

Special Meeting of ECOSOC on International Cooperation in Tax Matters
(New York, 7 April 2017)

Full summary

Opening of the Meeting

1. The President of the Economic and Social Council, Mr. Frederick Musiiwa Makamure Shava, opened the meeting by acknowledging that taxation was one of the most important ways in which developing countries could mobilize resources for investment in sustainable development and meet the ambitions of the 2030 Agenda for Sustainable Development. He referred to the meeting as an important opportunity to highlight national, regional and international efforts to enhance international cooperation in tax matters and to combat illicit financial flows, as well as to strengthen the institutional arrangements to promote cooperation in these key areas. In addition, the President thanked the current membership of the Committee of Experts on International Cooperation in Tax Matters (Committee), whose term would end in June 2017, for their accomplishments towards promoting international tax cooperation, as well as for paying attention to the needs and challenges of developing countries.
2. Mr. Wu Hongbo, Under-Secretary-General for Economic and Social Affairs, stressed that the Special Meeting would provide an important substantive input to the 2017 ECOSOC Forum on Financing for Development follow-up (FfD Forum) on 22 to 25 May 2017. He recognised the Committee's many accomplishments, including the review and update of the United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model), the updated and enhanced United Nations Practical Manual on Transfer Pricing for Developing Countries, and the new Handbook on the Taxation of Extractive Industries in Developing Countries. Mr. Wu emphasized that the impact of normative development could not be realised without capacity building. The United Nations program for capacity building on international tax matters, implemented by the Financing for Development Office, placed strong emphasis on the needs and priorities of developing countries and was aimed at strengthening the capacity of national tax authorities and administration. He highlighted the inter-agency Platform for Collaboration on Tax (Platform) as an important joint initiative by the IMF, OECD, UN and the World Bank Group (WBG) to intensify cooperation between these organizations on tax issues and strengthen capacity building on tax matters in developing countries. In conclusion, he explained that as Committee members' terms were coming to an end in June, the process of new membership selection was underway and would proceed as mandated in ECOSOC resolution 2004/69 and reconfirmed by the Addis Ababa Action Agenda.
3. Ms. Patience Tumusiime Rubagumya, Commissioner of the Legal Service and Board Affairs of the Republic of Uganda, highlighted domestic efforts in promoting international taxation and implementing strategies to enhance compliance with transfer pricing regulations, preventing treaty abuse and policy redesign. The panellist focused on a number of key challenges that developing countries, including Uganda, had encountered in these efforts, such as treaty abuse, a lack of information about worldwide activities and operations of multinational entities, as well as limited comparable data for transfer pricing cases. Difficulties further arose through preferential tax regime jurisdictions that eroded the tax base of developing countries, as well as inadequate capacity of staff. The extractives industry also posed a challenge as many developing countries did not fully understand the governance of the sector. The greater use of mobile and internet based transactions highlighted the importance for tax treaties to include explicit and clear provisions on e-commerce. As a way forward, Ms. Rubagumya called for policy enactments and treaty provisions that would create a balance between protecting revenue by maintaining source taxing rights and encouraging inbound investments through reduction of tax barriers, contract

negotiation guidelines and policy design for taxing the revenues from extractives. She also called for proper policies on petroleum revenues to ensure governments received fair revenue shares, limitation of benefits clauses, as well as a practical approach and clear clauses on anti-treaty shopping that could be incorporated in domestic laws of developing countries. In conclusion, she stressed the need for greater capacity-building, including through the exchange of information and circulation of toolkits, as well as increased UN-African Tax Administration Forum (ATAF) collaboration on capacity building initiatives.

Interactive dialogue between ECOSOC and the Committee of Experts on International Cooperation in Tax Matters

Interactive Dialogue on: United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model)

