



International Tax Dialogue (ITD) Africa Conference Taxing Micro and Small Business – From Confrontation to Cooperation Hosted by the Rwanda Revenue Authority, Kigali, 22 – 24 April 2009

Conference Communiqué, 24 April 2009

Over the past two and a half days Commissioners and senior officials from 23 African countries, in partnership with the International Tax Dialogue (ITD) and other development partners have met here in Kigali to discuss how we can best support the growth and development of micro and small business while ensuring compliance.

Micro and small business are important

Micro and small businesses play a prominent role in all of our economies. They are not the main source of revenue but they are a vital driving force for job creation and innovation, and in turn, growth. They also account for as much as 95% of the business population. They matter, their compliance matters and the burdens we place on them matter.

Reducing the informal economy

Micro and small businesses operating outside the formal economy are a concern for us all. On the one hand, they have limited access to development opportunities, on the other they may have an unfair competitive advantage over those who do comply. Evidence shows this isn't necessarily a question of rates –complicated tax systems lead to high levels of informality and evasion. We need to make it as easy as possible for micro and small businesses to comply.

The challenges

Effective administration of micro and small business taxation is an enormous challenge. This is a very large and diverse segment. Many businesses may start and shut down again in a very short space of time. Basic record keeping is challenging and some business operators are illiterate. Balancing service and compliance strategies is a fine art that can challenge the most advanced economies. At the same time, our resources are limited.

Conference outcomes

This conference has provided the opportunity for African tax administrations to come together and discuss these challenges. Over the last two and a half days we have shared our experiences – both our success stories and the areas where enormous challenges remain. We have discussed key design choices through the details of registration and accounting and education programs. We recognise the need to work together with small business associations to better reach both the informal and formal sectors. Well targeted service delivery and education strategies enhance trust and partnership between tax administrations and the micro and small business community.

We have also taken the opportunity to reaffirm our strong belief that tax is essential to sustainable development, particularly during the current financial crisis. Tax is also a key component of building a capable state through developing efficient, effective and fair tax administrations. For the micro and small business sector, inclusion is a particularly important goal over and above growth and revenue objectives, inclusion makes a vital contribution to constructing the social contract between citizens and the state.

The process does not stop here. We will continue to share our knowledge and experience and pursue common objectives in improving the function of national tax systems. In this regard we are pleased to hear the ITD is expanding its outreach to African countries. We welcome further opportunities for African countries to collaborate with the ITD. We of course also reiterate our support for the establishment of African Tax Administrators Forum (ATAF). This forum, to be in place by the end of this year, will play a vital role in promoting and facilitating cooperation amongst African countries to identify best practice, build capacity, combat tax evasion and promote good governance.

This has been an important conference for us all.

We commit ourselves to continue dialogue in an effort to further cooperation and enhance support to micro and small business to foster their growth and development. We will work to solicit the support and commitment of our governments as policy makers to ensure the success of our programmes and initiatives.

We thank the Rwanda Revenue Authority and the ITD for organising this conference and congratulate the Commissioner-General of the Rwanda Revenue Authority and her staff for their excellent and warm hospitality.

About the International Tax Dialogue (ITD)

The ITD is a joint initiative of the European Commission, Inter-American Development Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, United Kingdom Department for International Development and the World Bank Group. The German Technical Co-operation Agency (GTZ) has also taken an active role. The goal of the ITD, as evidenced by this conference, is to share good practices and pursue common objectives in importing the functioning of national tax systems.