

REIS Programme Supports a Major Milestone for Indirect Tax Cooperation

SADC VAT and Excise Taxes Guidelines Finalised

The Trade, Industry, Finance and Investment (TIFI) Directorate through its Regional Economic Integration Support (REIS) Programme, facilitated a joint workshop of regional VAT and Excise experts in Gaborone Botswana, from July 23-25 2014 to finalise Guidelines for cooperation in Value Added Tax (VAT) and Excise tax in the region.

The workshop was held in furtherance of the aims of The SADC Protocol on Finance and Investment (FIP) Annex 3 “Cooperation in taxation and related matters” that provides the mandate for regional tax cooperation, including Article 6 that covers cooperation in indirect taxes. The FIP aims to harmonise the administration of indirect taxes, including excise tax rates and VAT exemptions and to increase information exchange between the Member States.

VAT and excise taxes are the most widely applied indirect taxes in the region and they are increasingly important sources of domestic revenue for the SADC Member States in seeking to sustain their fiscal independence whilst reducing reliance on customs duties. They are also important in a regional context as they are charged on most of the goods and services traded between the Member States, impacting business across the board. Wide variations in VAT or excise tax rates, or the items taxed, especially for things that are subject to both VAT and excise tax (such as tobacco products and alcoholic drinks), can create incentives for cross-border shopping, smuggling, tax fraud and other criminality, as well as adding to the complexity of doing business in the region.