4. The interactive discussion on “United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model)” featured presentations by Mr. Armando Lara Yaffar, Chairperson of the Committee of Experts on International Cooperation in Tax Matters; Ms. Carmel Peters, Coordinator of the Subcommittee on Base Erosion and Profit Shifting Issues for Developing Countries and Policy Manager at Inland Revenue, New Zealand; Mr. Luis Gomes Sambo, Head of the International Cooperation Department of the General Tax Administration of Angola; and Mr. Alvaro Romano, Deputy Director General of the General Tax Directorate of Uruguay.
5. Mr. Michael Lennard, Secretary of the Committee of Experts on International Cooperation in Tax Matters (Committee), served as the moderator for the morning session. He underlined the importance of tax treaties for sustainable development. Tax treaties enabled countries to carve up taxing rights by agreement in a way that was fair to both countries and taxpayers. He underlined that the UN Model demonstrated practical guidance on how to avoid double taxation in a way that promoted development and was beneficial for revenue collection, especially in developing countries.
6. Mr. Armando Lara Yaffar focused his presentation on what to expect from the new UN Model. The new UN Model provided further guidance on taxation of multinational enterprises based on a study conducted by the Committee regarding situations where companies avoided taxation by base erosion schemes. The new UN Model contained provisions for situations of base erosion where companies were residents in one country but operated elsewhere to seek more favourable taxation terms. The Model also provided guidelines for situations when companies exploited hybrid elements where qualification of one operation had a tax impact on another country or even a third country in which companies had double deductions and/or lack of taxation. The UN Model had increased the standard of cooperation to fight tax evasion by means of greater exchange of information and the setting up of international parameters for cooperation. He raised the possibility for ECOSOC to issue a code of conduct that could establish commitments for countries so that national legislation might prioritize these exchanges in all modalities, whether it were automatic exchanges of financial information by requirements of the taxing authority or a spontaneous mechanism.
7. Ms. Carmel Peters highlighted that base erosion and profit shifting (BEPS) referred to tax avoidance strategies used by multinational enterprises to exploit gaps and mismatches in tax rules in order to artificially shift profits to no-tax or low-tax jurisdictions. She mentioned that the UN Model provided a blueprint for a bilateral agreement between two countries where each country gave up some of its taxing rights in the spirit of reciprocity. She showed an example of treaty shopping (i.e., when a person who is a resident of a third country attempts to obtain benefits that a bilateral tax treaty grants to the residents of the contracting states). She emphasized that in the Addis Ababa Action Agenda, Member States committed to improve fairness, transparency, efficiency and effectiveness of tax systems, reduce opportunities for tax avoidance, and

considered inserting anti-abuse clauses in all double tax treaties. She also provided an overview of what the relevant subcommittee did on BEPS, including working with developing countries through surveys and discussions. One of the key conclusions of these surveys pointed to treaty abuse as a major problem for developing countries. The speaker also announced that the subcommittee had approved changes to the UN Model, which would be reflected in the 2017 update. Highlights included provisions to prevent the abuse of tax treaties and the expansion of taxing rights so that taxation could occur in the source state where income is earned.

8. Mr. Luis Gomes Sambo presented Angola's experience with double tax treaties. He referred to Angola's taxation of fees for technical services (6.5 per cent of the total value of the service), which was a major source of revenue in a country where foreign investment was highly important. He said the application of the tax rules as described in Article 7 of the UN Model on business profits to these services could be considered an administrative challenge for the application of withholding taxes on payments to the tax administration, since there was no effective mechanism for reporting the later income or accepting deductions from it. He said the current UN Model affords a situation where it would be easy for taxpayers to avoid domestic withholding, by simply avoiding permanent establishment exposure in Angola. The inclusion of a provision on fees for technical services in the UN Model would provide countries like Angola with a very important negotiation tool to protect its tax base. Such rule was also in line with the most recent BEPS/transfer pricing recommendations in preserving source state taxation rights. He also called for recognition that most countries that supported the UN Model were still facing challenges in developing their tax administrations to deal with less material and more complex tax situations and taxpayers. He commented on the mismatch between the services covered by domestic legislation but not covered by the treaty provision. He concluded that it was essential to ensure that certain services such as maintenance, installation and specialized technical assistance and consultancy services would be included in the scope of the treaty, thereby imposing a withholding tax on these services instead of covering them through the business profits article.
9. Mr. Alvaro Romano discussed the impact and relevance of the UN Model from the standpoint of Uruguay. He pointed out Uruguay's active policies in various conventions. He referred to the differences between the UN Model and the OECD Model. The UN Model featured a wider permanent establishment concept, which increased the resource envelope through avoiding deductions for certain areas, and the anti-abuse clause, which helped in cases where it was difficult to see where a business was concentrated. The speaker welcomed the incorporation of Article 12A because this article made it possible to protect the tax base of the source country and share taxing power without any ceiling on the service provider. He provided an example of tax base erosion where payments for technical services could be deducted in source states resulting in large tax losses. He concluded that tax base erosion practices must be fought, especially in countries that depended on taxes to fund social policies. Lastly, he mentioned that Uruguay supported the inclusion of anti-base erosion measures in the UN Model.
10. During the interactive discussion it was argued that it was sometimes difficult to implement tax treaties in developing countries, especially when auditors did not have experiences to implement novel policies. One participant suggested strong technical assistance and training programmes, particularly to deal with audits. Both policies and administration would be important. The UN could set up cooperating panels for the exchange of information on how to implement tax measures. Others emphasized that it was important to encourage investment while also preserving legitimate taxing rights. Continuous work and keeping pace with multinationals operating globally was needed for the best treaty and tax policies. The UN was encouraged to enhance its work on capacity building with the tax administration of developing countries. It was also suggested to develop a program to help developing countries better deal with multinational groups in dealing with complex tax issues. A call was made for more resources for the Committee and its Secretariat.

