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**PATF**

Support Programme for Tax Transition  
in West Africa

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## REGIONAL WORKSHOP ON FISCAL EXPENDITURE



## REGIONAL APPROACHES AND EXTRACTIVE INDUSTRIES

# REGIONAL APPROACH TO TAX EXPENDITURE EVALUATION IN ECOWAS/UEMOA

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Jules TAPSOBA, Technical Assistant, ECOWAS,  
Abuja, NIGERIA  
Email: jatapsoba@gmail.com





## PRESENTATION PLAN

**I - Context of the ECOWAS-UEMOA Joint Programme**

**II- Main results of the PATF in terms of tax expenditure management**

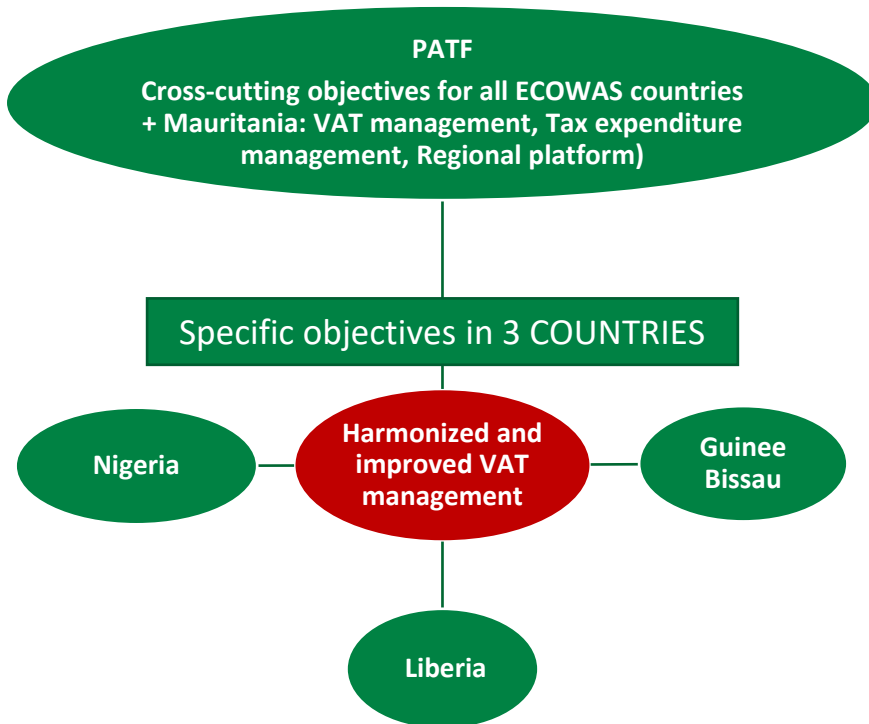
**III - Objectives of a single regional evaluation of tax expenditures: COTE D'IVOIRE workshop**

**IV- Instruments for a harmonised fiscal transition at regional level**



## INTRODUCTION

### I - Background to the PATF



- PATF is funded by the Delegation of the European Union
- The LINPICO - Adam Smith Group is implementing this programme for the benefit of the ECOWAS and UEMOA Commissions
- Intensive granting of tax exemptions and benefits
- General practice**, deeply rooted in the tax policies of different West African countries
- Until recently, despite the importance of the consequences of exemptions**
- Little assessment of** the impact of tax exemptions and benefits
- Assessments available:** One-off assessments and Inconsistent assessments
- Lack of systematic evaluation of tax expenditures, a major factor in extensive exemptions**
- Consequences of granting extensive exemptions**
- A situation unfavourable to the mobilisation of additional tax revenues**
- Partial evaluations of tax expenditures in West Africa since 2010**



## **II- Main results of the PATF in terms of tax expenditure management**

### **1 - Strengthen regional tax management tools**

- An analytical report on the evaluation of tax expenditures in West Africa
- A study on the state of investment tax incentives
- A methodological guide to the regional evaluation of tax expenditure is available
- Two (02) main data collection grids for all 15 ECOWAS countries and Mauritania
- Instructions for filling in the Grids
- A common format for annual tax expenditure reports
- A draft directive on tax expenditures (underway for ECOWAS)

### **2 - Strengthening the frameworks for collaboration between MS**

- Creation of national tax transition monitoring frameworks (ongoing)
- The creation/expansion of the regional steering framework for fiscal transition (ongoing)
- **The first regional evaluation reports on MS tax expenditures are expected at ECOWAS level by 31 December 2022.**



