There are no translations available.

According to the recent Revenue Statistics in Africa report, a publication of the Organisation for Economic Co-operation and Development (OECD) released jointly with the Centre for Tax Policy and Administration (CTP), the OECD Development Centre (DEV), the African tax Administration Forum (ATAF) and the African Union Commission (AUC), domestic revenue mobilization in Africa is significantly low, compared with other geographic regions, mainly because of the limited size of the manufacturing sector and to its reduced contribution - in terms of taxes collected from this compartment of the economy - to the budget of African States. In 2017, on average, tax revenues collected by inland revenues authorities in Africa represented only 17.2% of GDP, while in Latin America and Caribbean countries this percentage reaches 22.8% and 34.2% in OECD countries.

A consequence of the low level of taxes generated from domestic revenue collection is that African countries still rely heavily on resources generated by Customs for funding their budgets. But the heavy taxation on imports that is typical of African countries, ends up with generating a vicious cycle: companies, in an attempt to remain competitive, engage in undervaluation practices of imported goods in order to reduce their duty and tax exposure. Customs, on the other hand, react by implementing stricter controls on value of goods that make the clearance process longer and more expensive.

Apart from customs duties, revenue generated by Customs include VAT, excises and other levies applied to imports. The World Bank indicators also offer a quick overview on the incidence of taxes on international trade with respect to the total revenues collected by tax authorities, with examples that in some cases show a contribution of such taxes of more than 60% to their total budget.

Fears of significant tariff revenue losses is an obstacle that if not addressed, can hamper tariff liberalization policies as well as the continent's integration in Africa. The challenge is to increase the capacity of African countries to reorganize their fiscal base toward internal direct and indirect taxation so to compensate the loss of tariff revenues.

Ethiopia, a country where the total customs revenue constitutes over 40 percent of the total tax revenues, is an example. The Ministry of Trade and Regional Integration recently estimated that putting into operation the African Continental Free Trade Area (AfCFTA), will cause the country a loss of up to 26 billion birr (525,000,000 USD) because of the renounce to collect customs duties, surtax, withholding, excise, and VAT tax revenues on imports from other

African countries. Indeed, to operationalize the AfCFTA, African countries have to abolish tariffs on 90 percent of the goods and services (close to 6,189 items), while an additional 7% of products classified as sensitive goods will be liberalised over a longer period, which is of 13 years for LDCs and 10 years for non-LDCs.