Interactive discussion on: United Nations Practical Manual on Transfer Pricing for Developing Countries

11. The interactive discussion on “United Nations Practical Manual on Transfer Pricing for Developing Countries” featured presentations by Mr. Stig Sollund, Coordinator of the Subcommittee on Article 9 (Associated Enterprises): Transfer Pricing and Director-General, Head of International Tax Section of the Tax Law Department, Ministry of Finance, Norway; Ms. Noor Azian Abdul Hamid, Director of the Multinational Tax Department of the Inland Revenue Board of Malaysia (IRBM), Malaysia; Mr. George Obell, Chief Manager of the Transfer Pricing Audits for Large Taxpayers, Kenya Revenue Authority and Mr. Fausto Miguel García Balda, Coordinator of International Taxation in the International Tax Service of Ecuador.
12. Mr. Michael Lennard moderated the discussion and noted that while transfer pricing itself was a usual phenomenon within Multinational Corporations (MNCs), it would be the issue of mispricing that was corrosive to development. Profits were shifted so that developing countries did not achieve taxation on profits created within their territory, as they appeared to have been generated elsewhere, generally in tax havens. He also noted the various gaps between developing and developed countries and between developing countries and multinational enterprises, including with respect to access to information, legislative and administrative frameworks, and availability of technical skills, all of which the Manual tried to address.
13. Mr. Stig Sollund introduced the update of the United Nations Practical Manual on Transfer Pricing for Developing Countries. The Manual was not a piece of legislation but rather a practical tool designed for tax administrations of developing countries to deal with issues concerning transfer pricing. He noted that the Manual was a response to the need expressed by developing countries to deal with transfer pricing in line with Article 9 of the UN Model (taxation of associated enterprises). While transfer pricing was a neutral term, the tax bases of countries where MNC entities did business in were directly impacted by the terms, conditions and prices of intra-group transactions. Countries thus needed tax rules to repair and adjust the distortive effects of special relationships between parties. Mr. Sollund also discussed the newly-added chapters to the Manual, including those on intra-group services, intangible assets, cost-sharing agreements and business restructuring. The new edition further covered Article 9 and sought consistency with the outcomes of the BEPS project and the OECD Transfer Pricing Guidelines. There was also revised guidance on comparability analysis and documentation and new and extended sections on commodity transactions and country practices. Additionally, he mentioned that the Manual addressed transfer pricing methods such as the 6th method that reflected a special methodology used by a number of Latin American countries.
14. Ms. Noor Azian Abdul Hamid discussed practical taxation challenges that Malaysia had faced, especially with regard to intra-group services and explored how the Manual aided in mitigating a few of these challenges. For instance, she noted that Malaysia was a service-recipient country, where subsidiary companies paid significant amounts of service fees. Nonetheless, there was a lack of elaboration on what comprised these service or “management” fees. Other challenges included documentation aspects of transfer pricing such as a company’s capability to conduct benefit tests, the lack of information on what an appropriate allocation key was and how to accurately verify the cost base of claims. The dearth of information on methodologies employed by companies in other jurisdictions was another challenge the Manual addressed by way of country-by-country reporting. Ms. Azian also noted the lack of detailed, publicly available information on service comparables, an issue faced by most developing countries. The lack of published industry rates to establish an appropriate safe harbour was pointed out as another issue to focus on. Her team would also focus on the new Manual’s discussion on the 6th method, business restructuring and documentation, which were issues especially relevant to Malaysia.
15. Mr. George Obell acknowledged that MNCs played a key role in the Kenyan economy. However, he noted that many of them were reporting losses despite embarking on sustained capital