### **III - Objectives of a single regional evaluation of tax expenditures: COTE D'IVOIRE workshop**

- Centralise at regional level the regional tax expenditure evaluations of each member country
- Carry out a single assessment of tax expenditure in different ECOWAS/UEMOA countries at regional level
- The regional evaluation of tax expenditure should deduct tax harmonisation measures to be decided by the authorities
- Stimulate a regional dynamic in favour of tax revenue mobilisation throughout the WAEMU/ECOWAS zone
- Reference: the successful experience of WAEMU countries in tax revenue



## **IV- Harmonised instruments to accelerate tax transition in the ECOWAS region**

In total, **seven (07) main regional tools** for an efficient and harmonised management of the fiscal transition in West Africa.

### **1. A monitoring grid for the new objectives of the inclusive regional fiscal transition (available online: see Annexes Point 6)**

- **Objective 1:** To mobilise an appropriate level of tax revenue
- **Objective 2:** To promote an incentive tax (trade incentive and economically neutral internal taxation)
- **Objective 3:** Promote equity and poverty reduction
- **Objective 4:** Improve taxpayer service, transparency and control of tax intervention costs
- **Objective 5:** Other complementary means

### **2. A regional platform for pooling experience and sharing good practice**



### 3 - Definition of the Reference Tax System by tax and by stages at regional level

## 3 - The VAT Reference Tax System (COTE D'IVOIRE 2022 Workshop)

Value Added Tax (VAT)				
REFERENCE RATE	REFERENCE TAX BASE	DEROGATIONS CONTAINED IN THE SFR	THRESHOLD OF LIABILITY	Taxpayers ASSUMPTED
Single rate of 18% (exports) (The most common rate in the ECOWAS zone)	Provisions of Articles 24 to 28 of Directive C/DIR.1/05/09 on the harmonisation of the laws of the ECOWAS Member States relating to value added tax	*Vienna Convention (principle of reciprocity) Diplomatic and consular privileges * Florence Agreement and its Nairobi Protocol Exemption on books, diplomatic privileges for institutes and schools *Chicago Convention Exemption on exports concerning the refuelling of aircraft to foreign destinations Revised Kyoto Convention Exemption on samples of medicines and pharmaceutical specialities, Exemption on religious objects of worship, Exemption on commercial samples Article 8 paragraph 8, 9 and 10 of Directive C/DIR.1/05/09 on the harmonisation of the laws of the ECOWAS Member States relating to value added tax as amended by Directive C/DIR 2/12/17 on the harmonisation of the laws of the ECOWAS Member States relating to value added tax	No	Natural and legal persons including public authorities and public bodies



#### 4 - REGIONAL PATF MATRIX: ASSESSMENT OF TAX EXPENDITURE - ANNEX 2 GDF (1/2)

Order number	Measure Code	NTS Code (Products)	References or legal basis	Wording of the Derogation Measure	Compliance with the EC Directive	Nature of the exemption	Evaluation of the measure	Taxes concerned	Types of derogation	Basic elements of taxation
A	B	C	D	E	F	G	H	I	J	K
1	National coding chosen	Identification of the reference tariff: TEC (GDF - Tariffs Page 59)	Art. XX of the Tax Code	Reduction of the VAT rate by 10 percentage points for one sector of activity	1 - Compliant	1 Tax expenditure	1 YES	VAT	Rate reduction	Turnover
2	National coding chosen	NTS Code	Art. XX of the Mining Code	Total exemption from VAT	0 - Non-compliant	0 NO Tax expenditure	0/ NO	VAT	Total exemption	Benefits/Profits
3	National coding chosen	or Empty	Art. XX of the Petroleum Code	Partial VAT exemption				VAT	Partial exemption	customs value
4	National coding chosen		Art. XX of the Investment Code					VAT	Tax holiday (suspension of taxation)	
5	National coding chosen		Art. XX of the Finance Act of the year N-1 not transferred to the CGI					VAT	Rate reduction	
6			Art. XX of any specific Act					VAT	Abatement	
7			References Convention, Agreement, Order, Letter/Note, etc.					VAT	Direct tax reduction	
8			Art. XX of the Tax Code					Tax on profits		
9			Art. XX of the Mining Code					Tax on profits		
10			Art. XX of the Petroleum Code					Tax on profits		





