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Special meeting on international cooperation in tax matters

Summary record of the 28th meeting
Held at Headquarters, New York, on Monday, 22 April 2015, at 10 a.m.

President: Mr. Drobnjak (Vice-President) .... (Croatia)

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In the absence of Mr. Sajdik (Austria), Mr. Drobnjak (Croatia), Vice-President, took the Chair.

The meeting was called to order at 10.05 a.m.

Opening remarks by the President of the Economic and Social Council

1. **The President**, welcoming the representatives of national tax authorities, the members of the Committee of Experts on International Cooperation in Tax Matters, representatives of relevant international and regional organizations and representatives of academia, civil society and the private sector, said that the special meeting of the Economic and Social Council on international cooperation in tax matters would also consider how cooperation contributed to mobilizing domestic financial resources for development and the institutional arrangements to promote such cooperation. The current meeting was of particular importance, presenting a valuable opportunity for an inclusive and participatory dialogue among stakeholders. It would also provide valuable input to the preparatory process of the third International Conference on Financing for Development to be held in Addis Ababa in July and it was hoped that concrete proposals and recommendations from the current discussions would be reflected in the outcome document of the Conference.

2. The first panel discussion of the special meeting would focus on the role of international tax cooperation in mobilizing domestic financial resources for development. Tax incentives were used by Governments in developed and developing countries to attract new investment with the aim of stimulating the local economy and creating sustained economic growth and development. Despite some success stories, evidence suggested that, in certain cases, there had been little new investment and substantial tax base erosion. In addition to interactive discussions concerning the options for developing countries' efficient and effective use of tax incentives, a workshop intended for representatives of national tax authorities and relevant ministries would take the discussions to a more practical level and provide officials with the tools to make informed decisions on implementing, designing and administering such incentives.

3. The afternoon meeting would include a panel discussion on tax incentives and tax base protection issues for developing countries and another entitled "Taxation of intellectual property rights and other intangibles: Issues for developing countries". Developing countries were increasingly concerned by inadequate compensation for the value derived from intangibles created in their countries because the relevant taxation rules did not take into account the current global economy. They worried that easily transferrable legal ownership of intangibles to foreign residents could lead to tax base erosion and that inadequate administrative capacity of tax administrations in developing countries and their limited access to databases would have an effect on the pricing of transactions involving intangible assets . The importance of intangible value creation and fair taxation of profits resulting from intangibles for development would also be discussed.

4. In the context of drafting the post-2015 development agenda and its means of implementation, the importance of domestic resource mobilization, with the central role of taxation, continued to be emphasized. International tax cooperation would continue to be one of the central topics in the lead-up to the July Conference on Financing for Development and the United Nations summit for the adoption of the post-2015 development agenda. It was important to ensure that the Committee of Experts on International Cooperation in Tax Matters, as the only United Nations body dealing exclusively with tax matters, was able to contribute effectively, within its mandate, to the financing for development follow-up process and to the post-2015 development agenda.

International cooperation in tax matters (E/2014/45-E/C.18/2014/6 and E/2015/51)

5. **Mr. Lara Yaffar** (Chair of the Committee of Experts on International Cooperation in Tax Matters), introducing the report of the Committee on its tenth session (E/2014/45-E/C.18/2014/6) and accompanying his remarks with a digital slide presentation, said that following the resignation of the First Vice-Chair, a new Bureau had been constituted, with Mr. Louie elected as his replacement and Ms. Saksena as the Fourth Vice-Chair.

6. In the context of updating the United Nations Model Double Taxation Convention between Developed and Developing Countries to align it with international standards, the Committee continued to discuss substantive issues that remained on its agenda. One such issue was expediting the exchange of information between authorities to combat tax avoidance and

evasion. It was important to ensure the requisite safeguards and confidentiality rules and specify the conditions under which information could be exchanged automatically. Many countries were looking into new trends and cooperation in that area, particularly along the lines of the Standard for Automatic Exchange of Financial Account Information issued by the Organization for Economic Cooperation and Development (OECD) and the Foreign Account Tax Compliance Act in the United States. The Committee also continued to work on drafting a United Nations Code of Conduct on Cooperation in Combating International Tax Evasion and Avoidance, with particular reference to exchange of information. At its next session, the Committee would continue its attempts to arrive at — and determine the legal format of — a consensus document, according to which States must try to find and use the best tools and a common framework to enhance the fight against tax evasion.

7. The Committee had discussed the draft of a new, controversial article on the taxation of technical services, which allowed a country to tax payments for services provided to that country even if the service provider had no physical footprint there. The Committee would hold a series of round tables to take into account and reflect the differing opinions. While the majority had been in favour of the article — as developing countries commonly used that practice to protect their tax bases — a number of Committee members had opposed it on the grounds that overtaxation could have unwanted effects, such as taxing income that should not be taxed and nullifying the effects of other treaty provisions. The Committee had decided that reflecting the discussions in a balanced manner would be beneficial in updating the United Nations Model Convention.

8. With regard to transfer pricing, the Committee had approved changes to article 9 of the United Nations Model Convention, which had a similar "arm's length" approach to that of OECD. The United Nations Transfer Pricing Manual, however, also included certain mechanisms or guidelines that were easier to apply to developing countries. The Manual was in the process of being updated to include information on intra-group services and cost contribution arrangements, intangibles, business restructuring, documentation and other issues, as well as an annex on available technical assistance.