expansion and continued business expansion. There were also claims of capital allowances and consistent refund claims. He also discussed trends where MNCs came from low-tax jurisdictions and channelled their claims through these jurisdictions. Furthermore, there were also low tax yields in the extractive sector. He discussed the challenges such as the lack of effective transfer pricing legislation, providing the Unilever case as an example. To address these challenges, Kenya established new laws and rules in 2006 to deal with transfer pricing. There were also issues concerning the lack of information on the MNCs such as their operations, structure, profit-reporting processes and issues on the lack of comparable local data in the industry. To address the issue of technical capacity constraints, Kenya set up teams of transfer pricing experts to deal with such cases and improved capacity-building through training and workshops. Mr. Obell also noted the need to devise benchmarking data tools. Solutions included strengthening transfer pricing legislation, utilizing the Manual, focussing on the issue of proper risk identification and analysis and exchanging of information for tax purposes.

16. Mr. Fausto Miguel García Balda shared Ecuador's experience on transfer pricing and how the Manual helped address issues within such experience. Transfer pricing was an important issue in Ecuador, as there was a high risk of undervalued revenues. There was also a lack of application of the arm's length rule, triangulation and the transfer of benefits, which contributed to tax base erosion. Ecuador enhanced the size of the team handling transfer pricing as companies tried to maximize their profits by transfer pricing. Issues encountered in auditing included limited access to international databases (which was a problem in many developing countries), few comparable Latin American companies in the region and no defined risk matrix. Ecuador utilized the Manual to improve control processes and knowledge in the area, which was helpful for setting the organizational structure for the transfer pricing unit, building team capacity, and learning about comparability analysis process and country practices.
17. During the brief ensuing interactive discussion one speaker recommended that the Manual should deal with the issue of transfer pricing within the tobacco industry. Panellists responded that although the Manual did not utilize an industry approach and provided more general guidance to tax administrations, the suggestion would be considered for the update of the Manual.

Interactive discussion on: Handbook on the Taxation of Extractive Industries in Developing Countries

18. The interactive discussion on "Handbook on the Taxation of Extractive Industries in Developing Countries" featured presentations by Mr. Eric Nii Yarboi Mensah, Coordinator of the Subcommittee on Extractive Industries Taxation Issues for Developing Countries and Assistant Commissioner of the Ghana Revenue Authority; Mr. Johan Cornelius de la Rey, Senior Specialist at the South African Revenue Service (SARS); Mr. Carlos Perez Gomez Serrano, Director of Transfer Pricing Audits at the Mexican Tax Administration Services; and Ms. Sophie Chatel, Associate Chief of Tax Treaties and International Tax and the Canada Revenue Agency.
19. The session provided an overview of the forthcoming Handbook on the Taxation of Extractive Industries in Developing Countries (the Handbook), to be released in October 2017, as well as the perspective of two countries which applied the guidelines on extractive industry taxation, produced by the relevant Subcommittee, to improve the effectiveness of their respective fiscal systems.
20. Mr. Eric Nii Yarboi Mensah noted that the extractive industries were a key source of revenue for many developing countries, which were however often unable to reap the benefits through taxation. Fiscal regimes should ensure that developing countries obtain an appropriate share of the benefits from non-renewable resources, while also attracting and retaining investors. It was in this light that in 2013, the Subcommittee on Extractive Industries Taxation was mandated to propose draft guidance on extractives. The work resulted in the production of an overview note and 8 guidance notes, which were approved by the Committee in October and December 2016. The

Handbook was intended to build awareness of the most relevant issues related to the industry, support policy makers and administrators in developing countries, as well as to provide information to other stakeholders. Mr. Mensah also briefly summarised the guidance notes on select issues for the extractive industry, such as tax treaties, permanent establishment, value added tax, indirect assets transfer, and the tax treatment of decommissioning operations.