#### 4 - REGIONAL PATF MATRIX: EVALUATION OF TAX EXPENDITURE - ANNEX 2 GDF (2/2)

Temporal scope	Objectives	Sectors of activity	Beneficiaries	Number of beneficiaries	Budgetary function	Structures/ Administration	Data source (Computer application, Other)	Method of calculation	Amount 2019	Amount 2020	Amount 2021	Amount 2022	Amount 2023	Year of adoption of the measure	Status of the measure in the founding legal text	Observations/Comments
L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB
Permanent	Encouraging investment	Agriculture	Public companies		Economic Affairs	INSD	Financial statements	To be proposed	PM	PM	PM	PM	PM	Year	In CGI = 1	
Temporary	facilitate access to the telephone	Breeding	Private companies		Social protection	INSD	Financial statements	Value in customs X (theoretical standard rate - applied rate)	PM	PM	PM	PM	PM	Year	Excluding CGI = 0	
Temporary	Facilitating access to computers	Fish farming	NGOs/Associations		Security	DGI/INSD	Extraction from the financial statements	To be proposed	PM	PM	PM	PM	PM	Year		
Temporary	Pumping up the energy	General trade	Companies		Housing and community facilities	Tax Directorate	SYDONIA	To be proposed	PM	PM	PM	PM	PM	Year		
Temporary	Encouraging investment	Industries			Other (Administration, politics, international relations etc.)	Customs Directorate	ASCUDA	To be proposed	PM	PM	PM	PM	PM	Year		
Permanent	Encouraging investment				Economic Affairs	Tax Directorate	SINTAX	To be proposed	PM	PM	PM	PM	PM	Year		
Permanent	Promoting SMEs/SMLs	A			Economic Affairs	Budget Directorate		To be proposed	PM	PM	PM	PM	PM	Year		



## 5- MONITORING GRID FOR STRUCTURES BENEFITING FROM TAX AND CUSTOMS EXEMPTIONS - ANNEX 3 GDF (1/2)

Order number	Company reference code (in connection with TIN and Name/Company name not provided)	Taxpayer's tax identification code	Date of registration (Year)	Legal form of the company	Company's sector of activity	Purpose of the project	Expected number of employees		Type of incentive	Period of entitlement to the tax incentive	
							Local	Expatriates		Start	End
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(I)	(J)	(K)
1	NIGERIA0001	4467888990A	2015	Company	Agriculture	See Contract	Number	Number	Investment, research and innovation	Year	Year
2	NIGERIA0002	4566778898B	2018	Individual company	Industry	See Convention	Number	Number	Promoting small and medium-sized enterprises	Year	Year
3	NIGERIA0003	4467888990A	2006	Public	Breeding	See Letter	Number	Number	Promoting small and medium-sized enterprises	Year	Year
4	Liberia0004	4566778898B	2024	NGOs/Associations	Cement factory	See Contract	Number	Number		Year	Year
5	Liberia0005	4467888990A	2027		Brewery	See Convention	Number	Number		Year	Year
6	Liberia0006	4566778898B	2030			See Letter	Number	Number		Year	Year
7	Liberia0007	4467888990A	2033		Agriculture	See Contract	Number	Number		Year	Year
8	Liberia0008	4566778898B	2036		Agriculture	See Convention	Number	Number		Year	Year
<b>TOTAL</b>											



## 5- MONITORING GRID FOR STRUCTURES BENEFITING FROM TAX AND CUSTOMS EXEMPTIONS - ANNEX 3 GDF (2/2)

Financial performance over the last three (03) years									Loss of tax and customs revenue					Remarks: Potential impact of the Project, other observations)	
Year 1			Year 2			Year 3			VAT	Taxes on profits	Customs revenue	Other taxes	Total tax expenditure		
Products	Charges	Gross profit	Products	Charges	Gross profit	Products	Charges	Gross profit							
(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	AA	AB	AC	AD	AE		AF
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount	0	Environmental
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		Economic
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		social
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		
PM	PM	PM	PM	PM	PM	PM	PM	PM	Amount	Amount	Amount	Amount	Amount		



## Instructions for completing the Tax Expenditure Evaluation Grids: Annex 4 GDF (1/2)

### 1- Regional Grid - ECOWAS - UEMOA Tax Expenditure

See the Tax Expenditure Methodology Guide: the method of completion is explained within each column. In addition, following the steps below makes it easier to fill in the Grid.