9. The Committee was also doing innovative work relative to the taxation of extractive industries. It had focused not only on international taxation, but also on other issues such as tax treaties, capital gains and value-added taxation, invoicing and costs, permanent establishments and relevant rules beyond the provisions of the Model, and the fiscal aspects of negotiation and renegotiation of contracts. It would continue to address articles of the Model Tax Convention pertaining to royalties and to double taxation. Further clarification was needed regarding the payment of royalties for the rental of technical or scientific equipment as members were concerned about the scope of application of those provisions, particularly with reference to the leasing of vehicles. In addition, the Committee had added corrections to article 23 on methods for the elimination of double taxation, including whether countries could refuse double taxation in the event that another country did not tax or had reduced the tax on a given income.

10. The report also included responses to a questionnaire on base erosion and profit shifting issues faced by developing countries; those responses were currently being analysed. The Committee would examine the impact of OECD measures adopted in that area and determine which of those could be applied under the United Nations Model. It was also engaged in profound discussions with a view to updating article 8 on shipping, inland waterways transport and air transport, which it hoped to conclude by 2017, and was looking into a number of issues concerning capital gains. The Committee's forthcoming meetings were vital, as it hoped to conclude the important discussion on technical services for which there was, as yet, no clear taxation guide. In closing, he issued a plea to the President of the Council to intercede for more resources to enable the Committee to fulfil its mandate. It had achieved much with little, but it needed skilled staff and more equipment to function effectively.

11. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), speaking pursuant to paragraph 7 of Council resolution 2014/12 and accompanying his remarks with a digital slide presentation, introduced the report of the Secretary-General on further strengthening the work of the Committee of Experts on International Cooperation in Tax Matters (E/2015/51). The report built on the three previous reports of the Secretary-General which had concluded that the

absence of a single entity with the global legitimacy, resources and expertise to serve as a single coordinating body for international tax cooperation resulted in inadequate representation of developing countries in international tax standard setting. The Committee of Experts on International Cooperation in Tax Matters therefore played a unique role in considering the policy and administrative aspects of international tax cooperation from the point of view of developing countries. All three reports stressed the urgent need for additional resources to support the Committee's work.

12. The 2011 report (E/2011/76) had identified three options for strengthening institutional arrangements to promote international tax cooperation, including converting the Committee of Experts into an intergovernmental body, which Member States had not accepted. More recently, the synthesis report of the Secretary-General on the post-2015 development agenda had recommended, again, the "establishment of an intergovernmental committee on tax cooperation, under the auspices of the United Nations". The proposals in the report before the Council therefore focused, in particular, on better integrating the Committee's work into the programme of work of the Council, as part of the latter's reform, and contributing effectively to the financing for development follow-up process and to the post-2015 development agenda.

13. The Council had taken steps to strengthen the work of the Committee and, more broadly, the role of the United Nations in international tax cooperation. In its resolution 2013/24, it had decided to hold the special meeting to consider international cooperation in tax matters on an annual, rather than an ad hoc, basis. That resolution also recognized the progress made by the Financing for Development Office in developing a capacity development programme in international tax cooperation. The programme, launched in 2012, drew on and supplemented the outputs of the Committee, which could then be used as capacity development tools for the benefit of developing countries. All programme materials and activities adequately reflected the priorities and challenges of developing countries, as well as the views and work of the Committee. Given the emphasis on the importance of domestic resource mobilization with the central role of taxation, including international tax cooperation during the preparations for the third International Conference on Financing for Development, the Committee, with its unique role, was thus in a position to contribute, within its mandate, to articulation of the United Nations financing framework for the post-2015 development agenda, including the sustainable development goals.

14. The 2012 report (E/2012/8) had identified as one of the perceived shortcomings in the working methods of the Committee its weak relationship with the Council. Consequently, consideration could be given to rescheduling and moving the Committee's annual session from Geneva to New York, mirroring the recent move of the Council's substantive session and two subsidiary bodies of the Council, namely the Committee for Development Policy and the Committee of Experts on Public Administration, in whose sessions delegates participated actively. There were several advantages to such a change. Firstly, it would enhance integration of the Committee's work with that of the Council and with relevant United Nations processes. Secondly, there appeared to be greater interest in the work of the Committee of Experts on International Cooperation in Tax Matters among New York delegations than those in Geneva. More delegates would thus be able to participate in its sessions, which were also open to observers, whose valuable contributions added legitimacy to the Committee's outputs. Thirdly, the Committee could organize non-technical briefings to present its main recommendations and outputs and thus heighten the reach of its messages in intergovernmental processes such as the integration and high-level segments. Lastly, the move would enhance interaction between the bureaus of the Council and the Committee and, by obviating the need for staff travel to Geneva, offer considerable administrative advantages, including better Secretariat support for sessions and the possibility of drawing on additional staff from the Financing for Development Office and other divisions of the Secretariat.

Panel discussion on "The role of international tax cooperation in mobilizing domestic financial resources for development"

15. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), moderator, introducing the theme of the discussion and accompanying his remarks with a digital slide presentation, said that the General Assembly had held its second drafting session on the zero draft of the outcome document of the third

International Conference on Financing for Development. All relevant stakeholders had been invited to provide input on the financing framework for the post-2015 development agenda; the panel would thus provide a unique opportunity for the Council to hear from high-level representatives of relevant international and regional organizations and to engage in an interactive dialogue on the role of international tax cooperation in mobilizing domestic financial resources for development. The zero draft recognized that significant additional public resources would be needed to realize sustainable development and achieve the goals. To that end, tax revenues would have to be bolstered and the efficiency of government expenditures, improved.

