

REMARKS CONCERNING THE TASKS OF THE FISCAL COMMISSION

(Items #6 and #9 of the Draft Provisional
Agenda of the First Session)

Note by the SecretariatForeword

The present document contains some tentative remarks to assist the members of the Fiscal Commission when they consider their terms of reference and outline their programme of work. Those remarks do not convey any definite proposals. They represent rather an attempt to elucidate certain aspects of the initial problems of organization of the Commission's activities.

The following points will be discussed:

- (a) general objectives and purposes of the Commission;
- (b) problems for consideration;
- (c) activities and functions;
- (d) organization and co-ordination.

I. GENERAL OBJECTIVES AND PURPOSES OF THE COMMISSION

1. Among other purposes, the United Nations are pledged to promote "higher standards of living, full employment, and conditions of economic and social progress and development" (Charter of the United Nations, Article 55). For its part, the Economic and Social Council is entrusted with the task of assisting in the solution of economic, social and various other problems through international co-operation. It is also expected to harmonize the the action of nations in these matters (Charter, Art. 1, pars. 3 and 4, and Art. 62).

/2. The Council

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2. The Council has established nine advisory commissions, among which the Fiscal Commission, to assist it in its work. Each of these commissions has its specialized field of competence. At the same time, they co-operate with other commissions and organs of the United Nations, and specialized agencies in matters of common concern. In the light of its terms of reference (doc. E/CN.8/4, pp. 7 and 8) the Fiscal Commission may be deemed to have the three following main functions:

- (a) assist the Economic and Social Council in handling technical questions of public finance;
- (b) facilitate the task of other commissions and specialized agencies when they have before them problems involving technical questions of public finance;
- (c) provide, or assist in providing, advice to national governments concerning such problems.

3. Thus, the Fiscal Commission may contribute, by its own or by joint action, to the formulation of fiscal measures designed to:

- (a) apply democratic principles in matters of public expenditure and revenue, and fiscal procedures;
- (b) strengthen the financial position and credit standing of governments and their agencies;
- (c) assure economic stability and foster economic development as well as social advancement within the framework of general policies, whether international or national;
- (d) promote international economic and financial relations.

II. PROBLEMS FOR CONSIDERATION

4. In discussing the problems which may be placed before the Fiscal Commission, the international character of its work should always be borne in mind. Some of these problems will be of great interest for certain countries, while they cannot even arise in others. It will, however, be

/in the interest

in the interest of the international community as a whole that they are handled in a prompt and adequate manner. Consideration should also be given to international implications of national institutions and practices relating to public finance. Common problems, for their part, may take different forms according to the economic, social and juridical environment in which they arise in individual countries. Nevertheless, it would be valuable to international experience, effort and study in fiscal matters.

5. The provisional terms of reference for the Fiscal Commission drafted by the Preparatory Commission in December 1945 mentioned the following problems:

- "(a) international taxation problems;
- (b) ...the techniques of government finance and...their social and economic effects;
- (c) fiscal techniques to assist the prevention of depressions or inflations..."*

In a subsequent draft of June 1946 the following list was given:

- "(a) international tax problems, including the prevention of double taxation and the appropriate forms of removing tax barriers to international trade and investment;
- (b) structure and administration of tax systems;
- (c) relationships between general economic and social policies and taxation including incidence and repercussions of taxation;
- (d) budgetary and public accountancy standards and practices;
- (e) methods of financing various types of public expenditures;
- (f) co-ordination of central and local governmental fiscal systems."**

* Cf. document E/CN.8/4, p.2.

** Ibid., p. 5.

A distinction might be attempted between:

- (a) the more general types of problems, or subject matters, with which the Fiscal Commission may be concerned at one time or another, and,
- (b) the specific questions which the Fiscal Commission may take up in the near future. Annexes A and B contain illustrations of the two classes of problems.

III. ACTIVITIES AND FUNCTIONS

6. The activities which the Fiscal Commission may assume or direct could fall into three groups:

- (a) collect and distribute information concerning developments in the field of public finance;
- (b) undertake descriptive, analytical and comparative studies on fiscal institutions, legislation, treaties, techniques and trends;
- (c) formulate practical recommendations of a general order or of specific application.

