

TAX POLICIES AND PRACTICES FOR DIGITAL SERVICES AROUND THE WORLD AND SHARING MY EXPERIENCES AT NATIONAL LEVEL.

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SCOPE

- Basics on tax
- The Global Digital Tax Policies and Procedures
- The Sierra Leone situation
- Conclusion

Objectives

- By end of the presentation;
- The global trend would have been introduced
- Nexus built with the Sierra Leonean case.

BASICS ON TAX

- **Taxes are compulsory fees levied on individuals and businesses by government , as a way of raising revenue.**
- **Tax policies vary from country to country depending on the economic condition of the country.**
- **Taxes are basically levied to raise revenue or promote local industries or to discourage the consumption of certain services within a jurisdiction.**

TYPES OF TAXES LEVIED AROUND THE WORLD ON THE DIGITAL MARKET

CORPORATE TAX
VALUE ADDED TAX
IMPORT TAX
SALES TAX ETC..

The Global Digital Tax Policies and Procedures

- Tax administration has been continually facing enormous challenges particularly in;

1. Improving performances while reducing costs,
2. Decreasing compliance burdens for taxpayers
3. Tackling non-compliance.
4. Improving taxpayer services, while making non-compliance harder.

This is helping revenue bodies increase their efficiency and allowing governments to finance important programmes that will further benefit their citizens.

Continuation - The Global Digital Tax Policies and Procedures

- The advent of digital tax policies and procedures have been of some help for countries that have adopted it to salvage some challenges that were obvious.

The Global Digital Tax Policies and Procedures

Digital taxation in some countries are levied on

- search engines;
- social media platforms; and
- online marketplaces
- Mobile networks
- Other digital networks
- Income of citizens working abroad

With their procedures established by the government of that country (the percentage, how it is collected and on what the tax is levied).

The Global Digital Tax Policies and Procedures

- Policies and practices on taxation worldwide are constantly changing and they affect the payers.
- Globally, different countries apply different tax rates and percentages with varying policies and practices.
- The beauty about tax policies and practice is that it provides much needed revenue for governments globally.
- In the better part of this 2019 tax on digital services in selected countries has contributed proportionately to the GDP of those countries. Sierra Leone is one such country that has benefited from this.
- The UK is to follow full in 2020

The Global Digital Tax Policies and Procedures

- For example, USA and France digital tax saga (***After French president approves digital tax targeting US companies, President Trump threatens 'substantial reciprocal' action. United States President Donald Trump said on Friday that the US would hit France shortly with a "substantial reciprocal action" after Paris announced a tax aimed at US technology companies. Jul 26, 2019***)
- US technology companies such as Google, Apple, Facebook and Amazon are now subject to a digital tax on their respective revenues as a result of legislation signed into law by French president Emmanuel Macron.
- This could be seen by the USA as a bad policy but for France it will enhance their revenue base.

The Global Digital Tax Policies and Procedures

- In all of this, there has been no global consensus and certainly this can be put off track by having several and most powerful countries coming up with interim measures.
- This has become obvious because most countries have only adopted interim measures. Even the EU supports interim measures which commences on Jan. 1st 2020
- The OECD (Organization for Economic Cooperation and Development) works toward finding long-term, consensus-based solutions for taxing the digital economy, which it intends to deliver by 2020.
- We are hoping that by this period the DST will go global. Meanwhile some countries have already begun. (Hungary, Italy).

The Sierra Leone Situation

- Telecoms
 - Telecommunications operators typically pay corporate taxes on profits, but are also expected to contribute at several levels (Corporate Social Responsibilities for example)
 - First, in Sierra Leone like in other countries, operators pay import duties on equipment purchased from overseas suppliers.
 - Second, service providers pay property taxes on buildings and land owned where equipment is installed.
 - Third, telecommunication operators also pay sales taxes on equipment purchased. Sales taxes can be collected at three levels: national, state or province, and local.
 - Finally, operators pay also taxes on local and international interconnection revenues (between networks within and without the country).

