



The global tax landscape

2024 KPMG Africa Tax Summit

Johannesburg, South Africa

—
16 April 2024



Africa — Selected statistics (Rounded)

Region	Pop. Mn (Rounded)	GDP \$USB 2024	GDP pc '000 2024	IMF Growth in GDP 2024	Growth GDP projected 2028	Tax to GDP (%)	Approx. Urbanisation	Cities Towns above 10,000	Median Age
Northern (6)	250	900	3,380	3.0	4.4	17	75%	2,200	25
Eastern (18)	500	650	1,300	5.4	6.3	14	40%	2,000	19
Middle (9)	200	280	1,400	3.9	4.3	9	50%	1,000	17
Western (16)	470	750	1,650	4.6	4.3	12	50%	2,330	19
Southern (5)	70	450	6,400	1.9	1.6	28	70%	560	30
Total (54) (Rounded)	1,500	3,000	2,000	4.4	4.9	14	50%	8,100	20
Selected									
Nigeria	230	400	1,800	3.1	3.1	7	55%	1,250	19
South Africa	60	400	6,600	1.8	1.4	29	70%	500	30
Kenya	60	120	2,000	5.3	5.3	18	65%	130	21
Ivory Coast	30	90	3,000	6.6	6.0	17	50%	220	21
Ghana	40	75	1,900	2.7	5.0	18	50%	210	21
Tunisia	10	60	6,000	1.9	2.6	21	60%	90	34

Sources: IMF Data (2023), CIA Handbook (2023), Our World in Data (2022), OECD/UN African Urbanisation Dynamics (2022)

Where are we on BEPS 2.0?

Pillar 1— Amount A

Allocation of 25% profit above 10% to market jurisdictions where MNE has revenue above €20b with exclusions for extractives and regulated financial services

- Final draft in April 2024 (?)
- Signing ceremony in Summer 2024 (?)
- Query US sign and ratify (?)

Pillar 1— Amount B

Elective simplified return for basic marketing and distribution for transfer pricing

- Document released on 19 February
- Further work to be done by 31 March 2024
- Electivity for jurisdictions not safe harbour

Pillar 2— 15% Minimum Tax (GLOBE)

Global Minimum Tax of 15% for MNEs with turnover above €750m based on jurisdictional blending with exclusions for certain government entities and funds

- Legislation in 24 countries more to come
- Two waves 2024 and 2025
- 90% of in scope MNEs covered by 2025
- South Africa and Zimbabwe

Pillar 2— Subject to tax rule

Provides for minimum 9% ETR on certain related party cross-border payments

- MLI open for signing in October 2023
- First application in 2026 due to process
- Countries changing concessions e.g., SG



**GLOBE client
experience**

- Incentives could be undone
- Major compliance
- Transitional safe harbour not panacea
- Technology solutions KBAT

- Accounting-based GAAP important
- Often surprising consequences
- Governments to consider framework to maintain FDI

The global tax landscape

Role of the UN



- Committee propose UN Tax Framework (Aug 24)
- Duplicate OECD work on BEPS
- Cross border services and withholding taxes

Technology and AI



- Increased technology for compliance and analysis
- Potential for AI — Ethical Framework
- Power and limitations of AI uncertain

Transparency



- Increased focus on transparency (GRI-207)
- Public CBCR from 2024 in EU and Australia
- Explaining the numbers through narrative

Potential rise of DSTs



- Hold back under Pillar 1 no longer operative
- Canada already legislating, others may follow
- US response on tariffs uncertain

Pillar 2 implementation



- Large compliance project for MNEs over €750m
- Potential for divergence on legislation, application
- Many uncertainties coming to the fore

Incentives



- Renewed focus on good incentives vs bad
- Fit within Pillar 2 framework
- Countries continue to attract FDI

Wealth taxes



- Brazil as G20 Host raised discussion
- UN and OECD asked to consider
- Complex area

Tax and mobility



- Tax resources are in high demand
- Professionals not always conventionally located
- Raises new HR, compliance and related issues

Climate Change — Carrot versus Stick



- US — Inflation Reduction Act incentives
- EU Carbon Border Adjustment Mechanism
- EU incentives regimes

AI and Tax

The age of AI



....to ensure human autonomy, core governmental decisions should be carved out of AI imbued structures and limited to human administration and oversight Ensuring human oversight of, and determinative participation in, the basis element of government will be essential to sustaining legitimacy

– Kissinger, Schmidt and Huttenlocher



Key African concern:
Will AI replace employees?