- Set up a dedicated unit to monitor tax expenditures;
- Determine the nature of the tax ;
- Draw up an exhaustive list of derogations in customs and internal procedure for each tax, duty or charge;
- Fill in the legal basis ;
- Fill in the column "NTS CODE" (Tariff and Statistical Nomenclature);
- Fill in the first two columns (chronological references);
- Indicate the conformity of the derogation with the Community Directive;
- Specify the type of derogation ;



## Instructions for completing the Tax Expenditure Evaluation Grids: Annex 4 GDF (2/2)

- Indicate the basic elements of taxation (nature of the data) ;
- Consult the explanatory memorandum on the measure (objectives, activities, beneficiaries, etc.)
- Indicate the temporal scope ;
- Specify the objectives of the derogation measure;
- Determine the sector of activity concerned;
- Identify beneficiaries ;
- Indicate the budget function ;
- Select measures that do not comply with the EC Directive (Headings = 0)
- Identify the source of the data (structure) ;
- Identify the source of the data (computer application, other sources) ;
- Establish a system for collecting the data needed to quantify revenue losses;
- Collect data according to sources;
- Calculate the loss of tax revenue;
- Specify the year of adoption of the derogation measure ;
- Indicate the status of the measure in relation to the basic texts;
- Analyse the data according to the regional report articulation;
- Write and present the report according to the required outline.



## 6 - INDICATORS FOR MONITORING THE FISCAL TRANSITION SUPPORT PROGRAMME (1/2)

N°	Headings	Units	2015	2016
<b>Macroeconomic data</b>				
	GDPn - Nominal Gross Domestic Product (at current prices)	USD Current	6,166,857,628.622	6,398,744,505.081
	GDP growth rate	%	5.4	1.3
	Contribution of the Primary Sector to GDP growth, Supply side perspective	Points of %.		
	Contribution of the Secondary Sector to GDP growth, Supply side	Points of %.		
	Contribution of the tertiary sector (including non-market) to GDP growth, Supply side optics	Points of %.		
	Merchant	Points of %.		
	Non-market + taxes	Points of %.		
	Final consumption (at current prices)	USD Current		
	Private final consumption (at current prices)	USD Current		
<b>Objective 1: To mobilise an appropriate level of tax revenue</b>				
ID01	Total tax revenue	USD Current		
ID02	Tax revenues from natural resources	USD Current		
ID03	Total tax revenue excluding natural resources	USD Current		
ID04	Domestic tax revenues	USD Current		
ID05	of which income tax (individuals and companies)	USD Current		
ID06	Revenue VAT	USD Current		
ID07	of which VAT collected at customs	USD Current		
ID08	Tax revenue to GDP (Tax pressure rate)	%		
ID09	Share of domestic tax revenue in total tax revenue	%		
ID10	Non-resource tax revenues as a percentage of nominal GDP	%		
ID11	Total VAT on total tax revenue	%		
ID12	Domestic VAT on domestic tax revenue	%		
ID13	Total VAT on GDP	%	4.7	4.3
ID14	Share of income tax in total tax revenue	%		
ID15	Share of profit tax in domestic tax revenue	%		
<b>Objective 2: To promote an incentive tax (trade incentive and economically neutral internal taxation)</b>				
ID16	Customs revenue	USD Current		
ID17	Tariff revenue	USD Current	0.000	0.000
ID18	Customs duties	USD Current		
ID19	Statistical fee	USD Current		
ID20	Community levy	USD Current		
ID21	Community solidarity levy	USD Current		
ID22	Average refund period for VAT credits in ECOWAS (in number of days)	Days		
ID23	Systematic refund of VAT credits for low-risk businesses (No = 0; Yes = 1)			
ID24	Customs revenue to total tax revenue	%		
ID25	Share of tax revenue mobilised at the border in tax revenue	%		
ID26	Tariff revenue to total tax revenue	%		