The Sierra Leone Situation

- In Sierra Leone a number of sector specific taxes are also levied and collected within the digital ecosystem by NATCOM for example:
 - Spectrum fees
 - GSM license
 - International Gateway fees
 - On-net and Off-net charges
 - interconnection charges etc...

The Sierra Leone Situation

- Integrated Tax Administration System (ITAS) is one of Sierra Leone's taxation practices.
- ITAS is a generic term used to describe a modern computer system that automates end-to-end tax processes. The Sierra Leone National Revenue Authority (NRA) is implementing ITAS in the Domestic Taxes Department (DTD).

The Sierra Leone Situation

- Why is SLNRA implementing ITAS?
 - The functionality of the Domestic Tax Department's current transactional computer systems is limited to rudimentary registration and taxpayer accounting for assessments and payments. Most of the processes are executed in a manual environment and consequently the process data generated is also substantially manual. This is not without its effects on the revenue base.

The Sierra Leone Situation

- OBJECTIVE OF IMPLEMENTING ITAS
 - Manual processes and data present a myriad of challenges including security of data, access to the data, integrity of the data as well as extraction of the data for reporting and analysis. It is the DTD's objective to automate all processes and shift from manual to electronic data.
 - This is the start of digital taxation – going electronic.
 - Therefore, the main objective of implementing ITAS is to enhance efficiency and effectiveness in tax compliance management and taxpayer service management by improving and automating business processes in DTD.

The Sierra Leone Situation

- ITAS is intended to fully support all aspects of tax administration and reporting in a manner that assures compliance with all pertinent laws, regulations, standards and principles in addition to the other functionalities it will provide.

The Sierra Leone Situation

- **Benefits of ITAS**

- Electronic communications (notifications and alerts)
 - Fairness and equity
 - Faster tax refunds

Government

- Increase in revenue collection
- more efficient tax administration
 - Improved revenue forecasting
 - Reliable data for policy and decision making
 - Improved revenue adequacy

The Sierra Leone Situation

- The Asycuda World. (Automated System for Customs Data)
- This is a computerized customs management system which covers most **foreign trade procedures**. The system handles manifests and customs declarations, **accounting procedures**, transit and suspense procedures.
- Why is the Asycuda relevant here? – It lays the foundation for an easy collection of statistics for the levy of digital tax.

The Sierra Leone Situation

- Electronic Cash Register System (ECRS)
- *This is a wide variety of technological systems that tax administrations can use to help monitor business transactions by recording, processing, transmitting, storing and issuing invoices that create a fiscal obligation for consumption taxes—usually for the sales tax or the GST).* This also feeds into the support for the digital taxation.
- These models are all meant to create ease for tax collection and feed into the digital taxation system.
- What Sierra Leone needs now is an established law on Digital Taxation.

The Sierra Leone Situation

- Sierra Leone's informal economy represents a whopping 53 percent of GDP according to United Nations Capital Development Fund (UNCDF).
- And at least \$23 million (UNCDF) from the cash economy is being digitized at mobile money agents, the state does not gain much.
- Digitizing individual and corporate tax payments can lower transaction costs for both the government and taxpayers,
- increase government transparency,
- reduce fraud and corruption,
- improve the overall efficiency of a country's tax system.

The Sierra Leone Situation

- As a member of the Better Than Cash Alliance,
- Sierra Leone has made the commitment to embrace digitization, invest in revenue collection infrastructure, and to create an enabling environment for Digital Financial Services (DFS) innovation to achieve these goals.
- Following the peer exchange, the Sierra Leone National Revenue Authority (NRA) has been formally invited to join the Digital Financial Services Working Group, which now includes new stakeholders such as the National Registration Secretariat for National ID that are critical to developing the architecture required to harness the potential of digitization.

The Sierra Leone Situation

- More and more African countries are taxing digital platforms and mobile money transfers to fund economic development.
- Nigeria is the latest country to join the trend, with a new 5% tax on items bought online. It wants banks to deduct the tax from online transactions on behalf of government.

Conclusion

- Sierra Leone is moving towards digitizing its tax system.

