

The Design of African Tax Policy for the Future: The Synergies Between COVID-19 and Automation

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Outline

- ▶ Automation and Africa
- ▶ COVID-19 & Automation tax policies
- ▶ Synergies
- ▶ Recommendations





Why should automation be encouraged in Africa?





Why should automation be encouraged in Africa?

COVID-19 Tax Policies

- ▶ Global COVID-19 tax policies
 - ▶ Initial tax policy responses
 - ▶ Boost cash flow
 - ▶ Reduce tax barriers to PPE
 - ▶ Greater legal certainty



COVID-19 Tax Policies

- ▶ African countries' tax policy response:
 - ▶ Tax administration responses
 - ▶ Flexible payment plans
 - ▶ Extension of deadlines
 - ▶ Accelerated tax refunds
 - ▶ Tax policy responses
 - ▶ Lower tax rates
 - ▶ Increased deductions and capital allowances



Synergies – COVID-19 & Automation

Stage 2

- ▶ Initial COVID-19 tax policy responses suited to automation incentivizing
- ▶ Projected fears of automation played out in pandemic
 - ▶ Mass unemployment
 - ▶ Lack of skills
 - ▶ Cyberthreats



Synergies - COVID-19 & Automation

– Stage 3

- ▶ Long-term tax policies
 - ▶ Wealth tax
 - ▶ Solidarity tax
 - ▶ Carbon tax
 - ▶ Excess profits tax or windfalls profits tax



Underused Taxes: Wealth Taxes

- ▶ Once-off or continuous
- ▶ Africa:
 - ▶ Typically, tax on transfer of assets
 - ▶ Wealth tax feasible when considering automation



Underused Taxes: Solidarity taxes

- ▶ Temporary tax
- ▶ Imposed on income or assets
- ▶ Africa:
 - ▶ Automation: once-off tax to support automation in business



Underused Taxes: Carbon taxes

- ▶ Environmental implications
- ▶ Africa:
 - ▶ South Africa and Ivory Coast have carbon taxes
 - ▶ Automation: potential to stem negative environmental impact



Underused Taxes: Excess Profits Tax or Windfalls Profits Tax

- ▶ Wartime measure
- ▶ Africa:
 - ▶ South Africa: Excess profits tax in 1917 and 1940
 - ▶ Democratic Republic of Congo – super-profits tax on mining companies, 2019



Tax Administration

- ▶ Potential of 'Big Data' and data analytics
- ▶ Uses in African tax administrations



Recommendations

- ▶ Government-spending
 - ▶ Education
 - ▶ Internet infrastructure and security
 - ▶ Transition measures for employees



Recommendations

- ▶ Government revenue-raising:
 - ▶ Wealth tax
 - ▶ Solidarity tax
 - ▶ Excess profits tax
 - ▶ Carbon tax
 - ▶ Increased capital allowances
- ▶ Tax administration: Continue to use data analytics



Conclusion & Thank You

