



Africa Tax Quarterly Newsletter

Fourth Edition, April 2020

2020

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In this fourth edition of our Africa Tax Quarterly Newsletter, we look at Tax Reimagined in practice.

Right now the focus of the world and all resources are directed toward responding to the Coronavirus pandemic (COVID-19), rightfully so. As governments continue to grapple with the health crisis and economic fallout, companies are dealing with a myriad of business continuity issues including the impact on their people, their clients and communities, disruptions in supply chains and having to manage cash flow under stress.

Our primary responsibility during this time is to listen to the health experts and our governments by staying home and staying safe. With many of us working from home, it is an opportunity to reflect on what is within our control in the our areas of expertise. Resilience within the tax function would be top of mind, which is where the Tax Reimagined conversation starts.

We welcome Amar Thakrar, a Tax Reimagined Solution Architect based in the United Kingdom, and Dermot Gaffney, Head of Tax Reimagined in Africa, to provide a global and African perspective, respectively, of how tax is changing and how we're changing tax.

As always, if you have any comments, feedback or suggestions of what you would like us to cover in future issues, you are welcome to contact Preshnee Govender at preshnee.govender@kpmg.co.za

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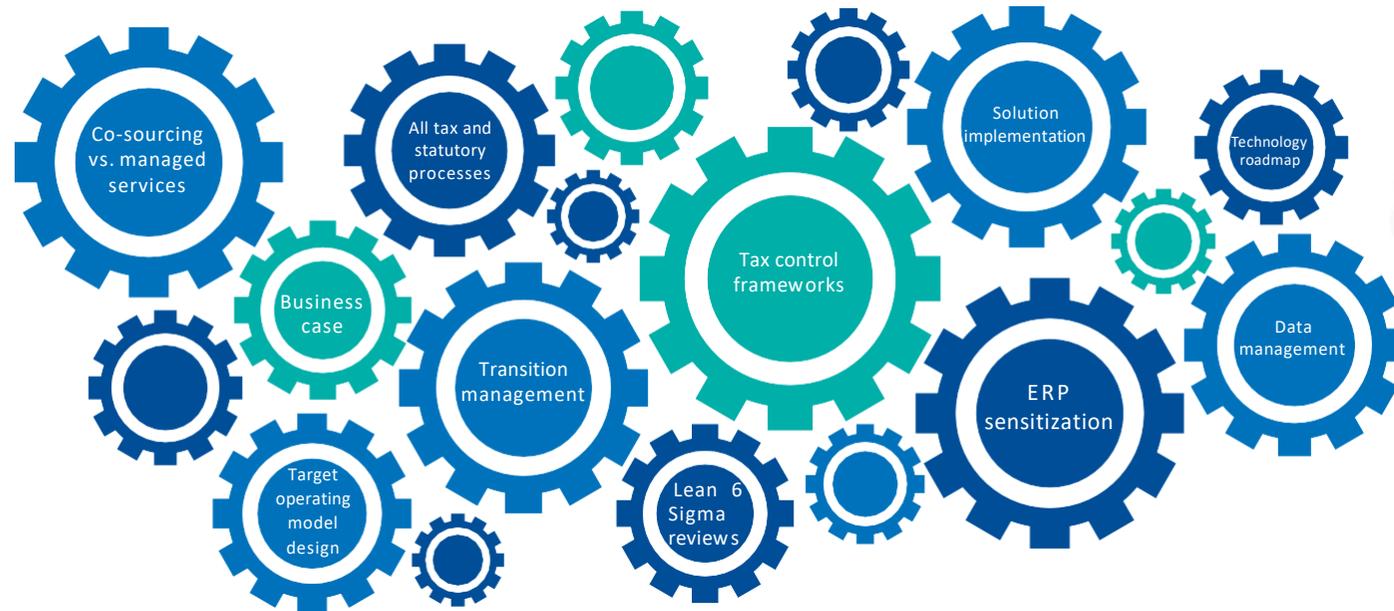
The Global View

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The Africa View

KPMG's Tax Reimagined solution architects collaborate with you to bring tax expertise, a deep understanding of technology and innovative operating model designs to work alongside you to reimagine your tax function. This will involve designing a target operating model that combines transformation, with the right blend of managed services and technology to help the gears of your business work together to accomplish your goals.



