

African countries are tightening up tax policies

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With many African governments tightening up on their labour, tax and immigration policies, companies employing expatriates increasingly need to up their game.



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Companies are flocking into Africa to tap into new developments, and the demand for expatriates is extremely high. But African governments are becoming more astute about being paid the tax they are due.

The days of staff being paid offshore to avoid in-country tax and social security responsibilities are fast drawing to an end. Companies and staff currently involved in these under-the-radar activities should be concerned.

More so than ever, foreign companies working in Africa need to ensure they meet regulated responsibilities in employment structures in the areas of immigration, labour law, social security and employee tax.

While many African governments encourage employing expatriates with critical skills, the challenges can be varied and complex.

Chain law

The concept of 'chain law' in Europe, which links every company in the service chain, and binds them jointly in terms of meeting minimum in-country employment compliancy requirements, is becoming a norm on the African continent.

Revenue services across the continent have put in measures to ensure compliance. Companies owe it to themselves and the countries in which they work to pay their dues.

What we're seeing is revenue authorities across the continent being far more in tune with businesses on the ground.

They're asking for more documentation when you do your tax returns. They are closing loopholes. Improved telecommunications and inter-government communication has helped this to happen.

Recently, an African revenue authority turned up at a contractor's house and questioned why his bank account only had a thousand dollars in it, yet they discovered he was earning far more offshore and was not paying any local taxes or social securities. He apparently was obliged to pay all the tax he owed, as well as interest, and a huge fine. Stories like these are not going to be isolated cases in the future.

As an expatriate, you can't complain about the roads, the potholes and the infrastructure if you are not paying tax in the country.

Employment parameters

Where employment parameters are not in line with in-country policy, internal revenue services will hold foreign companies responsible as their staff members work on the company premises and in their facilities.

Apart from the more obvious industries of oil and gas exploration and extraction, there's been a spike in employing expatriates from companies involved in banking services and retail in Africa.

Africa boasts some of the fastest growing economies in the world. Multinationals are taking note and moving in fast to ensure they stake their claim. In the next ten years, the world will draw much of its GDP growth from activities in Africa.

With tremendous opportunity on the continent, Africa is wide open for business with companies that have fair and transparent employment contracts that benefit the employee, the company and the country in which they work.

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