e-Zine

BizClim

INFORMATION BULLETIN OF THE ACP BUSINESS CLIMATE FACILITY

February 2012 / N°7

Table of contents

Double Taxation and Avoidance Agreements to stimulate COMESA cross-border investment and trade

A fruitful three-day training and engagement workshop was held in Zambia in February to highlight the importance of Double Taxation and Avoidance Agreements (DTAAs) and to draw attention to their positive role in the promotion of cross-border investment and trade.

The CO¬MESA Secretariat held the Pathfinder Forum on February 7-9th 2012 in Lusaka, with the support of the ACP Business Climate Facility (BizClim). The Pathfinder Forum brought together senior offi¬cials from COMESA Member States Revenue Authorities, Ministries of Finance, and investment promotion agencies for an intensive three-day, high-quality, interactive sensitisation and training seminar on Double Taxation and Avoidance Agreements (DTAAs). A stimulating programme was presented by renowned key¬note speakers and guest speakers in the area of DTAAs. It included a review and study of current international and regional African best practice in resolving double taxation issues and problems. The material forming the seminar's active content was taken from the most recent and relevant trade and investment instruments from developing countries world¬wide – most importantly from the COMESA Tripartite partners SADC and EAC.

Understanding the Double Taxation Avoidance Agreements (DTAAs)

In todays' modern, globalised world, business is not restricted to a single geographical territory and frequently crosses country borders. Because of this, the business world has become increasingly complex, as have the fields of accounting and taxation.

In order to avoid international double taxation, a key issue hampering cross border investment, countries may investigate the possibility of signing a DTAA, a bilateral agreement entered into between two countries aiming to avoid double taxation of income and promoting and fostering economic trade and investment between them.

Towards a private sector enabling environment

A Facility financed by the European Union through the European Development Fund

The ACP Business Climate Facility (BizClim) provides technical assistance that is essentially about improving regulations, legislation, the institutional set up and financial measures (the rules of the game) relating to the enabling environment of the private sector in ACP countries or regions and to do so by focusing on possible support to ACP governments or regional institutions and private sector organizations.

Responsible Editor
M'Hamed Cherif
Rue Belliard, 205
1040 Brussels - Belgium
Tel: +32 2 669 98 25
Fax: +32 2 669 97 86
info@acpbusinessclimate.org
www.acpbusinessclimate.org

Defining the need for COMESA DTAAs

In 2009, a major business survey commissioned by the CO¬MESA Secretariat revealed that many businesses in the region believe that there is a strong need for the negotiation of Double Taxation Agreements (DTAAs) between COMESA Member States, as an important component in the promotion of cross border inves¬tment and trade. At a meeting of the COMESA Council of Ministers held in Mbabane, Swaziland in August 2010, the participants issued a directive in response to the results of the 2009 business survey, mandating that positive action should be taken to address the research findings. The COMESA Secretariat was tasked with following up and implementing this directive, and to this end set up the cu¬rrent COMESA investment promotion stimulus project, which focused on the Pathfinder Forum for COMESA DTAAs.

The Pathfinder Forum

The Pathfinder Forum for COMESA DTAAs is in line with key areas of regional investment policy as embodied in the COMESA Common Investment Area (CCIA), which aims to make the COMESA region an attractive destination for Foreign Direct Investment (FDI) and cross-border investment.

More than 50 senior officials from COMESA Member States, the COMESA Secretariat and other COMESA agencies have been trained on double taxation issues and agreements. Countries have identified potential partners for further negotiation and/or signature of DTAAs, and a roadmap has been charted for further negotiations, identifying possible donors who may be willing to finance the actual negotiating process. Information on DTAAs is now being widely disseminated and targeted communications have commenced.

Making the COMESA region an attractive investment destination

Officiating at the COMESA forum on DTAA, Sakwiba Lubasi, Acting Permanent Secretary of Ministry of Commerce, Trade and Industry in Zambia, commented that the forces of globalization require closer regional cooperation in matters between countries if they wish to remain competitive in the global economy. Regional integration is therefore key to the region's attainment of the Millennium Development Goals (MDGs) through accelerated growth, improved efficiency, and competition and investment promotion.

Mr. Daniel Hurtado-Dominguez, the EU Representative in Zambia, pointed out to the need to develop relevant trade and investment instruments that would make the COMESA region more attractive. "Efficient and fair systems are crucial for, among other things, growth, poverty reduction and good governance as they tend to result in higher and more stable revenues, and sustainable investments." He also affirmed the EU's commitment to supporting developing countries to promote good governance in tax matters and to develop effective national tax systems in order to achieve MDGs. Speaking about the competitiveness of African enterprises, Chance Kabaghe, the President of the Zambia Association of Manufacturers, noted that countries within COMESA are faced with the challenge of high production costs, adding that double taxation is an extra burden on the private sector. ■

For further information,
please visit **www.dtaa-comesa.com**

In Brief

Features and benefits of DTAAs

Double taxation occurs when the same transaction or income source is subject to two or more taxing authorities. This can occur within a single country, when separate independent governmental units have the power to tax a single transaction or source of income, or may result from the imposition of taxes by different sovereign states, known as international double taxation. The source of the double taxation problem is that taxing jurisdictions do not follow common taxation principles. One taxing jurisdiction might tax income at its source, while others will tax income based on the residence or nationality of the recipient. In some cases, a jurisdiction might use all three of these basic approaches to impose taxes.

Double Taxation Avoidance Agreements (DTAA) bring several advantages:

- DTAAs avoid or at least mitigate against double taxation and have been shown to strongly promote cross-border investment and trade;
- They greatly assist in the prevention of tax discrimination against interests abroad;
- DTAAs are increasingly a major factor in decisions relating to location of investments and resulting trade development, playing a key role in the negotiation of op¬timum long-term economic benefits from trade deal prospects for developing countries;
- They are important and positive components in vital private sector-driven positive investment promotion and trade stimulus strategies to maximise economic growth;
- They can greatly contribute to the maximisation of large-scale economic regional integration;
- DTAAs have the potential to play a positive economic and catalytic role for member states through harmonisation.

REQUESTS

Country /Region	Beneficiary	Title
Pacific	PIPSO & the Government of the Republic of Vanuatu	Organization of a first EU-Pacific Business Forum on the fringes of the ACP-EU Joint Council of Ministers.
West Africa	WAEMU Commission	Drafting laws and regulations for the implementation of PACA (Regional Programme for the Improvement of the Business Climate).
Seychelles	Seychelles Investment Board	Setting up an Investor Tracking System (ITS).
SADC	Swaziland Investment Promotion Authority (SIPA)	Programme to enhance public officials' capacity to design and implement PPP projects in infrastructure, both at regional and country level.