21. Mr. Johan Cornelius de la Rey presented the guidance note regarding fiscal take in the extractive industries. The note provided context on how value derived from natural resources could be shared between government and investors, showing both perspectives, as well as features of different types of fiscal regimes. He explained how these tax instruments interacted among themselves and with the general tax regime in a country. He further noted that the Subcommittee also worked on the tax aspects of negotiations and renegotiations of contracts, where many developing countries had no specific law governing the fiscal terms of natural resource activities, which were usually a contractual agreement between the investor and the government. He also outlined the guidance note on transfer pricing issues in the extractive industries, which provided an overview of the issues arising as income moves along consecutive stages of the value chain, and possible solutions to address them.
22. Mr. Carlos Perez Gomez Serrano highlighted the role that extractives industries play in the Mexican economy, where almost 10 per cent of GDP was derived from mining activities. In this context, it was crucial to ensure that adequate fiscal regimes were in place for this key source of revenue, given the non-renewable character of resources and the high profitability of the business. It was also important that tax avoidance was tackled by streamlining legislation, conducting audits and promoting transparency to overcome informational asymmetry. Mr. Gomez welcomed the Handbook and conveyed his appreciation for the work of the Subcommittee.
23. Ms. Sophie Chatel echoed Mr. Gomez in highlighting the importance of natural resources for Canada. She outlined the features and evolution of the oil and gas taxation from the perspective of Canada, a developed country with high foreign direct investment, which therefore shared many of the tax policy considerations of a developing country. Furthermore, she stressed the key role which the UN extractive industries guidelines and the BEPS project played in tackling tax avoidance in Canada, e.g. by preventing treaty shopping and resulting in higher revenues, and the importance of streamlining tax administration to reduce compliance burdens for the taxpayers.

Panel discussion on: Promotion of International Cooperation to Combat Illicit Financial Flows to Foster Sustainable Development

24. The interactive discussion on “Promotion of International Cooperation to Combat Illicit Financial Flows to Foster Sustainable Development” was moderated by Mr. Léonce Ndikumana, Professor of Economics and Director of the African Development Policy Program, Political Economy Research Institute (PERI) at the University of Massachusetts Amherst. The discussion featured presentations by Ms. Carola Iñiguez Zambrano, Undersecretary of International Organizations at the Ministry of Foreign Affairs, Ecuador; Ms. Omotese Eva, Deputy Director at the Federal Ministry of Justice, Nigeria; Ms. Maria Angela Ponce, Minister at the Permanent Mission of the Republic of the Philippines to the United Nations; Mr. Christoph Schelling, Head of the Division for International Tax Affairs at the State Secretariat for International Financial Matters in the Federal Department of Finance, Switzerland; Ms. Elsa Gopala Krishnan, Financial Sector Expert at the Stolen Asset Recovery Initiative (StAR); and Ms. Monica Bhatia, Head of Secretariat of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum).
25. Mr. Léonce Ndikumana noted that over recent decades capital had been flowing out of developing into developed countries. Illicit financial flows were partially to blame for this trend and both source and destination countries should work together to curb them. In his view, there was an emerging consensus on the definition of illicit financial flows as flows which cross borders and somehow violate the rules of the country of origin or destination, originate from illicit activities,

violate the rules of transfer or finance, or are used to finance illicit activities. The fact that there were no comprehensive tools to measure the exact extent of these flows was no excuse for inaction to curb them. The moderator noted the various ways in which these flows could occur such as through transfer mis-pricing and trade mis-invoicing, including practices such as under-reporting exports, hiding export revenues, or acquiring extra foreign exchange by over-importing. Countries thus needed to share information on corporate activities and utilize existing regional and international momentum to combat illicit financial flows.