## 6 - MONITORING INDICATORS FOR THE FISCAL TRANSITION SUPPORT PROGRAMME (2/2)

Objective 3: Promote equity and poverty reduction		Units	2015	2016
ID27	Number of derogatory tax measures (tax expenditures) inventoried	Measures		
ID28	Number of derogatory tax measures (tax expenditures) evaluated	Measures		
ID29	Amount of tax expenditure	USD Current		
ID30	<i>Amount of tax expenditure on GDPn</i>	%		
ID31	<i>Valuation rate of inventoried tax exemption measures</i>	%		
ID32	Evaluation of the economic or social impact of tax expenditures (No = 0; Yes = 1)			
<b>Objective 4: Improve taxpayer service, transparency and control of tax intervention costs</b>				
ID33	Transparency of tax legislation: Tax laws online? (No = 0; Yes = 1)		0	0
ID34	Effective monitoring of settlement agreements (No = 0; Yes = 1)		0	0
ID35	Effective monitoring of agreements with NGOs (No = 0; Yes = 1)		0	0
ID36	Production of a report on the evaluation of tax expenditures (No = 0; Yes = 1)		0	0
ID37	Annexation of tax expenditure evaluation to the Finance Act (No = 0; Yes = 1)		0	0
ID38	Simplicity of tax legislation: single VAT rate? (No = 0; Yes = 1)		0	0
ID39	VAT e-declarations? (No = 0; Yes = 1)			
ID40	VAT telepayments? (No = 0; Yes = 1)			
<b>Objective 5: Other complementary means</b>				
ID41	Does your country have a tax transition monitoring unit? (No = 0; Yes = 1)			
ID42	Tax policy: Does your country have a tax policy unit? (No = 0; Yes = 1)		0	0
ID43	Reference to the VAT Practical Guide? (No = 0; Yes = 1)		1	1
ID44	Reference to the VAT Directive? (No = 0; Yes = 1)		0	0
ID45	Reference to the Regional Guide on Tax Expenditure (No = 0; Yes = 1)		0	0
ID46	Reference to the Tax Expenditure Directive? (No = 0; Yes = 1)			
ID47	Existence of a national transfer pricing database (No = 0; Yes = 1)		1	1
ID48	Reference to the regional directive on transfer pricing, base erosion and tax avoidance behaviour (No = 0; Yes = 1)		N/A	N/A
ID49	Use of the indicator matrix (No = 0; Yes = 1)		N/A	N/A
ID50	Number of civil society awareness campaigns on VAT and tax expenditures	Campaign		
ID51	Dissemination of the annual report on tax expenditures: Internally (Ministry website)? (No = 0; Yes = 1)			
ID52	Dissemination of the annual report on tax expenditure: Awareness-raising campaign with the private sector or civil society (No = 0; Yes = 1)			
ID53	Dissemination of the annual report on tax expenditures: Awareness campaign after parliamentarians? (No = 0; Yes = 1)			



## 7 - Harmonised structuring of the Regional Country

### HARMONISED CONTENT OF THE REGIONAL REPORT: COTE D'IVOIRE REGIONAL WORKSHOP

#### INTRODUCTION

#### I DEFINITION OF CONCEPTS AND EVALUATION METHODOLOGY

1. DEFINITION OF CONCEPTS (RTS, Etc.)
2. EVALUATION METHODOLOGY

#### II. ANALYSIS OF THE EVALUATION RESULTS

##### 2.1. PRESENTATION OF THE ASSESSED MEASURES

##### 2.2 PRESENTATION OF TAX EXPENDITURE

- ✓ by derogation regime
- ✓ by objective
- ✓ by category of beneficiary
- ✓ by sector of activity
- ✓ by budget function
- ✓ By ratios (tax expenditure/tax revenue, tax expenditure/GDP)

2.3. ANALYSIS OF ECONOMIC AND SOCIAL EFFECTS OF TAX EXPENDITURES (Optional but strongly recommended by the Regional Guide)

#### CONCLUSION

**ANNEXES: (i) Matrix of tax expenditure inventories by regional LICO and,  
(ii) Matrix of fiscal incentives for investment.**





## CONCLUSION

### Perspectives in the regional approach

- Review of the various studies and the first regional tax expenditure evaluation reports
- Regional validation of the **draft EU tax expenditure guidelines** ;
- Consolidation of the regional database on purpose, taking into account the effective and efficient management of VAT and tax expenditures.
- Implementation of the capacity building plan for beneficiary MS on the VAT Practical Guide and the Methodological Guide for Regional Evaluation of Tax Expenditures in West Africa.

### **National evaluations combined with a regional evaluation of tax expenditures should achieve a double objective**

- Establish the conditions for controlling tax exemptions by renouncing those exemptions that are most antinomic to an inclusive fiscal transition;
- Regional harmonisation of tax exemption policies as an instrument for an inclusive fiscal transition.



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# THANK YOU

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