions for reports from countries and get relevant people to present the cases</li> <li>• Agree on joint actions that we can take forward through TJN</li> <li>• Some outdoor bonding activities</li> <li>• Involvement of more participants</li> </ul>
<p><b>Application of things learned</b></p> <p>1. How can you apply the things you have learned in your work place?</p>	<ul style="list-style-type: none"> <li>• Put together a tax training manual for CSOs</li> <li>• Use information on various databases to do analysis on taxation as part of the budget working group</li> <li>• Use research skills on comtrade to get the most accurate data on commodity trade and and advocacy skills to map out the different stakeholders of the TJN-A</li> <li>• Review of the Uganda’s national tax policy and its implications on collection of government revenue establishing a forum to discuss about tax justice and conducting research on MNCs, capital flight and revenue collection</li> <li>• Application of tax issues to advocacy of human rights and development</li> <li>• Identifying critical research agenda in each country</li> <li>• Self sponsored research and development of a working paper on debt, aid and tax linkages</li> <li>• Make linkage between budget and taxation</li> <li>• Put together a tax training manual for CSOs</li> </ul>
<p><b>Follow up to this workshop</b></p> <p>1. What follow up would you like to see to this workshop?</p>	<ul style="list-style-type: none"> <li>• Sharing of information among participants and putting into practice the tools provided for advocacy in tax justice issues</li> <li>• Make more details on advocacy strategy</li> <li>• Increased networking and sharing on tax issues across organizations</li> <li>• More joint actions on tax issues through the available networks</li> <li>• Creating entry points for each country of interest and</li> <li>• Self communicating to participants on the workshop outcomes</li> </ul>

	<ul style="list-style-type: none"> <li>• Follow up on capacity building of participants to challenge tax malpractices of their respective governments</li> <li>• Build capacity training events in tax analysis</li> <li>• Tax justice and regional integration</li> <li>• Review of progress of topical issues to ensure that there is motivation in sustaining TJN effectiveness</li> <li>• Country level tax justice networks</li> </ul>
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## QUESTIONS FOR ACTION

Questions	Answers
1. What do you want for the agenda for the national TJN meeting being planned for Uganda, Tanzania and Kenya?	<ul style="list-style-type: none"> <li>• Promoting for policy environment that enhances tax base in countries and sub-regional integration</li> <li>• Suggest other ways of collecting tax and greater presentation on NMCs and their activities</li> <li>• Budget monitoring, research and data</li> <li>• Taxation in the mining sector and discussions on government revenue</li> <li>• Collecting and analyzing information on tax justice for effective advocacy</li> <li>• Agree on advocacy issues to take forward to influence the review of the national tax policies</li> <li>• Taxation and development, taxation and governance and its cost benefit analysis</li> <li>• Extensive presentation made by experts on how much tax revenue is being lost and how policy makers can stop tax malpractices in these countries</li> <li>• Partnering with governments to discuss tax improvement and fairness</li> </ul>
2. What will be the benefit of networking on tax justice for your	<ul style="list-style-type: none"> <li>• To share their strategies and effectiveness in achieving</li> </ul>

<p>organization?</p>	<p>results</p> <ul style="list-style-type: none"> <li>• Capacity building</li> <li>• Information sharing on tax justice and training</li> <li>• Pooling of resources to enable the policy forum focus on public money to become complete</li> <li>• Build linkages and synergy around debt, trade, budgets and public finance because tax is not a stand alone issue</li> <li>• Achieve organizational mission on poverty eradication through increased capacity of government to mobilize domestic resources and fund public programs</li> <li>• Acquire legitimacy of advocacy work on tax related matters and sharing tax information and experiences with other organizations</li> <li>• Networking will strengthen the voice on taxation and impact of intervention</li> <li>• It will help our advocacy on mining, flower industry and the EPZ sector</li> </ul>
<p>3. What support would you need from TJN Africa for your future tax work?</p>	<ul style="list-style-type: none"> <li>• Information sharing on progress being made change toward tax justice at regional, sub-regional and international level</li> <li>• Research aid or joint research activities and some reference materials and case studies</li> <li>• Tax Policy analysis, tax justice, advocacy trainings and grants for tax justice activities e.g. community sensitization</li> <li>• Support on research about the methods and types of taxes and taxation</li> <li>• Capacity building on how to analyze capital flights from tax exemptions and avoidance</li> <li>• More training on tax issues with more concern on mining and forest products</li> <li>• Impact of tax evasion on service delivery</li> <li>• TJN to train our staff on interrelation between taxation and human rights</li> </ul>