16. A broad consensus had emerged on a number of issues addressed in the zero draft. Fair and effective tax systems and efficient tax administrations were critical to domestic resource mobilization. Strengthened international cooperation and transparency were needed to combat illicit financial flows, tax evasion and tax avoidance. In order to be beneficial, international tax cooperation strategies must take into account the differentiated needs and capacities of all countries. Developing countries requiring assistance should be given support to strengthen their capacity to participate in and benefit from international tax cooperation efforts. However, negotiations were ongoing on some specific aspects, including the scope and timing of the commitment to increase tax revenue to gross domestic product (GDP) ratios; approaches to harmful subsidies and tax incentives; strategies to optimize national benefits from resource extraction; specific actions aimed at broadening countries' tax bases, enhancing transparency, combating illicit financial flows and addressing tax evasion and avoidance; and initiatives to give greater voice and representation to developing countries, including the upgrade of the Committee to an intergovernmental body.

17. In line with paragraph 8 of Council resolution 2014/12, the Financing for Development Office reported annually to the Council on progress in implementation of its capacity development programme. The Office's newsletter, which had been circulated in the meeting room, provided a detailed progress report on that programme. The key foundations of the programme remained drawing on the outputs of the Committee of Experts on International Cooperation in Tax Matters and disseminating them to national tax authorities; drawing on the unique expertise and network of the members of the Committee, including through ongoing consultations with its Advisory Group on Capacity Development; consulting government representatives from developing countries to ensure relevance and effectiveness of all activities; working with partners to promote complementarities and avoid duplication of efforts; and partnering with regional tax administration organizations to deliver activities in regional settings.

18. In that context, the Office would be offering the United Nations Course on Double Tax Treaties twice in 2015: first for Latin America and the Caribbean and then for the African region. More specialized initiatives focused on negotiation and administration of double tax treaties, including assistance to the Committee in devising a practical manual to assist developing countries in that area. The Office would continue its collaboration with OECD to build on the success of the first joint United Nations-OECD practical workshop on negotiation of tax treaties, holding the event biennially. Additionally, the Office had worked with the International Tax Compact to develop the *United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries*. A French version of the Handbook would be issued by the International Tax Compact, and the Inter-American Center of Tax Administrations (CIAT) had issued a Spanish version. The Financing for Development Office had collaborated with CIAT to develop the United Nations Course on Transfer Pricing, based on the *United Nations Transfer Pricing Practical Manual for Developing Countries*, which would be launched in 2015. Another course, the United Nations Primer on Transfer Pricing, had been piloted in Panama with the participation of tax officials from various developing countries and would be inaugurated, in its revised version, in Zambia in June 2015.

19. The most recent capacity-building project undertaken by the Office focused on increasing developing countries' potential for domestic revenue mobilization by protecting and broadening the tax base. As part of efforts to seek input and feedback from all stakeholders, two workshops had been organized in cooperation with OECD, in New York and in Paris, in 2014. The output of the project — a United Nations handbook on selected issues in protecting the tax base of developing countries — would include a collection of papers addressing the issues in a novel, demand-driven manner and would be used both to deliver

technical cooperation activities at the country level and as input to the Addis Ababa Conference on Financing for Development. The Office was also working on the *United Nations Practical Portfolios on Protecting the Tax Base of Developing Countries*. The first set of portfolios would focus on base-eroding payments and on tax incentives and would also provide a framework for the analysis of domestic law and relevant tax treaty provisions, identifying options to address potential risks of base erosion. Two workshops in conjunction with those portfolios were being organized in 2015 with the participation of relevant stakeholders. The second portfolio would provide information and tools to assist developing countries in assessing the use of tax incentives to attract investment and would be the subject of a dedicated two-day workshop following the current special meeting on international cooperation in tax matters.

20. **Ms. Perez-Navarro** (Deputy Director, Centre for Tax Policy and Administration, Organization for Economic Co-operation and Development (OECD)), accompanying her remarks with a digital slide presentation, said that while the Committee of Experts focused on international tax matters, it was also important to think about national tax matters and how to improve the tax situation and, consequently, development, in all countries. The first way to address that was by tackling tax evasion and illicit financial flows. OECD had contributed to advancing efforts to that end, primarily through the development of standards for the exchange of banking information on request and, subsequently, automatic exchange of such information. Over 93 countries had already committed to implementing those standards by 2017 or 2018. That would change the landscape significantly since the ability to obtain information would deter would-be tax evaders and enable States where they had hidden assets to identify them.

21. OECD had also invited countries to accede to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which guaranteed state-of-the-art bilateral and multilateral cooperation and provided its 86 current signatories access to information and various forms of assistance through one instrument. The Global Forum on Transparency and Exchange of Information for Tax Purposes also played a vital role; in implementing standards consistently and providing a level playing field for all by not simply shifting tax evasion from one jurisdiction to another, it had led to real change on the ground. With regard to illicit financial flows, the OECD Task Force on Tax Crimes and Other Crimes adopted a "whole of government" approach to fighting financial crimes: criminals did not operate in silos; neither should authorities. In addition to developing best practices, OECD had established an international academy for tax crime investigation and was hoping to set up regional academies to deliver intensive three-week training courses.

22. In base erosion and profit shifting, through largely legal transactions, companies shifted profits made in countries of manufacture to locations where there was no value creation, but also no taxation. OECD worked to address such tax avoidance through its 15-point Action Plan on Base Erosion and Profit Shifting, which aimed to close loopholes by modifying the tax treaty model and transfer pricing guidelines; it had also done work in areas such as mandatory disclosure requirements and the deductibility of interest. The issue was of utmost importance given that developing countries' relied more heavily on corporate tax revenue than developed countries. However, all countries had a common interest in closing gaps. Consequently, OECD had adopted a three-pronged approach to strengthening the engagement of developing countries: expanding the membership of the Committee on Fiscal Affairs to the Group of 20 (G20) and a few other countries, to include more than 62 active participants; enhancing regional dialogue through organizations such as CIAT and the African Tax Administration Forum (ATAF); and bolstering capacity-building in the context of base erosion and profit shifting, with staff members dedicated to and working directly with developing countries to help them to understand issues and communicate concerns back to OECD. Moreover, through the G20 Development Working Group, OECD created development toolkits to address specific issues identified by developing countries concerning base erosion as well as the 15 Actions.