26. Ms. Carola Iñiguez Zambrano noted that tax evasion through illicit financial flows affected Least Developed Countries (LDCs) disproportionately given that it undermined their ability to finance sustainable development. She stressed the need to end tax havens to help developing countries that faced institutional limits to combat tax fraud. She proposed the establishment of an intergovernmental body on tax matters as a proper forum for international tax cooperation. In Ecuador, there had been millions lost to corporate tax evasion, revenue that could have been channelled into government initiatives. Thus, combating tax evasion was a political commitment of the Ecuadorian government. She also noted the referendum adopted in February last year to prohibit civil servants elected by popular vote from having assets or capital in tax havens. Ms. Zambrano noted that domestic resource mobilisation was a key Means of Implementation (MoI) for the Sustainable Development Goals (SDGs). In this context, she noted with concern that international tax cooperation to combat IFFs was biased towards richer countries and followed an ad-hoc approach. To ensure more systemic and equitable cooperation, she called for an intergovernmental body to combat illicit financial flows. The speaker further noted the importance of combating corruption, implementing automatic information exchanges and taking into account the degree of development in developing international tax norms and rules.
27. Ms. Omotese Eva noted that illicit financial flows stem from commercial sources, criminal activities and corruption. She highlighted that Africa had lost over a trillion dollars in the past 50 years due to transfer mis-pricing, money laundering, tax evasion, and other criminal activities. The speaker noted that curbing illicit financial flows and tax evasion was a crucial way to support domestic resource mobilisation. She emphasized that many MNCs and wealthy individuals continued to influence domestic policy in their favour, evade payment and maximize profits through the use of tax havens. BEPS was an important tool to review existing provisions in bilateral tax treaties and tax conventions. Nigeria had set up committees to examine current Double Taxation Agreements (DTAs) and domestic laws on taxation. She also welcomed other global efforts to combat illicit financial flows through information-sharing, the exposure of perpetrators and stolen asset recovery and highlighted the importance of the arms-length principle as well as country-by-country reporting. She also referred to the 15 point action plan in Nigeria to combat illicit financial flows, which included the setting up of a Single Treasury Account through the central bank to curb IFFs and corruption and the introduction of the Bank Verification Number, which curbs illegal bank transactions. However, international cooperation to curb IFFs was still needed, through efforts such as mutual legal assistance.
28. Ms. Maria Angela Ponce noted that there was a lack of an internationally-agreed definition on illicit financial flows. The Philippines' definition encompassed ex-President Ferdinand Marcos' "ill-gotten" funds and instances of trade-invoicing. Illicit financial flows were an important issue to the Philippines as the country's budget was primarily financed by domestic resource mobilisation, which can be threatened due to these flows. To address these issues, the Philippines had embarked upon tax and customs reform, tax collection campaigns and increased the efficiency of tax administration programs. While there were inherent deficiencies within revenue collection such as non-indexation, there were efforts to simplify forms and processes, improve tax compliance and improve processing and valuation systems to reduce illicit customs activities. Additionally, the Philippines also sought to improve their legislative framework by strengthening anti-money laundering laws and advance a more collaborative partnership with the private sector to coordinate and improve databases and establish guidelines. Cross-border cooperation was also strengthened to enforce reporting standards and advocate information-sharing. Ms. Ponce noted

the need to promote good governance institutions and foster bilateral engagement on curbing illicit financial flows.

29. Mr. Christoph Schelling emphasized that illicit financial flows were an impediment to domestic resource mobilisation. Key factors in preventing illicit financial flows included social, environmental and economic policy measures, as listed in the Addis Ababa Action Agenda, such as counter-cyclical fiscal policy, adequate fiscal space, good governance and democratic transparent institutions responsive to the people's needs. Furthermore, strengthening the domestic enabling environment such as the rule of law and fighting against corruption were important to achieve the SDGs. He noted various international efforts to curb these flows such as the UN Convention against Corruption. The Convention set the global standard in the fight against corruption and bribery by calling for preventive measures, criminalization, law enforcement, technical assistance and information exchange as means to combat corruption. Furthermore, apart from exchanging information on request, there were new efforts to exchange information for the first time on an automatic basis and to include developing countries in this network. Other international initiatives included BEPS, which had added new rules for corporate taxpayers. These rules however had to be translated into legislative provisions. He noted the positive results that came out of international cooperation procedures such as well-established judicial assistance regarding corruption cases and Switzerland's own experience in the freezing, seizure and restitution of funds.
30. Ms. Elsa Gopala Krishnan provided an introduction and overview of the StAR initiative by listing its various objectives, including StAR's role in intervening as part of the World Bank on issues of proceeds of crimes and corruption. Priorities for engagement on the issue of illicit financial flows were represented by three work streams: measuring such flows, preventing the underlying behaviours that result in illicit financial flows, and supporting countries and international efforts to stop illicit financial flows and recover stolen assets. These objectives were complemented by five strategic efforts: (i) improving measurement; (ii) integrating efforts at the country level (iii) utilising lessons learnt; (iv) capacity-building; (v) and strengthening global coalitions. StAR also provided technical assistance in implementing Chapter V ("Asset Recovery") of the UN Convention Against Corruption, primarily by ending safe havens for corrupt funds and emphasizing international efforts to confiscate and recover these funds. The Initiative worked in different areas: country engagements pertaining to capacity building; legal assistance and case studies; policy influence and international standards; knowledge-building through special publications and tools for practitioners; and partnerships and communications. Significant progress had been made in asset recovery both in policy formulation and the development of standards at the global and country levels. Looking ahead, StAR would focus on building technical capacity, better leveraging partnerships and managing expectations.
31. Ms. Monica Bhatia discussed the role and work of the Global Forum within the context of tax evasion. Tax evasion was one of the major components of illicit financial flows and the issues of transparency, legal entities and arrangements were key efforts to arrest these flows. Information exchanging between tax authorities was also essential in fighting cross-border tax evasion. The work of the Global Forum was centred on bringing together both source and destination countries to tackle tax evasion and focused on automatic exchange of financial account information. The Global Forum had an inclusive approach and worked on equal footing with decisions taken by consensus minus one, with most new members comprising developing countries. She noted that all 139 members were committed to the standards and were currently undergoing a peer review. The most powerful instrument had been the multilateral convention on mutual assistance on tax matters. She noted that 116 jurisdictions had been assigned compliance ratings in the first round of peer review completed in 2016. Numerous countries had ended bank secrecy laws for tax purposes, changing the environment in tax cooperation with a whole series of legislative reforms. Ms. Bhatia also noted the growth of Exchange of Information on Request (EOIR) relationships and a fall in jurisdictions with restrictions on access to bank information for these EOIR purposes. More and more resources were also put in by countries to ensure effective co-operation on tax