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There is no shortage of challenges and opportunities facing today's tax functions. Carrying on as in the past is not a viable option. You need to be ready to be compliant and ready for the changing digital future of tomorrow. Tax is your license to do business. Tax Reimagined is the discussion you need to have now. Visit our [Tax Reimagined in practice](#) portal for more information.

1. The Global View

The rapid outbreak of the Coronavirus presents an alarming health crisis that the world is grappling with. In addition to the human impact, there is also a significant commercial impact being felt globally. As viruses know no borders, the impacts will continue to spread.

Our KPMG Global Tax & Legal Network leaders have convened to put forward a number of tax and legal considerations for affected businesses. We hope that their insights will be a helpful starting point. You can access these insights on our global portal pages; Responding to challenging times.

I've personally seen our teams going the extra mile to help new clients file returns on time explore ways to improve cash flow and help clients think about how to manage tax more sustainably in the event of challenging circumstances in the future.

In this article, I share how we have been working with our clients over the last six months come to grips with the rapid changes within the tax environment – and now more than ever, being agile and able to change rapidly, becomes an even more important trait for businesses.

In Q4 2019 I joined KPMG to focus on helping clients think and deliver on Tax Reimagined. I joined from GSK where I was accountable for delivering Tax Reimagined for our tax function. My new role at KPMG covers Europe, Middle East & Africa and over the last six months. I've had the pleasure of meeting clients from over 30 countries.

When meeting clients I really enjoy taking the time to listen to them and their ambitions whilst at the same time being able to share the benefit of my own experiences from leading a tax transformation project for GSK.

Each of the clients that I've met have different challenges and issues, but there are definitely key themes that keep occurring during our discussions. They cover the following:

- **Regulatory** – Tax legislation keeps changing, tax compliance keeps increasing. This all means that the risk around tax going wrong keeps going up and up.

- **Technology** – The increasing burden of compliance is driven by tax authority investment in technology. The ability of tax authorities to collect business data (not just tax data!), make tax assessments and verify different sets of taxpayer data across multiple jurisdictions is a huge challenge for taxpayers. How can you ensure the data is good quality when you do not have control over it? How do you access the data and identify risk? How do you set up the capability to send data to these tax authorities every day?
- **Business Change** – Finance is often transforming through people, location, ERP transformation and cost reduction. Business models are changing across new markets, new products and new ways of working. Keeping up to date with finance, maximising finance transformation benefits for tax process and keeping up with business change is something that clients are finding very challenging.
- **Social** – Tax Transparency, reputation and being perceived to be a “good corporate citizen” impacts business performance. Being able to confidently demonstrate this under scrutiny, is yet another task that clients are finding difficult.

We are working with many of our clients to address these challenges.

We're pushing our clients to think differently because traditional approaches are not going to solve non-traditional challenges. Through working collaboratively, we're helping our clients to think more holistically and for the longer term. The clients that have overcome these common challenges have been the ones that have taken the step forward to – Reimagine Tax.

I'm realising that clients are recognising KPMG's holistic approach isn't about single solutions, but really how to solve multiple tax function challenges longer term with a clear and considered roadmap. Each is specific to that client and in line with their commercial, finance and tax strategies.

1. The Global View (cont.)

Case study – ‘Pick and mix’ solution

A multinational company had a commercial ambition to grow significantly across the globe within two years, both inorganically and organically. This client has a Shared Service Centre but was worried that it couldn't scale up to match the business's strategy in the context of the common challenges they were facing. We took a flexible approach and provided this client a 'pic and mix' solution, allowing them to leverage KPMG's technology to use for delivery in their Shared Service Centre where appropriate. Or, the client could use KPMG's Centres of Excellence and standard processes to deliver its tax, bookkeeping and payroll obligations.