23. In the area of providing comparable revenue data and establishing a globally comparable set of revenue statistics, OECD, in cooperation with other organizations, had accomplished a great deal in Latin America and the Caribbean. It had already begun to compile statistics for Asia and was just beginning to do so for Africa. The statistics were a useful tool for countries seeking to establish sound tax policies.

Without such policies and data, it would be difficult for countries to determine the right mix of taxes required to mobilize resources.

24. Through its Global Relations Programme, OECD carried out over 70 capacity-building events per year, primarily building on synergies with other organizations to be useful. One initiative of note was Tax Inspectors without Borders, through which experts transferred knowledge to officials in developing countries. Though not officially launched, several pilots had been carried out and there was high demand for and positive feedback on the work, which would be scaled up and in which she hoped the United Nations would get involved.

25. **Ms. Perry** (Assistant Director, Fiscal Affairs Department, International Monetary Fund (IMF)), accompanying her remarks with a digital slide presentation, said that for more than 50 years, IMF had been working to improve domestic resource mobilization. In addition to its focus on general tax policy and revenue administration issues, it worked extensively on fiscal regimes for natural resource extraction, as well as on the fiscal aspects of climate and the environment. Technical assistance was demand-driven and was supported by internal resources, as well as extensive bilateral donor financing and two $30 million multi-donor trust funds. All technical assistance, provided to over 100 countries each year, was managed from headquarters by some 60 staff members. The lessons learned from technical assistance created a virtuous circle by informing IMF analytic work, which improved advice given on tax policy and administration. The publication in 2014 of the study entitled “Spillovers in International Corporate Taxation” was one example of that.

26. Tax evasion and avoidance represented a greater proportion of revenue loss for developing countries than for developed countries and while focus on the issue was critical, it was important not to lose sight of the core challenges that the developing countries continued to face in mobilizing resources. Among the core policy challenges addressed by IMF were issues relating to the need to design broad-based value-added tax (VAT) with a fairly high threshold; coherent schemes for small enterprises; dealing with trade liberalization; building an effective personal income tax, which was particularly difficult in the lowest-income countries; and dealing with high-income individuals and the largest individual and corporate taxpayers, particularly with regard to the equity of the tax system. Strengthening real property taxation could significantly improve equity and raise revenue. Additionally, fiscal regime design and implementation for extractive industries could be counted among the most important issues for natural-resource-rich countries; IMF and other organizations provided technical assistance in developing analytical capacity within Governments to examine and reform existing systems and design an optimal tax system. The questions of broadening the corporate income tax base for developing countries and tax competition through the granting of excessive incentives were also long-standing concerns.

27. From an administrative perspective, while it was important to work on transfer pricing and other issues, building solid revenue administrations was the greatest challenge for low-income countries. Such administrations must be based on good governance, good management and organization, using risk assessment tools to focus on compliance where the greatest returns could be had, and taxpayer segmentation to concentrate efforts of limited staff where the greatest revenue could be raised.

28. The recently developed Tax Administration Diagnostic Assessment Tool (TADAT), which was intended to provide an objective, standardized performance assessment of a country’s tax administration, had proven to be feasible as an international public good. Though still in the pilot stage, the tool would be available for trained assessors from any organization or country, with guidance and quality control provided by the secretariat housed in IMF. It reflected the improved technical focus on the core challenges faced by administrations and the ongoing efforts of the international community to work together to avoid duplication of efforts and enhance strength.

29. In terms of coordination with other organizations, the International Tax Dialogue, which brought together staff that managed tax operations to facilitate dialogue, had a useful website with information on country tax systems (http://www.itdweb.org/) and organized a major ministerial-level conference every two years. The International Tax Dialogue on Tax and the Environment would be hosted by OECD from 1 to 3 July. The calls to avoid duplication and conflict among assistance providers had long been heard. The steering committees of IMF trust funds comprised donors and country officials with an understanding of

the technical assistance provided. Similarly, the International Tax Dialogue had been engaged in cooperative analyses at the request of G20 leaders, authoring papers on fair financial contributions in the wake of the financial crisis; it was currently working on a paper on tax incentives, with input from developing countries. Cooperation was thus not restricted to bilateral interactions with member countries.

30. **Mr. Verhoeven** (Lead Economist and Cluster Lead with Governance Global Practice, World Bank Group), accompanying his remarks with a digital slide presentation, said that the World Bank, like any other bank, was interested in the return on its investments. In its case, that included non-financial returns such as development. Reducing tax evasion produced very high returns of US$49 for every dollar invested. Ensuring that the various organizations working in the field contributed in the most efficient way would involve examining their relative convening power, skills, resources and instruments. Like organizations such as IMF and OECD, the World Bank provided technical assistance, advice and analysis across the developing world. As its distinguishing feature was its ability to provide loans to support large capacity-building projects, its contribution included financing projects recommended by other organizations. The World Bank was particularly interested in funding information technology systems for tax administrations in order to help States reduce levels of tax evasion. It also provided targeted assistance on base erosion and profit shifting matters.

