

'Remit Aid' and 'International Development Tax Relief (IDTR)'

Statement Calling on the United Kingdom Government to Introduce Remittance Tax Incentives

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According to the World Bank, remittances to developing countries in 2003 are estimated at \$200 billion. For many countries, remittances are greater than both Official Development Aid (ODA) and Foreign Direct Investments (FDI). Using even the most conservative estimates, remittances from the UK to Africa is in the £100s of million annually. This means that Africans are by far the biggest donors and financial contributors to African development.

These African donors include: skilled workers trained in Africa and recruited by large employers (such as the National Health Service) without recompense to the African countries; low income manual and service workers who clean and maintain government and city offices; and settled Africans working in the professional sector.

Every £100 donated to a UK charity by a UK taxpayer can attract a tax rebate of about 28%, meaning that the charity's donated income increases to £128. Furthermore, if the donors pay tax at the higher rate of 40%, they can claim back tax relief of up to 23%. These are the worthy benefits brought about by the Gift Aid tax regime.

We call on the UK government to introduce REMIT AID along the same lines as Gift Aid, as a tax incentive for remittances. This will provide parity between charitable donations and the remittances that are spent on international development. Remit Aid will also ensure that there is fairness for the low income tax payer who donates through remittances. Gift Aid already rewards high income earners who donate through registered charities. In the formal submission, we propose a simple method for administering Remit Aid, similar to the Gift Aid system.

A number of tax relief schemes such as Venture Capital Trust (VCT), Enterprise Investment Scheme (EIS) and Community Investment Tax Relief (CITR) exist in order to encourage investment in business innovation and development, economic regeneration and social enterprise. These schemes provide investors with tax relief of up to 40% of investments of up to £200,000.

We call on the UK government to introduce an International Development Tax Relief (IDTR) along the same lines as VCT and EIS, as tax incentive for investment in African development projects. Such projects would include community and social enterprise ventures in health and educational facilities and services as well as investment in qualifying business start-ups, innovations and developments. Annually, UK tax payers remit significant sums for such community and business projects without any tax incentives. IDTR will encourage UK tax payers to allocate more of their remittances to such productive investments and projects. There is a need for remittances spent on emergency aid and daily consumption to be balanced by capacity-building investments in productive ventures. In the formal submission, we propose methodology for administering an IDTR scheme.

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