manners by fixing both supply-side issues (such as ensuring that countries were willing to provide information) and demand-side issues, where there was still significant scope for developing countries to participate more fully in the Forum. Ms. Bhatia also discussed commitments pertaining to Automatic Exchange of Information (AEOI) and the Global Forum's work on beneficial ownership, technical assistance and voluntary disclosure schemes.

32. H.E. Isabel Saint Malo, Vice-President and Minister of Foreign Affairs of Panama provided an overview of Panama's efforts to combat illicit financial flows. She noted that Panama had always looked to comply with international law and had brought its legal framework in line with international initiatives such as BEPS. Panama had also fast-tracked its initiatives within the Global Forum to ensure progress was made and appreciated the inclusive approach by the Forum. She echoed Ms. Zambrano's points on the need for international standards and objectives to be uniform instead of discriminatory or subjective, as discriminatory approaches would call into question multilateral organisations and jeopardises their success. Furthermore, implementing standards also required resources. She noted the need to draw distinctions between efforts to combat tax evasions and tax incentives required to attract Foreign Direct Investment (FDI), calling to work together to define principles to distinguish harmful tax incentives from those that are appropriate for development. She welcomed the first global conference to be organized by the Platform for Collaboration on Tax.

Strengthening Tax Capacity in Developing Countries

Interactive discussion on: Inter-agency Platform for Collaboration on Tax

33. Mr. Lenni Montiel, Assistant Secretary-General for Economic Development, UN-DESA, served as the moderator of the interactive discussion on the "Inter-agency Platform for Collaboration on Tax" (Platform). The discussion featured presentations by Mr. Marijn Verhoeven, Lead Economist and Cluster Lead Tax of the Global Tax Team, Equitable Growth, Finance and Institutions at the World Bank Group; Mr. Pascal Saint-Amans, Director of the Centre for Tax Policy and Administration at the Organisation for Economic Co-operation and Development (OECD); Ms. Victoria Perry, Assistant Director at the Fiscal Affairs Department of the International Monetary Fund; and Mr. Alexander Trepelkov, Director of the Financing for Development Office of the Department of Economic and Social Affairs, United Nations.
34. Mr. Lenni Montiel introduced the Platform as a joint initiative by the IMF, OECD, UN and World Bank Group, which was launched in 2016 to intensify cooperation among these organizations on tax issues and to strengthen their tax capacity-building support to developing countries. He noted that the session was intended to provide an update on the Platform's work, including the development of toolkits to help developing countries in taxing multinational enterprises, the work to assist developing countries in implementing nationally-owned medium-term revenue strategies (MTRSs), and the preparations for the first global conference to be organized under the aegis of the Platform and be held in February 2018 at the United Nations Headquarters in New York under the theme "Taxation and the Sustainable Development Goals (SDGs)".
35. Mr. Marijn Verhoeven spoke about the centrality of tax systems in raising revenues for investment in sustainable development. He noted the need for strong tax systems, as well as strong national tax administrations, and emphasized that political commitment was an indispensable prerequisite for tax reforms. He then listed a number of ways that could promote this political commitment, including: (1) implementation of coherent revenue strategies; (2) strong coordination among providers of external support; (3) sound knowledge and evidence base; (4) strong regional cooperation; and 5) strong participation of developing countries in rule-setting. He also mentioned that it was essential that cooperation on tax issues would be intensified and reported on the role played by the Platform to this end. He then spoke on progress made by the Platform, including with respect to the development of toolkits to assist developing countries, the establishment of a Platform secretariat at the World Bank Group and the launch of the preparatory

work for the first global conference of the Platform on taxation and the SDGs.