31. The World Bank was committed to ensuring that the voices of developing countries were heard at the international level. To that end, the international agenda and initiatives related to base erosion and profit shifting must be made accessible to those States by ensuring that they understood the measures being introduced, the potential benefits and the means of accessing those benefits. A good starting point would be to address the significant difficulties faced by developing countries with regard to tax incentives.

32. The World Bank had contributed to tax transparency by helping States to meet the standards of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. It was helping them move towards implementing automatic exchange of information and also ensured that the perspective of low-income countries was included in OECD proposals, such as the base erosion and profit shifting project.

33. World Bank workshops with developing countries had revealed that there were several priority issues for those countries. The most fundamental of those was capacity-building, given that complex tax matters could not be addressed unless effective audit systems, taxpayer registers and collection systems were in place. Developing countries considered transfer pricing issues to be their biggest challenge. The often protracted and costly resolution of disputes between corporations and Governments was particularly problematic. It would be difficult to make progress in the area of transfer pricing without access to comparable data on the prices of similar transactions around the world.

34. Another issue was that many developing countries did not yet have a legal framework in place to address base erosion and profit shifting. Where such frameworks did exist, it was important to ensure that members of the judiciary possessed a thorough understanding of the issues so that they could properly apply the law. Furthermore, developing countries sometimes found themselves locked into treaties that they were not happy with. Some developed countries were taking the lead in tackling that problem by signing new agreements with developing countries. With regard to the harmonization of tax systems, it was important to ensure that States did not undermine one another's efforts. Developing countries had also asked for the issue of natural resource taxation to be included in the base erosion and profit shifting agenda.

35. **Mr. Verdi** (Executive Secretary, Inter-American Center of Tax Administrations (CIAT)), accompanying his remarks with a digital slide presentation, said that the Center sought to achieve cooperation resulting in coordinated action, such as its translation of the *United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries* and its collaboration with the United Nations Financing for Development Office on *Measuring Tax Transaction Costs in Small and Medium Enterprises*. It was engaging in South-South cooperation with the support of partners such as Germany, Italy, Switzerland, the European Union, the Inter-American Development Bank, IMF, the International Tax Compact and the World Bank. It was also engaged in significant cooperation with the African Tax Administration Forum, the Intra-European Organization of Tax Administrations,

Centre de rencontre des administrations fiscales and the Study Group on Asian Tax Administration and Research.

36. The Center acted as a bridge between developing countries and OECD, communicating the priorities, restrictions and problems of developing countries to OECD and informing those countries about what the base erosion and profit shifting initiative could do for them. The base erosion and profit shifting initiative would have to take into account differing national economies in the Latin American and Caribbean region: some were based on industry, while others depended on tourism, mineral extraction or gas and oil. The initiative provided an opportunity to discuss important issues such as bank secrecy, which should be abolished, and multilateral agreements, which should replace bilateral agreements. Another important aspect of the project was information exchange. While many countries were a long way from being able to transfer information automatically, they were headed in the right direction. The Center was focusing on the means of implementing the measures approved by the initiative. The point of harmonization should not be to make all systems identical; there must be enough flexibility to take national restrictions into account. The Center was also seeking resources that could be used to strengthen the tax administrations of its member States. Its consultations had focused primarily on the first seven actions of the 15-point Action Plan on Base Erosion and Profit Shifting, which were the most important.

37. It was essential to implement specific measures to combat tax evasion in transactions involving commodities. One such measure was the “sixth method” for pricing commodity transactions, which was now law in most Latin American countries. Information should be made more readily available in order to facilitate the implementation of the “arm’s length” principle. There should also be greater emphasis on country-by-country reporting, as it was difficult for even large economies to obtain information about multinational corporations, owing partly to the reluctance of those enterprises to cooperate. The hope was that such corporations would eventually be legally obliged to present their master files and local files. In short, the base erosion and profit shifting initiative presented many exciting opportunities for progress in the region.

38. **Mr. Marais** (Director, Strategy and Planning, African Tax Administration Forum (ATAF)) said that international organizations, Governments and regional and continental structures that had traditionally competed against one another on tax matters were now tending to collaborate with each other and with the business sector, the academic sector and civil society. In Africa, developing countries that had once been merely informed of what was happening were now being consulted and even participating in the work, including through highly technical contributions. The Forum was currently working with partners, including OECD, the International Monetary Fund, the World Bank, the African Development Bank and the African Union, on issues such as base erosion and profit shifting, information exchange, tax incentives and domestic resource mobilization. It was also calling for a commission on tax matters to be established within the structure of the African Union. The Forum had benefited greatly from its visits to the Inter-American Center of Tax Administrations and hoped that regional tax organizations would develop better mechanisms to share their experiences. It was also exploring the possibility of collaborating with the African Industry Tax Association, a group of multinational corporations, and had established the African Tax Research Network, whose research would inform the future work of the Forum. It continued to develop its cooperation with civil society.

39. Financial and technical resources were too limited for organizations to indulge in turf battles and duplication of work. As the base erosion and profit shifting initiative moved from the consultative to the implementation stage, it would be important to consider how best to distribute resources in order to help countries use the toolkits most effectively. It was absolutely essential to ensure that there were sufficient technical resources available to developing countries.

40. The purpose of collaboration on tax matters was to improve the quality of life for all through the development of societies and economies. Failing to overcome tax-related challenges would mean that the world would continue to face the capsizing of boatloads of migrants, shameful acts of xenophobia in Africa and atrocities such as those committed by Boko Haram, Al-Shabaab and the Islamic State in Iraq and the Levant (ISIL). All stakeholders in the tax arena must be agents of change to improve the lives of ordinary people.