Examples to consider:

- Dutch childcare benefits scandal 2021
- Bates v the Post Office
- Robo debt scandal (Australia)

Implications for Regulatory authorities and business.

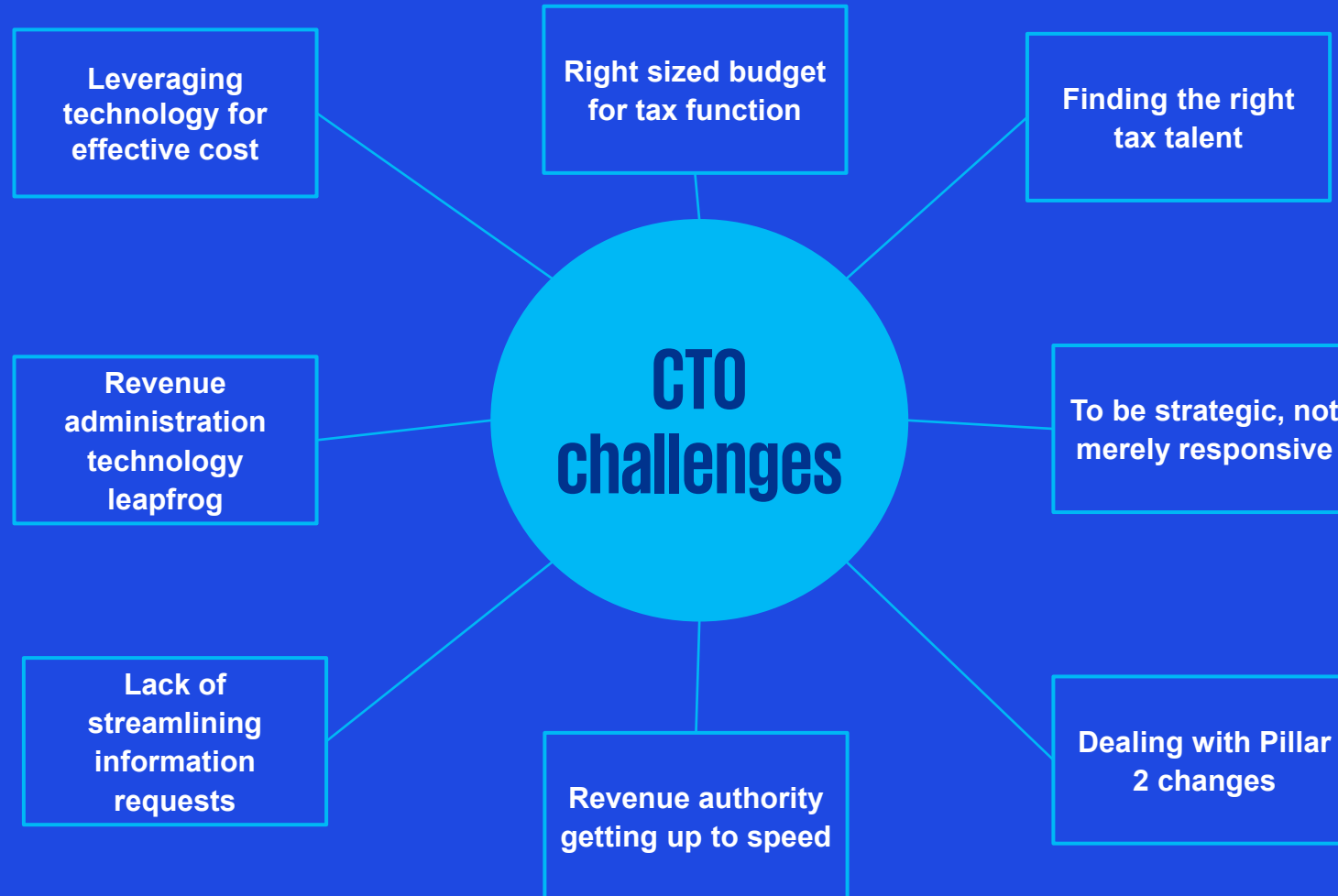


Common IMF tax recommendations for African countries

- Raise tax to GDP ratio
- Broaden base
- Rationalize exemptions
- Enhancing tax admin automation
- Customs modernization

- Reduce informal economy
- Strengthening collection mechanisms
- Property tax reform
- Reduce backlog of tax refunds (esp VAT)
- Ensure timely resolution of disputes

Tax challenges for CTOs



Top Revenue Focus Areas

- Transfer pricing
- Reconciliations — VAT/ Income Tax/E'ee taxes
- Large document requests
- Integrity of source data
- Invoicing at point of sale
- Customs duties classification



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