36. Mr. Pascal Saint-Amans focused on a key area of work of the Platform, which consisted in developing toolkits to help developing countries address key Base Erosion and Profit Shifting (BEPS) issues. He provided an overview of the Platform's progress on the development of eight toolkits. He noted that the toolkit on options for the efficient and effective use of incentives for investment had been finalized in October 2015, while a toolkit on addressing the difficulties in accessing comparable data for transfer pricing analyses was expected to be finalized in July 2017. He then reported that a draft toolkit on options for the taxation of offshore indirect transfers of assets was expected to be released in June 2017, while toolkits on transfer pricing documentation and effective tax treaty negotiation would be drafted later on in the course of 2017. Finally, he mentioned that the work on toolkits on implementing effective BEPS risk assessment, addressing base-eroding payments and countering artificial profit shifting resulting from supply chain restructuring was still in the initial scoping stage and that drafts of these toolkits were expected to be released in 2018.
37. Ms. Victoria Perry provided an update on the work of the Platform on medium-term revenue strategies (MTRSs), which are high level roadmaps for tax system reform to mobilize revenues over a four-to-six-year period. She mentioned that these roadmaps might help countries meet the sustainable development goals by setting out a vision and a path for tax system changes that all relevant stakeholders could support over the long haul. Moreover, she highlighted that several elements would be needed to support the implementation of MTRSs. These include: 1) consensus among all relevant stakeholders on the broad future development of the tax system; 2) high level political commitment by the government to the vision and the implementation plan; and 3) a comprehensive reform plan spanning the policy setting. Finally, she reported that a workshop at ministerial as well as technical level was being organized in early May in London, to present and discuss the concept of MTRSs and seek support from governments and donors.
38. Mr. Alexander Trepelkov provided an update on the organization of the first global conference to be convened by the Platform. He reported that the conference would be held on 14-16 February 2018 at the UN Headquarters in New York and would focus on several issues under the overall theme of "Taxation and the Sustainable Development Goals". He mentioned that the conference would have a two-fold objective: 1) to take forward the global dialogue on the role of tax in achieving the SDGs; and 2) to seek country insights on relevant challenges and opportunities in using tax systems to help achieve the SDGs. He then provided an overview of the tentative programme for the conference, which would start by addressing the general theme of the role of taxation in achieving the SDGs, including relevant country perspectives, and then focus on five thematic areas, namely: 1) domestic resource mobilization and the State; 2) role of tax in supporting sustainable economic growth, investment and trade; 3) trade and the social dimension: addressing poverty, inequality and health; 4) tax capacity development; and 5) tax cooperation and the SDGs.
39. The interactive discussion saw responses from member states, international organizations and the business sector. The following issues were discussed: 1) developing countries' need to avail of support for the implementation and enforcement of international tax standards; 2) scope and objectives of medium-term revenue strategies to mobilize domestic resources; 3) need to develop toolkits to support developing countries in addressing tax base protection issues not covered under the G20/OECD Project on BEPS; and 4) sector-related taxation measures, including tobacco taxation.

General discussion

40. During the general discussion, several delegations took the floor. There was a convergence of views that the ECOSOC Special Meeting provided an important opportunity to consider international cooperation in tax matters, in particular the work of the Committee. The Group of 77

and China stressed the need to further scale up international efforts to strengthen tax cooperation and to combat IFFs. The Group highlighted the lack of a single global inclusive forum for international tax cooperation at the intergovernmental level and urged Member States to consider the upgrading of the Committee to an intergovernmental subsidiary body of ECOSOC. Developed countries, including the European Union, emphasised their firm understanding that the expert nature of the Committee should not be changed and that the discussions on implementing the agreement contained in paragraph 29 of the Addis Ababa Action Agenda had been concluded. In this connection, the importance of the OECD in promoting tax cooperation, in particular through the Global Forum on Transparency and Exchange of Information for Tax Purposes, was also highlighted.

41. The meeting concluded with closing remarks by the President of ECOSOC summarizing the key points of the discussion and highlighting the importance of the Special Meeting for building momentum around national, regional and international efforts to enhance tax cooperation and curb illicit financial flows.