41. **Mr. Rahman** (Bangladesh) expressed concern at the emphasis on domestic resource mobilization in the

discussions on the sustainable development goals. Least developed countries attempting to implement the Millennium Development Goals already had to deal with an overwhelming financial burden and it seemed that, once again, they might be left to their own devices. Given the humanitarian cost of inaction, it was essential for those States to receive assistance. Noting that the panellists had not discussed the Asia-Pacific region, he asked whether OECD, IMF and the World Bank were doing enough in that part of the world.

42. **Ms. Kage** (Germany) requested further information on the conference on tax and the environment mentioned by the representative of IMF.

43. **Ms. Sloane** (United States of America) asked how tax-related deliverables likely to be proposed in the outcome document of the third International Conference on Financing for Development — for example, Tax Inspectors without Borders — would be developed. She also enquired about coordination mechanisms the panellists' organizations had with the Chairs of the Conference, and about their input to the zero draft of the outcome document.

44. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), said that there was no organization in the Asia-Pacific region comparable to the Inter-American Center of Tax Administrations or the African Tax Administration Forum. However, there had been some discussion on the possibility of establishing such an organization. In the meantime, the Financing for Development Office had been trying to involve other relevant regional associations in its work.

45. **Ms. Perez-Navarro** (Deputy Director, Centre for Tax Policy and Administration, Organization for Economic Co-operation and Development (OECD)) said that there was no question of eliminating development aid; rather, the discussions on domestic resource mobilization were intended to determine how to use aid most efficiently, if necessary, by applying more aid to tax matters. Taxation was not only critical in enabling States to finance their own development; it also played an important role in State-building by creating a relationship and accountability between citizens and their Governments.

46. OECD was working with regional actors to try to develop a tax administration organization for the Asia-Pacific region. However, a great deal of relevant work was already being done in the region through the broader OECD Southeast Asia Regional Programme and structures such as Asia-Pacific Economic Cooperation (APEC).

47. The conference referred to by the representative of Germany was the sixth International Tax Dialogue Global Conference. The theme for the 2015 conference, "Tax and the Environment", had been selected in the run-up to the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. Topics for discussion would include the specific challenges faced by developing countries in the area of tax and the environment.

48. OECD hoped to launch the Tax Inspectors without Borders project in the near future and felt that the third International Conference on Financing for Development would be an ideal occasion to do so. A number of its representatives had participated in the discussions on the zero draft of the outcome document for that Conference, and OECD would continue to provide input.

49. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), said that while other stakeholders were invited to provide input to the discussions on the zero draft, it was up to Member States to make specific proposals for inclusion in the document.

50. **Ms. Perry** (Assistant Director, Fiscal Affairs Department, International Monetary Fund (IMF)) said that she agreed with the comments by the representative of OECD concerning development aid. While the lack of a regional tax administration organization for the Asia-Pacific region was a matter of concern, IMF was working bilaterally with low-income Asian countries. It had also established a regional technical assistance centre in Fiji to ensure that small and remote States in the region were given adequate attention.

51. IMF was submitting comments on the zero draft of the outcome document of the third International Conference on Financing for Development. It was developing a number of tools for States to use on a voluntary basis, although they were not specifically intended to be rolled out at the Conference. Those tools included its Revenue Administration-Gap Analysis Program (RA-GAP), which was designed to develop comparable measures of revenue shortfalls based on a State's existing laws and administration, and the

Revenue Administration-Fiscal Administration tool (RA-FIT), which would enable States to benchmark themselves against their peer countries. Policy tools were more difficult to design, but work was under way on toolkits relating to tax incentives. The focus had moved towards developing readily available comparison tools that countries could use to measure their own progress.

52. **Mr. Verhoeven** (Lead Economist and Cluster Lead with Governance Global Practice, World Bank Group) said that the Republic of Korea and the World Bank would hold a conference on the Asia-Pacific region in June. The Government of the Republic of Korea had suggested that the conference might be an opportunity to begin the process of establishing a regional tax administration organization.

53. The World Bank was commenting on the zero draft of the outcome document of the third International Conference on Financing for Development. It should also be involved in discussions at the Addis Ababa Conference with regard to its role and its potential collaboration with Governments.

54. **Mr. Verdi** (Executive Secretary, Inter-American Center of Tax Administrations (CIAT)) said that the Study Group on Asian Tax Administration and Research had visited the Inter-American Center of Tax Administrations as part of its research into the possibility of creating a regional tax administration organization.

55. **Mr. Marais** (Director, Strategy and Planning, African Tax Administration Forum (ATAF)) said that the impetus for establishing the African Tax Administration Forum had come from States in the region, which must be prepared to make the necessary commitments and sacrifices. The Forum had documented the process and would be happy to share its experience with actors in the Asia-Pacific region.

56. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), said that the collaborative work of international and regional tax organizations to benefit their members and to further development in general would continue in the run-up to the third International Conference on Financing for Development and beyond. Those organizations were invited to provide comments and information on their initiatives and to organize side events for the Conference.

General discussion

57. **Mr. Mminele** (South Africa), speaking on behalf of the Group of 77 and China, said that despite increasing recognition of the central role of tax systems in development and the unprecedented demand from both developing and developed countries for strengthening international cooperation on tax matters, there was still too little focus on the development dimension of tax matters. The lack of a global, inclusive norm-setting body for cooperation at the intergovernmental level was cause for considerable concern. The Committee of Experts on International Cooperation in Tax Matters should become an intergovernmental subsidiary body of the Council, with experts representing their respective Governments instead of acting in their individual capacity. Such a change would not only strengthen international cooperation in tax matters but also allow all Member States to have an equal voice. The United Nations was the only truly global forum with universal relevance and participation but, as noted by the Secretary-General in his report, the Committee was not fully able to bridge the fundamental gap of representation between developed and developing countries because of its non-governmental status and limited resources (E/2015/51, para. 22).