Case study – an oil and gas company

This client was struggling to define a clear strategy on how to achieve their goals. Together, we mapped out where we mutually thought the tax landscape would be in five years and benchmarked where the client was today. We collaborated and built a roadmap, a business case for change and kicked off a modernisation working group, to start the journey. Part of this journey was to work with wider finance processes, improve data quality, understand data deficiencies, quantify risk, then present this back to their Chief Financial Officer. Where finance could not fix processes, KPMG shared innovative technology that would allow them to gather source documents, read invoices and gather the relevant tax data. This was accompanied by a selection of technology consisting of Machine Learning automation, an improved tax risk framework, defined controls and outsourcing challenging components of tax such as corporate income tax returns and regular reporting requirements to KPMG.

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2. The Africa View

We launched Tax Reimagined in Africa in October last year and whilst our initial focus is on clients of the larger practices in Kenya, Nigeria and South Africa, those clients have operations across the continent and our work has been assisting operations from The Seychelles to Namibia, from Lesotho to Morocco, and from Senegal to Tanzania.

The global disruptors that are impacting the tax operating model of businesses around the world are in even sharper focus in Africa, where Governments are under significant pressure from the OECD/ IMF/ World Bank/ G20 to “mobilize domestic resources” which translates into widen the tax base and increase the tax take as a percentage of GDP.

Added to this pressure comes further pressure from the fall in commodity prices, particularly oil, and now the new pressure from the Coronavirus pandemic. We have seen tax authorities in many developed countries provide short term relief from VAT and PAYE payments, but most African countries simply do not have that flexibility.

We have also seen regulators across the continent look to technology to provide new means of policing the tax system. In a press release on February 1st this year the South African Revenue Service (SARS) stated that it has embarked on a journey to reimagine a future revenue authority where increasingly its work will be informed by data-driven insights, self-learning computers, artificial intelligence and interconnectivity of people and devices. SARS’ workforce will be empowered to optimally function within this exciting changed and changing world of work.

Commissioner Kieswetter emphasizes: “We cannot ignore the power of a data and technology enabled organization, and the impact it will have on the future world of work. We can however prepare for it by consciously and actively managing the interplay between human effort and artificial intelligence. Today we take a conscious step towards building a smart modern SARS, with unquestionable integrity, that is trusted and admired.”

This is a trend that we are seeing across Sub-Saharan Africa, starting in the larger economies of South Africa, Nigeria and Kenya but undoubtedly the rest will follow suit. It is obvious that companies doing business across Africa need to rethink their Tax Operating Model.

Tax Departments need to respond to the growing challenge of increasing disputes, rapid deployment of technology by regulators and for many, a continuing struggle to get quality tax data. This is driving the need to reimagine their tax operating model.

Case study – automating tax processes

One client is taking the opportunity to look across its entire finance function and investing in technology to replace many manual functions and improve the quality of their tax reporting and hence reduce the amount of errors. They didn’t go down this path before because they believed that the investment would be too large and would impact their return to shareholders but they were pleasantly surprised to find that by deploying easy to use tech solutions to address specific business issues the investment required is not significant.

Case study – financial services sector

For another client in the Financial Services sector, whilst they have significant dedicated tax resources at head office, the concern was that they don’t have visibility on the status of tax reporting across the 11 countries they operate in where there are no dedicated tax resources and they rely on the in-country finance teams to file tax returns. They are currently deploying a Power BI solution that will give them real time access to information on the status of their various tax filings across all jurisdictions. The Head of Tax loves the fact that he will be able to access the dashboard on his mobile phone as he walks into audit meetings with tax authorities across multiple countries which are increasing all the time.

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Next steps

Every company is unique. Every tax function is too. A bespoke KPMG Tax Reimagined workshop gives you the opportunity to imagine the model that works for you then brings it to life. Our rapid diagnostics and wealth of benchmarking data can take you from dreaming of the possible to the foundations of a tangible business case in less time than you think.

Continue the conversation by contacting one of our global solution architects. Together, let's prepare to meet the future of tax.

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