United Nations

Committee of Experts on International Cooperation in Tax Matters

Report on the twenty-second session (virtual session, 19–28 April 2021)

Economic and Social Council

Official Records, 2021
Supplement No. 25B

Economic and Social Council
Official Records, 2021
Supplement No. 25B

E/2021/45/Add.2-E/C.18/2021/2

Committee of Experts on International Cooperation in Tax Matters

Report on the twenty-second session (virtual session, 19–28 April 2021)

United Nations • New York, 2021

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 1728-0036

Contents

Chapter I

Matters calling for action by the Economic and Social Council

Draft decision for adoption by the Council

1. The Committee of Experts on International Cooperation in Tax Matters recommends that the Economic and Social Council review and adopt the following draft decision:

Venue, dates and provisional agenda of the twenty-third session of the Committee of Experts on International Cooperation in Tax Matters

The Economic and Social Council, taking into account the continuing impact of the coronavirus disease (COVID-19) on the working arrangements for the 2021 session of the Council and sessions of its subsidiary bodies:

(a) Decides that the twenty-third session of the Committee of Experts on International Cooperation in Tax Matters shall be held from 19 to 22 October 2021, in Geneva, if feasible, and otherwise shall be held in informal meetings in a scaled-down format using a virtual platform in October 2021, with the final modalities to be decided following consultations with the members of the Committee, and that the decisions of the Committee shall be adopted through a silence procedure;

(b) Approves the provisional agenda of the twenty-third session of the Committee, as proposed by the Committee of Experts and as set out below:

Provisional agenda of the twenty-third session of the Committee of Experts on International Cooperation in Tax Matters

1. Opening of the session by the representative of the Secretary-General.
2. Election of the Chair or Co-Chairs and Vice-Chairs of the Committee.
3. Remarks by the Chair or Co-Chairs of the Committee.
4. Adoption of the agenda and organization of work.
5. Discussion of issues related to international cooperation in tax matters:
    - (a) Procedural issues for the Committee, including options for Committee consultations;
    - (b) Taxation and the Sustainable Development Goals;
    - (c) Issues related to the United Nations Model Double Taxation Convention between Developed and Developing Countries, including:
        - (i) Article 12 (Royalties): possible amendments in relation to payments related to software and digital products;
        - (ii) List of matters suggested by the previous membership for possible further work;

(d) Review and possible update of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries;

(e) Transfer pricing;

(f) Taxation of the extractive industries;

(g) Environmental and environmentally related taxation;

(h) Dispute avoidance and resolution;

(i) Taxation issues related to the digitalized and globalized economy;

(j) Digitalization and other opportunities to improve tax administration;

(k) Increasing tax transparency;

(l) Taxation and coronavirus disease (COVID-19): pandemic and post-pandemic issues;

(m) Wealth and solidarity taxes;

(n) Indirect taxes, including health taxes;

(o) The relationship of tax, trade and investment agreements;

(p) Capacity-building;

(q) Other matters for consideration.

6. Provisional agenda of the twenty-fourth session of the Committee.

7. Arrangements for adopting the report of the Committee on its twenty-third session.

Chapter II
Introduction

2. Pursuant to Economic and Social Council resolutions 2004/69 and 2017/2 and decision 2021/216, the twenty-second session of the Committee of Experts on International Cooperation in Tax Matters was held virtually, with informal virtual meetings from 19 to 28 April 2021. The virtual meetings were attended by 24 Committee members and 387 registered observers.

3. The present report serves to summarize Committee discussions and decisions taken on the items set out in the provisional agenda of the Committee at its twenty-second session, as adopted by the Committee (E/C.18/2021/1), as follows.

Provisional agenda

1. Opening of the session by the Co-Chairs.
2. Adoption of the agenda and organization of work.
3. Discussion of substantive issues related to international cooperation in tax matters:
   (a) Procedural issues for the Committee;
   (b) Report of the Subcommittee on Updating the United Nations Model Double Taxation Convention between Developed and Developing Countries;
   (c) Tax and the Sustainable Development Goals;
   (d) Update of the United Nations Practical Manual on Transfer Pricing for Developing Countries;
   (e) Update of the United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries;
   (f) Dispute avoidance and resolution;
   (g) Capacity-building;
   (h) Environmental tax issues;
   (i) Tax consequences of the digitalized economy: issues of relevance for developing countries;
   (j) Other matters for consideration.
4. Provisional agenda for the twenty-third session of the Committee.
5. Arrangements for adopting the report of the Committee on its twenty-second session.

Chapter III
Organization of the session

Opening of the twenty-second session and adoption of the agenda

4. On 19 April 2021, the twenty-second session of the Committee of Experts on International Cooperation in Tax Matters was opened in a virtual informal meeting by the Committee Co-Chairs, Carmel Peters and Eric Mensah.

5. Following the approval of the agenda, the Director of the Financing for Sustainable Development Office of the Department of Economic and Social Affairs, Navid Hanif, gave welcoming remarks, focusing on three issues: (a) the completion of the Committee's ambitious four-year workplan; (b) the importance of the twenty-second session of the Committee; and (c) the future outlook for international taxation.