58. In addition to updating the Model Convention and completing the Transfer Pricing Manual, the Committee of Experts had carried out exemplary work in capacity-building, an area of critical importance to developing countries. The Committee should be further strengthened by better integrating its work into the programme of work of the Council and enabling it to effectively contribute to processes relating to financing for development and the post-2015 development agenda. In particular, the outcome document of the third International Conference on Financing for Development should include a commitment to upgrade the Committee to an intergovernmental subsidiary body of the Council. He urged States to make voluntary contributions to the Trust Fund for International Cooperation in Tax Matters with a view to supporting the work of the Committee and increasing the participation of experts from developing countries.

59. **Ms. Francis** (Observer for the Bahamas), speaking on behalf of the Caribbean Community (CARICOM), said that there was an urgent need for an informed discussion on international cooperation in tax

matters within the context of a universal intergovernmental dialogue on development. Any meaningful dialogue must take into account developing countries' dual objective of achieving sustainable development through job creation and increasing transparency within the financial sector. The model for such development should be based on a diverse mix of high-quality business services, including financial services, as such models had been shown to promote skills acquisition, training, human development, infrastructure development, strong judiciaries, business transparency and economic freedom. CARICOM had supported the work to improve transparency within international financial centres and would continue to contribute to initiatives relating to tax matters with global consequences. However, it must be recognized that the limited financial and human resources of developing countries meant that they were still in need of significant assistance to enable them to participate meaningfully in tax cooperation initiatives and implement international standards and agreements.

60. The CARICOM region had well regulated international financial centres and was fully committed to implementing globally agreed standards. CARICOM recognized the significant work being done in the areas of base erosion and profit shifting and automatic exchange of information at the global level and welcomed the efforts that had been made to include developing countries in those processes. However, in many cases, small States were invited to participate only after decisions had been made. That situation must change if policies were to result in equal treatment and take into account the development realities of small States when establishing timetables. Moreover, the opportunity to participate in decisions on fundamental changes to international tax standards was a right, not a privilege. The involvement of all States on an equal footing would also ensure that discussions were enhanced by a variety of perspectives. Therefore, CARICOM fully supported the call for the conversion of the Committee of Experts into an intergovernmental subsidiary body of the Council. Such a change would help to bridge the gap in international tax cooperation and strengthen the work of the Committee, particularly in relation to development and capacity-building. Upgrading the Committee would also result in better integration of tax matters into sustainable development processes and bring much-needed weight to discussions on key issues of concern for developing countries with regard to financing for development and the post-2015 development agenda.

61. **Mr. Busuttil** (Observer for the European Union) said that domestic resource mobilization and enhancing fiscal capacity were essential for financing sustainable development. The European Union and its member States would therefore continue to engage constructively in the promotion of international cooperation in tax matters. Supporting developing countries in designing efficient and cooperative tax systems was a priority of the European Union's development policy.

62. The European Union and its member States supported broader participation of developing countries in relevant international forums, as that would contribute to their efforts to effectively tackle tax evasion and other harmful practices. However, converting the Committee of Experts into an intergovernmental commission was not the way to achieve that goal. The current format of a body comprising independent experts representing different parts of the world was appropriate. Strengthening institutional arrangements should not lead to the creation of competing forums, especially as there were already a number of international forums pursuing similar objectives, including the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, the OECD Task Force on Taxation and Development, the International Tax Dialogue and the International Tax Compact. Rather than indulge in institutional proliferation, the Council should focus on improving cooperating among existing bodies, including the Committee of Experts, and ensuring that all States were in a position to participate in and benefit from international transparency in tax matters. Effective cooperation between the Committee of Experts and OECD structures should be aimed at reinforcing structures such as the Global Forum, which now comprised 125 countries, including developing countries. Increased dialogue and cooperation with regional structures, including CIAT and ATAF, and with initiatives such as the Extractive Industries Transparency Initiative, could also be explored. While domestic resource mobilization and increased fiscal capacity were essential for financing sustainable development, establishing new intergovernmental bodies would not be the most effective way forward. Instead, the creation of synergies between existing forums should be explored and resources should be

used where they could deliver the most effective results.

63. **Ms. Medvedeva** (Russian Federation) said that her delegation supported the efforts of the Committee of Experts to update the United Nations Model Double Taxation Convention and the *United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries*. Tax policy was one of the most important instruments for domestic resource mobilization which, alongside official development assistance (ODA), would be a major source of financing for the post-2015 development agenda. An effective tax system should cover all core elements of taxation and tax administration procedures. It must ensure that budget revenue was commensurate with levels of economic development and tax legislation. The extent and structure of the tax burden should not impair conditions for economic growth, distort competition or impede investment flows. Tax administration systems must also focus on minimizing costs to economic actors by enhancing accounting and reporting and ensuring the transparency and simplification of procedures between taxpayers and tax agencies.

64. Tax policies taking into account the needs of developing countries should include measures to improve tax collection, reduce the ratio of tax debt to government budget income and increase the proportion of taxpayers who conscientiously comply with their obligations. In that context, the G20 decision regarding the implementation of the Action Plan on Base Erosion and Profit Shifting was significant. Measures to develop electronic information exchange, reduce excessive administration and reduce costs to taxpayers in preparing and submitting their tax returns also had an important role to play in domestic resource mobilization. Her Government was actively involved in international cooperation aimed at building capacity in developing countries. For example, it had contributed to the World Bank trust fund for improving public financial management in Europe and Central Asia, promoting the exchange of knowledge and experience in the area of tax policy and tax administration and strengthening accountability and the fiduciary environment (SAFE Trust Fund).

