



THE COMMONWEALTH ASSOCIATION
OF TAX ADMINISTRATORS

NEWSLETTER

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Editorial

While a number of countries are still grappling with the containment phase of COVID-19, some have moved to the second phase and are slowly taking measures to open up their economies. However, the post-COVID recovery path is no doubt a very treacherous one in which fiscal policy is expected to play a central role. Just like the 2008 global financial crisis, the question is 'Can countries tax their way back to prosperity?'

In the wake of COVID-19, various tax administrations and policy measures were taken by countries to ensure that the impacts of the pandemic on businesses were mitigated. From cash bailouts and reduction of tax rates to the easing of compliance-cessation of audits, fast-tracking refunds, varying filing and tax payment dates, provision of digital platforms for interaction with taxpayers, accelerated capital deductions, and generous loss carryovers-it is definitely too early to assess whether these measures have blunted the sting of the pandemic.

Even if there are some short term gains, the future is still fraught with enormous challenges. The impact of the pandemic will have far-reaching consequences well into the future. Already, it is forecast the global economy will shrink by a massive 3% with some economies experiencing worse reductions in their GDP growth rates. Given that governments all over the world have had to make substantial expenditure commitments during the crisis, the immediate post-recovery plan would be to see how the expenditure gaps can be closed through additional tax revenues.

Thus tax administrations find themselves under immense pressure to look at means of plugging the 'black hole' in the national budgets. One area of consideration will be how to 'wean' the taxpayers out of the 'generous' concessions that were put in place during the crisis to ensure that compliance obligations are once again put on the forefront. As governments perhaps consider winding down some of the tax incentives (some of these may have had sunset clauses), an effective means of communication with the taxpayers is imperative. Resumption of tax audits and other compliance measures may meet some resistance so also the recovery of tax arrears which businesses could have incurred during these hard times.

The new normal remote interaction with taxpayers is likely to be the future mode of operations for tax administrations who will have to invest more on the digital platforms.

But with this, the confidentiality safeguards-encrypted file sharing, digital signatures-cannot be overemphasised. This is more pressing since it is expected that sharp focus at the recovery phase will be enhanced tax transparency and international coordination to tackle BEPS. Aptly put by one commentator '...as we enter the next phase of this new world, governments will have to explore new, uncharted territory when it comes to policy and taxation in order to build strong economic foundations for the years ahead'.

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Wisteria in bloom, May 2020. Photo by Gerry

From a United Kingdom now easing cautiously out of pandemic lockdown, we wish you all an early end to COVID - 19 and continued good health.



Duncan Onduru



Megan Jones



Gerry Cook