'Cut Dependence On External Financial Inflows'

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SETH TERKPER, a Deputy Minister of Finance & Economic Planning (MOFEP), has called on African governments not to rely on foreign financial aid to develop their countries but rather improve the tax administration systems.

Speaking at the opening of a five-day workshop on auditing for small and medium-scale enterprises organized by the Africa Tax Administration Forum (ATAF) Monday in Accra, Hon Terkper said African countries cannot depend on external financial flows to sustain their economies following the recent global financial crisis.

“The decline in export revenues and falling commodity prices has found many African counties short on their national budget financing, resulting in increased debt. Finding more sustainable funding of the economy needs to come from the mobilization of public resources – taxation.”

Continuing, he commented: “What we need is a capable tax administration system that is able to collect revenue for the state, deal with tax evasion and avoidance and build a compliance culture. Our aim must be to mobilize domestic resources to the extent that they fund the domestic development agenda.

This will build sustainability and enable the delivery of important basic services to the African people.”

Referring to a recently published report - African Economic Outlook for 2010 - which offers prospects for a better outlook, the deputy minister said the average African tax revenue as a share of Gross Domestic product (GDP) has increased since 1990.

“The average tax to GDP ratio in sub-Sahara Africa increased from between 12 and 15 percent in the 1980s to the current level of around 18 percent. Today, due to real effort by African revenue authorities, we are seeing a rising trend in the collection of domestic revenue.

In Kenya, current tax to GDP ration is at 22.3 percent and for Tanzania, it is projected to be at 16.9 percent by year 2012/2013.

“In South Africa, they were in a position to move to a budget surplus in 2009 and have been able to raise their entire domestic revenue requirement despite inheriting a crippling budget deficit and debt with the advent of democracy.”

George Blankson, Commissioner-General of Ghana Revenue Authority (GRA), in an interview with CITY & BUSINESS GUIDE, said the time has come for tax authorities to assist SMEs to put their record-keeping in good shape so as to reap the inherent benefits.

Earlier in an address, he mentioned that “in the not-too-distant future, a seminar that would tackle an aspect of taxation as technical as the subject of audit would not only be organized but also resource persons who would be drawn from outside Africa.”

The workshop, jointly sponsored by OECD, would cover strategies on counter domestic tax abuses, risk identification, resource planning, communications with the taxpayer, preparation for an audit, audit work programme, reporting and final assessment.

Participants at the workshop include low and middle level tax auditors as well as policy-makers who are interested in audit practices.