

Tax and the Investment Climate in Africa

26 February 2007

**Tax Compliance Costs for SMEs
A Panel Discussion**

Compliance Burden – what's the deal?

The importance of compliance burden is their influence on doing business

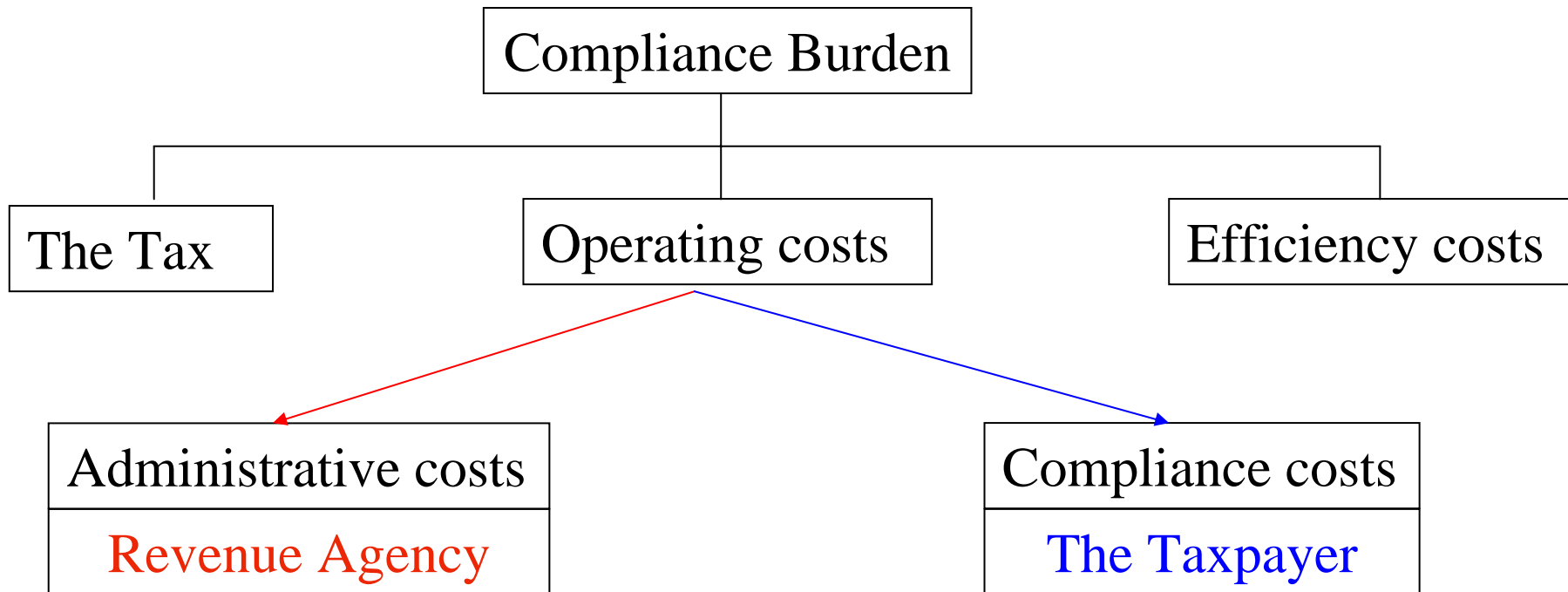
Directly

- Legality
- Participation
- Image
- Brand

Indirectly

- Alternative demand on resources
- Perceptions

The structure of compliance



Cost of running and maintaining a revenue agency

Cost of labour / time
Cost of expertise
Cost of incidentals

Who are the players?

Development Agencies	An enabling environment that promotes growth
Donor Agencies	An enabling environment that promotes growth
Private Sector	No tax Lowest possible tax Least possible pain
Revenue Agencies	Most tax Lowest collection cost Expansive voluntary compliance
Governments	Most revenue

Perhaps its time to consider

1. Economic imperative vs developmental agenda
2. Traditional mandate of revenue collection
3. Looser definition of social development
4. A time-based threshold vs turnover-based threshold
5. Education vs enforcement its compliance strategies
6. Provision of 'tools' to facilitate compliance
7. Outdated tax legislative frameworks built on unbalanced historic economies e.g. oligarchical economies of pre 1994 South Africa