<p>4. describe actions you would take in the next month to take forward the learning and planning from this workshop</p>	<ul style="list-style-type: none"> <li>• Develop advocacy strategy through using the analytical tools gathered in this seminar using tools like; decision making tree and stakeholder analysis</li> <li>• Train other staff and empowerment of community and follow up on conference report</li> <li>• Produce tax policy brief, integrate tax analysis in the work of policy forum's budget working group and look in to the possibility of doing a breakfast TV or Radio debate on tax issues</li> <li>• Put together a report on the workshop for records and pass the knowledge to members of CODEFA</li> <li>• Complete the tax research and study on extractives, specific goals to oil exploration in Uganda and derive advocacy strategy to influence policies on extractives and their implications on the communities</li> <li>• Doing more practice on comtrade</li> <li>• Lobby the ministry of trade to implement fair tax practices on NMCs, flower, mining and EPZ sectors</li> <li>• Look for information on capital inflow and outflow</li> <li>• Organizing debates on tax in Tanzania and producing tax brief</li> </ul>

## EXPENSES FOR TAX JUSTICE SEMINAR FOR THE YEAR 2009

DATE	PURPOSE OF PAYMENT	TYPE OF EXPENDITURE	AMOUNT IN TSHS	EXCHANGE RATE	AMOUNT IN USD
May-09	Identity cards for participants	Stationeries	78,000.00	1,392.00	56.03
May-09	Taxi charges	Transport	40,000.00	1,392.00	28.74
May-09	Taxi charges	Transport	330,000.00	1,392.00	237.07
May-09	Taxi charges	Transport	15,000.00	1,392.00	10.78
May-09	Taxi charges	Transport	20,000.00	1,392.00	14.37
May-09	Taxi charges	Transport	50,000.00	1,392.00	35.92
May-09	Taxi charges	Transport	20,000.00	1,392.00	14.37
May-09	Taxi charges	Transport	25,000.00	1,392.00	17.96
May-09	Photocopy	stationeries	5,200.00	1,392.00	3.74
May-09	Printing & photocopy	stationeries	25,000.00	1,392.00	17.96
May-09	Night meal allowance for participants	Food & Beverage			1,700.00
May-09	Visa cost for International participants				70.00
May-09	Cost of Accommodation for participants from 02.05.2009 to 06.05.2009	Accommodation			6,210.00

May-09	Cost of day conference for 3 days	Day Conference			3,708.00
May-09	Cost of food for participants	Food & Beverage			565.99
May-09	Transport -Policy Forum to Kunduchi to Policy Forum for 3 days, plus 1 night for socialization	Transport			1,274.20
May-09	Taxi charges	Transport	100,000.00	1,392.00	71.84
May-09	Mobile Communication	Communication	13,050.00	1,392.00	9.38
May-09	Being cost of files with writing pads	Stationeries	264,000.00	1,392.00	189.66
May-09	Allowance for presentation during the workshop	Training			100.00
	<b>TOTAL IN USD</b>				<b>14,335.98</b>
	<b>PF Administration cost</b>				<b>1,003.52</b>
	<b>GRAND TOTAL</b>				<b>15,339.50</b>
	<b>AMOUNT RECEIVED</b>				<b>22,250.00</b>
	<b>TOTAL AMOUNT SPENT</b>				<b>15,339.50</b>
	<b>AMOUNT TO RETURN BACK TO TAX JUSTICE NETWORK</b>				<b>6,910.50</b>

## LISTS OF PARTICIPANTS

NO.	NAME	ORGANAISATION
1.	Esther Mongi	World Vision Tanzania
2	Bonnie Mutungi	DENIVA
3.	George Morara	KHRC
4.	Richard Angelo	Policy Forum
5	Christina Genda	Policy Forum
6.	Rose A. mushi	Action Aid Tanzania.
7.	Mukunda Julius	FOWODE
8.	WakaguyuWakiburi	TJN-A
9.	Jack Rangumu	TJN-A
10.	Otieno Michael Oloo	NTA
11.	Francis Weyzig	SOMO
12.	Kiama Kaara	KENDEREN
13.	Hope J. Lyimo	YAV
14.	Kato Lamberechts	Christian Aid
15.	Tundu Lissu	LEAT
16.	Wole Olaleye	AA-ARO
17.	Kabwe Zitto	Parliament
18.	Specioza Kiwanuka	Action Aid Uganda
19.	Regina Katabi	M-MWACOD
20.	Gotfried Sangana	CODEFA
21.	Sandra Kidwingira	TJN-A
22.	Lusekelo Mwasela	Tanzania Revenue Authority
23.	Brian Kagoro	Action Aid

24.	Alex Ruchyahinduru	Policy Forum
25	Alvin Mosioma	TJN_A
26	Semkae Kilonzo	Policy Forum
27	Martin Christensen	TJA/PF
28	Daniel Luhamo	HakiElimu
29	Moses Kulaba	AP2000
18	Anna Sawaki	WDP
19	Godfried Sangana	CODEFA
20	Regina Katabi	M-WACOD
21	Richard Angelo	PF
22	Christina Genda	PF
23	Sandra Kidwingira	TJN-A
24	Hope Lyimo	YAV
22.	Lusekelo Mwasela	Tanzania Revenue Authority