A. Collection and Distribution of Information

7. In the discussions which preceded the establishment of the Fiscal Commission, reference was made on several occasions to the services which could be rendered by an international centre of information on fiscal matters.* In order to fulfill its advisory tasks, the Fiscal Commission should have complete and up-to-date information on fiscal developments and trends throughout the world. Similarly, individual governments, in questions of fiscal organization or management, may benefit from foreign experience, if it is readily accessible. This fiscal information centre might distribute to the Commission, the other organs and agencies of the United Nations, and Member Governments the following series of documents:

* Cf. document E/CN.8/4.

- (a) Current Information on Public Finance Developments (monthly or quarterly bulletin, or loose-leaf service);
- (b) Public Finance Survey (periodical publication in the form of pamphlets dealing with individual countries);
- (c) Annual Public Finance Digest (report on important fiscal trends);
- (d) Collection of International Tax Treaties (preferably loose-leaf service);
- (e) Collection of Laws Affecting International Tax Relations (preferably loose-leaf service).

8. The series Current Information on Public Finance Developments would summarize or reproduce significant laws, regulations, decisions, proposals, publications and other material on Public Finance in the various countries. The information thus distributed would be derived from official documents, private publications, newspapers, periodicals and scientific literature. In so far as possible, however, it should be supplied directly by national administrations under standing arrangements (see paragraph 20 below). Current Information might be published as a monthly or quarterly bulletin. Its usefulness could be increased if it were issued as a loose-leaf service, indexed by countries and subject matters.

9. A collection entitled Public Finance Survey could present, on as comprehensive and internationally comparable a basis as possible, statements of public expenditure, receipts and debt in the various countries. It could review legislative and administrative measures in the field of public finance and, also relate fiscal to economic and social developments. Its sources, would be largely the same as for Current Information. The material would, however, be closely scrutinized and analyzed in order to furnish periodically a comprehensive and authentic picture of the fiscal position and legislation of the various countries. The practical value of such a collection would be enhanced if the

pamphlets on the different countries were issued at yearly intervals. Such a collection would assist the Commission in its advisory tasks. In addition, it would constitute a convenient source of reference data on public finance for the United Nations, other international organizations and generally all interested circles. It might also bring out the desirability of introducing greater uniformity in the presentation of national budgets and accounts. Furthermore, it might tend to indicate the means by which such an objective might be attained.

10. An annual summary or review of outstanding fiscal developments throughout the world might be furnished in the Annual Public Finance Digest. While the Survey would give a systematic and comprehensive account of national fiscal developments, the Digest would present an over-all picture of fiscal problems, developments, trends, programmes, techniques and conceptions of international or common interest. This document might be issued each year in advance of the session of the Fiscal Commission.

11. A Collection of Tax Treaties might reproduce the text of international tax agreements and of tax provisions in other agreements, such as treaties of friendship, establishment, commerce and navigation. It might also include the text of national laws and regulations relating to such agreements and provisions. The most convenient form for such a collection might be that of a loose-leaf service. Such a collection would furnish valuable reference material to those interested in international tax relations, especially to officials who are concerned with the negotiation or administration of tax treaties or who have dealings with foreign tax administrations.

12. A Collection of Laws Affecting International Tax Relations would include provisions of tax laws, regulations and significant court rulings related to such matters such as the following: tax liability of nationals and residents in respect of foreign income and property; tax liability of foreigners and non-residents in respect of domestic income and property;

taxation of foreign transactions, travel, communications; prevention of international double taxation by internal measures. This collection would be the complement of the Collection of Tax Treaties in form and purpose.

B. Special Studies

13. Reference was made earlier (paragraph 6) to "descriptive, analytical and comparative studies on fiscal institutions, legislation, treaties, techniques and trends". A substantial part of the material for such studies would be obtained through the "Collection and Distribution of Information" which has just been outlined. Their principal aim would be to present an organized and adequate body of data on specific problems which are placed before the Commission or which it considers appropriate for study.

14. In Annexes A and B subjects are listed which might sooner or later be studied. As to those studies which the Commission may wish to see undertaken, it will no doubt make a selection and ascertain priorities in the light of needs and possibilities. It might also consider methods of approach.