Conclusion

- Countries With New Digital Tax Laws

Albania 20%

Angola 14%

Australia 10%

Bahrain 5%

Bangladesh 15%

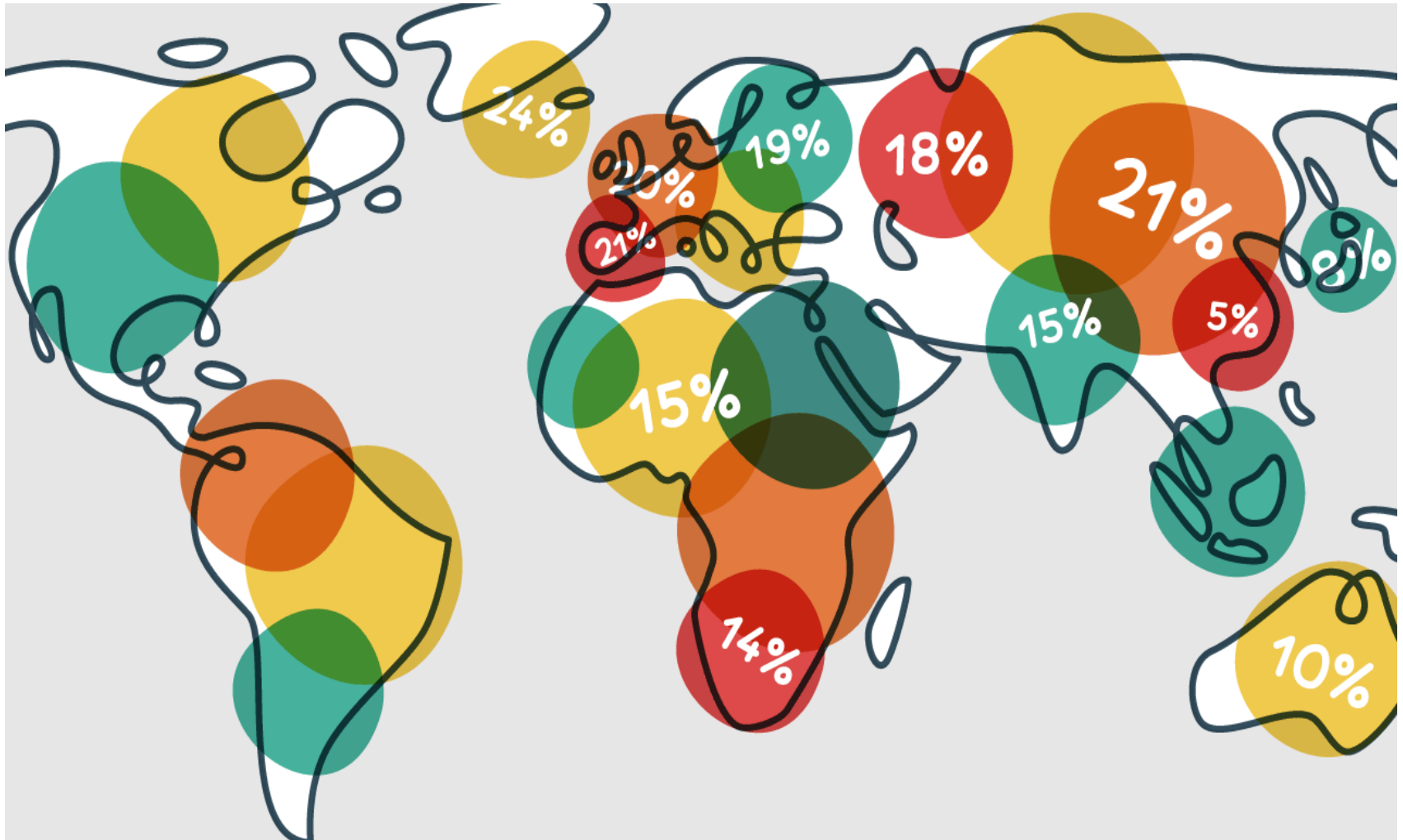
Belarus 20%

Iceland 22%

Japan 8%

- This is a move in the right direction

Digital Taxes Around the World



FROM NATIONAL TELECOMMUNICATIONS COMMISSION IN SIERRA LEONE

Thanks for your attention