65. **Mr. Rahman** (Bangladesh) said that his delegation supported upgrading the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental body, as such a move would provide many benefits to Member States. Moving the annual session of the Committee from Geneva to New York would also be useful, given that the key stakeholders of the United Nations system were based in New York.

66. There had been a great deal of emphasis on domestic resource mobilization during the preparatory processes for the third Conference on Financing for Development, the summit on the post-2015 development agenda and the Paris Conference on Climate Change. While least developed countries were highly involved in those processes, they were concerned that both their crucial need for international financing and their structural constraints were largely being ignored. In particular, least developed countries in the Asia-Pacific region were in desperate need of capacity-building assistance. He called on all actors to ensure that the constraints and requirements of least developed countries were properly taken into account.

67. **Ms. Franceschi Navarro** (Panama) said that taxes were a crucial instrument in achieving a solid long-term financial platform for sustainable development. Cooperative tax regimes would play a key role in the mobilization of domestic financial resources by ensuring the development of sound and broad-based financial sectors. Taxes were needed to fund State services and ensure effective State-building. They also paved the way for more responsive governance by enabling citizens to hold Governments accountable for their actions. Broad-based national growth was dependent on a solid tax relationship between the Government, the private sector and the general public. For developing countries, particularly those transitioning to middle-income status, a strong tax system combined with stable economic growth was the solution to long-term reliance on aid. While effective policy creation and means of implementation were important, basic challenges relating to the collection of taxes must also be addressed at the national, regional and global levels. Developing countries faced difficulties in that regard because their overall economic structure was not conducive to tax collection and because citizens were unwilling to pay taxes. The reticence of citizens to comply with their tax obligations was a direct result of a lack of confidence in the fiscal system resulting largely from unfair taxation practices and the misuse of public funds.

68. Maintaining sound tax systems required effective information exchange. One of the main concerns of the international community was tax evasion by means of

tax havens, which deprived States of a great deal of revenue that could be channelled into development. Her delegation therefore welcomed the expanded cooperation between States that had been achieved with the assistance of international organizations in that area. The ultimate objective of such efforts should be to compel offshore financial centres to compete on the basis of the services, rather than the level of secrecy, they offered. Panama had taken important steps to foster cooperation in tax matters, as its economy was highly dependent on its thriving financial sector. The Committee of Experts should be upgraded to an intergovernmental body and relocated to New York in order to ensure the equal treatment and participation of all Member States and to promote development.

69. **Ms. Sloane** (United States of America) said that, with domestic resources dwarfing ODA in even the least developed countries, mobilizing the domestic tax base and other domestic revenue would be key to sustainable development. The United States was a strong supporter of capacity-building assistance in revenue collection and management for developing countries. It had supported activities ranging from increasing the efficiency of established tax regimes through information technology to more foundational work such as assisting in the formulation of tax legislation and administrative capacity in newly independent States. It had also participated in various multilateral forums on tax issues.

70. Her delegation opposed the establishment of an intergovernmental body for international cooperation in tax matters within the United Nations system, including through the conversion of the Committee of Experts. The creation of such a body would lead to duplication of work with existing structures such as the African Tax Administration Forum, IMF, the Inter-American Center of Tax Administrations, OECD and the World Bank, whose work already took into account the policy positions of both developed and developing countries. In its current format, the Committee of Experts had produced meaningful results and tools for developing countries while minimizing duplication of effort, and it was well placed to inform the discussions on financing for development and the post-2015 development agenda without having to specifically align itself with those processes. Her delegation was also unpersuaded of the need to significantly expand the membership of the Committee of Experts. While its 25 members acted in an individual expert capacity, they came from diverse backgrounds and all the major geographic regions represented at the United Nations. Furthermore, around half the experts were citizens of countries that were not currently members of the Council. The Committee of Experts was diverse enough to represent a variety of views yet small enough to reach consensus on potentially contentious issues. The Committee should continue to consult broadly and openly, and perhaps seek to engage with States and experts that had not yet been involved in its work, but should not be formally expanded.

71. **Mr. Fossard** (Financial Transparency Coalition), speaking on behalf of a broad coalition of civil society organizations active in the financing for development intergovernmental process, said that developing countries had been calling for the Committee of Experts to be upgraded for some time. The proposals in the Secretary-General’s report appeared to focus primarily on strengthening the Committee. They were based on an analysis by the Secretariat and replies from eight delegations, most of them members of the Group of 20, meaning that they were not representative of the views of developing countries. However, promotion of intergovernmental tax cooperation should be informed by the financing for development process, a context in which developing countries had clearly expressed their position in favour of a universal, intergovernmental body with a broad mandate and appropriate resources.

72. Civil society organizations did not consider strengthening the Committee of Experts to be an alternative to enhancing its political status. Furthermore, while OECD initiatives on base erosion and profit shifting and automatic information exchange were inclusive and involved consultations, they were no alternative to a body in which all Member States were represented on an equal footing. Given the enormous differences between the interests of industrialized countries and developing countries, it was essential to ensure there was political space for a debate on international tax matters. It was only right to establish an intergovernmental body for tax matters modelled on universal or near-universal United Nations bodies such as the Intergovernmental Committee on the Convention on Biological Diversity or the United Nations Forum on Forests.

The meeting rose at 1.15 p.m.