EU DELEGATION TO KENYA, DOMESTIC REVENUE MOBILLIZATION / ILLICIT FINANCIAL FLOWS CONFERENCE AT CROWN PLAZA, 14/03/2019, NAIROBI

FIGHTING TAX AVOIDANCE, TAX EVASION AND TAX FRAUD: A PRIORITY FOR THE EU

- Findings of the 2015 Mbeki Report call for increased efforts to promote fair taxation and fight tax avoidance and tax evasion;
- As a result, the EU set out a new policy to improve international tax governance through its Anti-Tax Avoidance Package of January 2016. This includes measures to fight tax avoidance and to promote fair taxation internationally, as well as work on tax and development;
- In parallel, the “Collect More, Spend Better” strategy is guiding our cooperation programmes in developing countries to improve tax collection, better fight abusive tax practices and at the same time improve public finance management;
- New provisions prevent EU funds from supporting jurisdictions that contribute to tax avoidance.

WHAT TOOLS ARE BEING USED OR DEVELOPPED BY THE EU?

- The EU list of non-cooperative jurisdictions for tax purposes. It is the outcome of a thorough screening and dialogue process with more than 90 jurisdictions, focusing on agreed criteria. These criteria relate to tax transparency, fair taxation (including, i.a., substance requirements for zero-tax countries), and to profit shifting to low-tax jurisdictions (OECD's Base Erosion and Profit Shifting (BEPS) measures);
- 15 jurisdictions are currently listed as non-cooperative on tax matters (“black list”) and 34 have undertaken commitments to improve their tax governance;
- Least Developed Countries are excluded from the EU listing scope unless they host financial centres;
- The listing process is part of the EU's wider political priority to clamp down on tax evasion and avoidance and to promote fairer taxation, both in Europe and beyond;

- The listing process has been a constructive exercise – characterised by open and frank discussions with international partners on tax good governance issues;
- An EU anti-money laundry list of high risk third countries has been developed by the European Commission to protect the EU from terrorist financing and money laundry risks (under scrutiny by Council and Parliament). The purpose and the criteria used are different compared to the tax list but they complement each other because they both support transparency and good governance.

AU-EU COOPERATION ON DOMESTIC REVENUE MOBILISATION AND FIGHTING ILLICIT FINANCIAL FLOWS

- Domestic resource mobilisation and the fight against illicit financial flows were recognized as during the AU-EU Summit of 2017 and subsequent Abidjan Action Plan (ongoing process);
- The Abidjan Action plan contains provisions on
  - Strengthening mobilisation and effective use of domestic resources;
  - and on enhancing cooperation in combating illicit flows, tax evasion, tax avoidance;
- We are in the process of implementing this action plan and are exploring ways to intensify our cooperation with African countries on these topics.
- Mutual interest for European and African countries to increase their domestic revenues. For instance, increased tax transparency through the exchange of information for tax purposes provides information that can be used to ensure that income is taxed in an appropriate way.

EU SUPPORT TO PARTNER COUNTRIES ON DRM

- At global level, the European Commission is collaborating with 'global players' as identified through the 'Platform for the Collaboration on Tax', notably the IMF through the Revenue Mobilisation Trust Fund; the OECD who plays an important with the Base Erosion Profit Shifting (BEPS) initiative as well as the Global Forum on Transparency and Exchange of Information on Tax Purposes (i.e. recent support to the 6th Africa Initiative Meeting); WB group and the UN;

- Cooperation with regional tax networks in developing countries such as the African Tax Administration Forum (ATAF) or the Inter-American Centre of Tax Administrations (CIAT);
- IMF Regional Centres (AFRITACs, PFTAC, CARTAC and CAPTAC DR) receive EU funding;
- EU bilateral cooperation programmes support to good economic governance, through programmes and Budget Support. In 2017, the EU committed EUR 1.85 billion and disbursed EUR 1.8 billion as budget support in more than 90 countries and territories. Budget support operations provide a good opportunity to address Domestic Revenue Mobilisation reforms through policy dialogue as well as through dedicated capacity building;
- In Kenya the EU Delegation is currently engaging with the National Treasury to design a PFM Sector Reform Performance Contract. Reforms supported are derived from the Kenya Public Finance Management Reform Strategy (2018-2023).