C. Forms of Advice

15. The essential function of the Commission is to give advice on fiscal matters to the Economic and Social Council, and also to governments, on their request. The Commission may also be called upon to assist, or co-operate with other commissions, organs and agencies of the United Nations. Its activities relating to information and research, which have been described above, are ancillary to these advisory functions of the Commission. In this connection, it should draw the attention of the Council to noteworthy matters in its field and to advise on appropriate measures. It may eventually be asked to report on the implementation of its advice.

16. The results of the deliberations of the Commission may take forms such as the following:

- (a) statement of opinion on matters of interest to the United Nations or any other international organization;

/(b) statement

- (b) statement of opinion on matters which are of international or common interest to several governments or which might call for joint, concerted or parallel action;
- (c) statement of opinion on matters of concern to a government, when it asks for advice;
- (d) suggestions regarding studies and research on matters of interest to the Commission and on the means of carrying out such projects;
- (e) suggestions regarding consultation with international and national authorities on matters of interest to the Commission;
- (f) formulation of legislative, administrative and accounting standards and drafting of model laws and model international agreements;
- (g) suggestions concerning the organization of international, regional or other conferences, primarily of a technical character, for the furtherance of the objectives of the United Nations in fiscal matters.

IV. ORGANIZATION AND CO-ORDINATION

17. Since problems of public finance are varied and complex, especially in view of national differences, the formulation of advice will often require considerable study and consultation. Some measure of specialization may therefore be appropriate within the Commission through the use of subsidiary organs. This could speed up the consideration of problems, aid in bringing together the most competent experts in each field, and contribute to continuity in the Commission's work. The subsidiary organs through which such purposes might be served are of two types:

(a) sub-commissions and

(b) committees.

18. Action by the Economic and Social Council is required in the establishment of a sub-commission. Its members are government representatives on the commission and, possibly, representatives of other governments.

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By contrast, a committee can be established merely by action of a commission; it may be composed of commission members, other representatives and private persons. Recourse to sub-commissions and committees should be limited to cases where the task involved cannot be done as rapidly and efficiently by the Commission and its secretariat alone. When the need for a subsidiary body is established, it would seem that, unless special reasons call for granting it the formal status of a sub-commission, the more expeditious and flexible device of the committee is preferable.

19. Lines of demarcation between the fields of competence of the commissions, organs and agencies of the United Nations may sometimes be tenuous. At the same time, as has been repeatedly stated, the activities of such bodies should be closely linked together. Thus, when two or more commissions are concerned with different aspects of the same or similar problems, their activities would not seem to overlap, but rather to complement each other. Clearly, there must be close co-ordination among international bodies to avoid not only duplications but also gaps caused by the fear of encroachment. Moreover, co-ordination will result in the pooling of information and experience, and the convergence of efforts. Primary responsibility for co-ordination lies with the Economic and Social Council and the Assembly. Additional machinery exists within the Secretariat of the United Nations and among the various international institutions. Commissions themselves participate in co-ordination through representation and consultation.

20. The success of the Commission's work will largely depend on the closeness of its connections with all Members States. Such connections should aid in centralizing data on fiscal problems and developments. They might also afford convenient channels through which the benefits of the Commission's work could become available to the individual countries. In the case of two other commissions, the Council has provided for the appointment of correspondents in countries not represented on these

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commissions. A third commission has discussed the establishment of national committees. In the fiscal field, several governments have bureaux which carry out studies on domestic problems corresponding to those which concern the Fiscal Commission and its secretariat from an international or over-all standpoint. The Commission may wish to consider what use could be made of such services.

ANNEX A

ILLUSTRATIVE LIST OF BASIC PROBLEMS IN THE
FIELD OF PUBLIC FINANCE

- I. STANDARDS OF PUBLIC FINANCE ORGANIZATION, ADMINISTRATION AND AUDIT
 1. Fiscal powers and responsibilities of the national government;
 2. Co-ordination of national, state and local fiscal systems; fiscal functions of state and local authorities; means of financing state and local expenditure; supervision;
 3. Preparation and implementation of the budget (or budgets) or similar financial plans;
 4. Contents and classification of the various budgetary estimates and accounts including those of government enterprises, monopolies and corporations;
 5. Contents, comprehensiveness, form, periodicity and publicity of the various documents relating to the expenditure, receipts, debt, financial position as well as assets and liabilities of the government and its institutions;
 6. Management, accounting and audit of funds and property of the government and its institutions;
 7. Transactions, transfers, credits among government departments and institutions.

