



## **Progress note on SADC Tax Coordination April-June 07**

**Indirect Taxes:** Areas included: developing a long-term VAT design for SADC to facilitate the common market; a short-term SADC Model VAT design to underpin coordination; attempts to extend the uptake of SADC VAT cross-border agreements; and progress on Excise rate coordination. Progress was focused through a meeting of the SADC Tax Subcommittee Working Group on Indirect Taxes (its first meeting separate from the main Subcommittee and as an official SADC Committee) was arranged and facilitated in April (Lilongwe Malawi). The meeting considered in detail the Glenday report utilising the executive summary I prepared for the purpose. The meeting adopted Glenday's recommendations for coordination, excluding the aim of an origin VAT that was hotly debated and ultimately left for the Tax Lekgotla. VAT inputs into the Tax Lekgotla were also agreed and a virtual Excise group is to be established to begin to address rate coordination. Recommendations by the Group were presented to the Subcommittee in May and the Committee of Senior Treasury Officials (STO's – who are the clearing house for the Ministers of Finance) in June for endorsement.

**Coordinated approach to Tax Incentives:** This focused on draft Guidelines development. I prepared draft Guidelines following rejection of Ogley recommendations and consensus building progress was focused through a meeting of the SADC Tax Subcommittee Working Group on Tax Incentives (its first meeting separate from the main Subcommittee and as an official SADC Committee) that was arranged and facilitated in May (Pretoria RSA). The meeting subjected the draft Guidelines to 2 days of intensive debate. Approximately 2/3 of the exercise was completed and the draft was referred for consideration in Member States before conclusion at the next Working Group meeting.

**Tax Agreements:** This focused on progress on the adoption of the SADC exchange of Information Agreement finalised in February – following approval by the Subcommittee in May, the Agreement was referred to the SADC Legal Council who approved it in principle. The agreement was presented to the STO's (in June) with a view to approval and adoption - however the STO's directed that in order to secure acceptance in Member States, a process (similar to what was undertaken for the SADC Tax MOU) of consideration by Lawyers *from Member States* alongside

officials should be carried out, before it being formally put to the SADC Committee of Attorney's General and then for ultimate approval by Ministers of Finance and Council.

**Progress in MOU /FIP Implementation:** This included progress on: Tax Agreements; Tax Incentives; Private Sector interaction; Database; the Ministerial Tax Lekgotla; capacity building (including diagnostic studies); and plans. Progress was taken forward through the Tax Subcommittee Heads of Tax Meeting arranged and facilitated in May (Pretoria RSA). A presentation was made by private Sector representative (RTFP supported). Also, a redesigned tax Database was presented to the Subcommittee by the SADC Webmaster with assurances to a launch by July. The Subcommittee also noted the difficulties faced with regard to funding the diagnostic studies and that an alternative source was being pursued (ICF). I presented the report of the Subcommittee to STO's in June (Cape Town).

**Ministerial Tax Lekgotla** – the proposal was presented to the STO's in June and after debate and discussion was further refined and amended The STO's directed that officials should be included in the process if not in the meeting and it was suggested that a Tax Subcommittee meeting be held back to back.