II. RELATIONS BETWEEN PUBLIC SPENDING AND FINANCING

1. Influence of local conditions, particularly the economic, financial and social structure, of a country on the distribution and forms of its public expenditure and receipts;
2. Specific sensitiveness (timing and magnitude) of the various classes of public expenditure and receipts to structural changes, business fluctuations and related factors, according to the different types of countries;
3. Economic and other effects of the various classes of public spending and public financing, according to the different types of countries;

/4. Selection

4. Selection of forms of financing for the various classes of public spending, according to economic, financial and social structure and policies;
5. Fiscal organization and temporary or permanent measures to promote economic stability and development as well as advancement, according to types of countries.

III. STRUCTURE AND ADMINISTRATION OF TAX SYSTEMS

1. Principles of tax organization and management in the light of fiscal, economic and social objectives, local conditions, and over-all costs;
2. Definition of tax bases, determination and selection of tax rates, criteria and methods of assessment, collection procedures, prevention of fraud and evasion, protection of taxpayers;
3. Classification and treatment of individual and corporate taxpayers, internal double taxation, economic and social exemptions;
4. Methods of compilation and presentation, and uses, of tax statistics;
5. Collection and codification of tax laws, regulations and decisions, publicity of tax measures, techniques of guidance to taxpayers;
6. Techniques for the improvement and simplification of obsolete or inadequate tax institutions and procedures.

IV. INTERNATIONAL TAX PROBLEMS

1. Effects of tax barriers on world trade and on the economic stability and development of various types of countries;
2. International double taxation of income, property, capital, estates and successions, transactions, legal and commercial instruments;
3. Taxation of foreigners and non-residents, particularly extra-territorial taxation and discriminatory taxation;
4. Taxation of international enterprises, transactions and transfers;
5. Taxation of international travel, transport and communications including tax treatment of tourists, business visitors, border commuters, migratory workers, of telecommunications and of means of land, sea and

air transportation;

6. Mutual assistance between national tax administrations regarding the assessment and collection of taxes, especially exchange of information and prevention of international tax evasion;

7. Standards for domestic legislation, and treaty negotiation, on international tax matters; model bilateral and multilateral tax treaties; draft tax provisions for insertion in other treaties; application of most-favoured-nation clause in tax matters; development of an international tax law.

ANNEX B

ILLUSTRATIVE LIST OF GENERAL FISCAL PROBLEMS OF IMMEDIATE INTEREST

I. FISCAL ADMINISTRATION IN GENERAL

1. Nomenclature and classification of government budgets and accounts;
2. Financing and accounting of government current expenditure and capital outlay;
3. Transactions, transfers and credits among government departments and institutions;
4. Relations between national, state and local fiscal systems;
5. Cost of fiscal administration;
6. Recruitment and training of fiscal personnel;
7. Adaptation of fiscal systems to national economic and social structures.

II. CURRENT ECONOMIC AND SOCIAL ASPECTS OF FISCAL SYSTEMS AND TECHNIQUES

1. Fiscal measures for the control of inflation;
2. Fiscal measures for the promotion of economic stability, particularly in economically advanced countries;
3. Fiscal measures for the promotion of economic development and diversification and of investment, particularly in economically less advanced countries;
4. Financing of social expenditures and public works;
5. Fiscal measures in the field of housing and urban planning;
6. Tax status of the family.

III. BASIC PROBLEMS OF INTERNAL TAXATION

1. Analysis of theories on the effects of taxation;
2. Sensitiveness of tax yields to economic fluctuations and structural changes;
3. Recent developments in the techniques and theory of taxation;
4. Methods of tax reform;
5. Devices for preventing tax fraud and evasion.

/IV. INTERNATIONAL TAX RELATIONS

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1. Effects of tax obstacles to international economic relations;
2. Trends in international tax treaties;
3. Operation and results of existing tax treaties;
4. International tax evasion.