6. Mr. Hanif commended the Committee members for their focus and adaptability, especially during the COVID-19 pandemic, and for delivering excellent products that offered policy and practical guidance sought by developing countries, while benefiting the international tax system as a whole.

7. First, Mr. Hanif underscored the Committee's key achievements in the past four years, among them the updated United Nations Practical Manual on Transfer Pricing for Developing Countries; the Guidelines on the Tax Treatment of Government-to-Government Aid Projects and the updated Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. This Manual served as the basis for the toolkit on tax treaty negotiations launched by the Platform for Collaboration on Tax in March 2021.

8. The 2021 version of the United Nations Practical Manual on Transfer Pricing for Developing Countries would be especially beneficial. Developing countries had called for more United Nations guidance on complex transfer pricing issues, such as tax treatment of intra-group loans, during capacity-building events of the Department of Economic and Social Affairs (DESA). Practical relevance and updates to existing text, including on country practices, would make the Manual relevant for practitioners in developing countries. Mr. Hanif underscored that this was critical as countries worked to counter profit shifting and tax base erosion, at a time when domestic resources to invest in public services and public goods were desperately needed.

9. Mr. Hanif reminded participants that the Guidelines on the Tax Treatment of Government-to-Government Aid Projects were the culmination of many years of international debate on the issue and marked an important response by the Committee to the call in the Addis Ababa Action Agenda for Governments to consider eliminating exemptions on such aid, thus paving the way for more effective development cooperation and policy coherence for sustainable development.

10. Second, Mr. Hanif highlighted some of the other key items in the workplan of the Committee, including completion of the text, with a view to approving inclusion in the United Nations Model Double Tax Convention between Developed and Developing Countries of article 12B on the taxation of income from automated digital services and the commentary thereon, as well as in the Handbook on Dispute Avoidance and Resolution. The work of the Committee on the new United Nations Handbook on Carbon Taxation for Developing Countries and the updated United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries were emphasized. The important strides in capacity development despite recent adverse circumstances were also noted. The Committee and its subcommittees were instrumental in ensuring quality guidance products that

formed the basis for DESA capacity development for developing countries, and the Committee's guidance role also helped focus that programme.

11. Third, addressing the outlook for international taxation, Mr. Hanif noted that the global economy was still strongly affected by the continuing pandemic. This situation had re-emphasized the need to look for ways to achieve an equitable, sustainable and resilient response and recovery, including through improving tax collection, and equitably expanding the tax base to increase revenues.

12. Lastly, Mr. Hanif thanked the Committee once again for its outstanding contribution to the United Nations work on tax and noted with appreciation the generous financial contribution by Norway to activities in this area, as well as contributions from India and the European Commission that had assisted the Committee to successfully take on a heavy and ambitious workplan.

13. Ms. Peters thanked the Director of the Financing for Sustainable Development Office and, on behalf of the Committee, expressed gratitude for the secretariat's support and for the increase in resources to help ensure that the work of the Committee was as effective as possible.

Chapter IV

Discussion and conclusions on substantive issues related to international cooperation in tax matters

A. Procedural issues for the Committee (agenda item 3 (a))

14. In a closed meeting, the Committee agreed to revise paragraph 23 of the introduction to the United Nations Model Double Taxation Convention between Developed and Developing Countries to clarify the use of the terms "a single member", "a small minority of members", "a medium-sized minority of members" and "a large minority of members" in the commentaries thereon, going forward. In the open meeting it was announced that the Committee had agreed that which of these terms should apply to a particular minority position should depend on the proportion of those present and participating in the relevant decision. The wording would be as follows:

(a) A single member (when the view is held by only one member);

(b) A small minority of members (when the view is held by two to four members or by more than one member, but less than 15 per cent, of the members present and voting);

(c) A medium-sized minority of members (when the view is held by five to nine members or by 15 per cent or more, but less than 35 per cent, of the members present and voting);

(d) A large minority of members (when the view is held by 10 to 12 members or by 35 per cent or more, but less than 50 per cent, of the members present and voting).

15. The Subcommittee on the United Nations Model Double Taxation Convention between Developed and Developing Countries having concluded its work, appreciation was expressed for its efforts and that of the Coordinator. It was noted that this work would expedite and give greater predictability to Committee proceedings in the future. The practices and working procedures developed by the Subcommittee and approved by the Committee (as amended in October 2020) were particularly important in streamlining and expediting the Committee's work. It was noted by the secretariat that the practices and working procedures had been given a higher profile on the Committee website and would be included in relevant papers for future sessions of the Committee.

B. Issues related to the update of the United Nations Model Double Taxation Convention between Developed and Developing Countries (agenda item 3 (b))

16. The Co-Chair, Mr. Mensah, welcomed Ms. Peters, in her capacity as Coordinator of the Subcommittee on the United Nations Model Double Taxation Convention between Developed and Developing Countries. Ms. Peters then reminded members of the Committee that many changes to the Model Convention had already been approved during earlier sessions of this membership. She also informed the Committee of the process for finalizing the 2021 version of the Model Convention – the secretariat was in the process of integrating those changes, including those agreed during the twenty-second session, and would be sending the revisions to the Committee members in batches over the coming weeks so that the entire Model

Convention, including the commentaries thereon, should be available by the end of June 2021.

Inclusion of software payments in the definition of royalties

17. Ms. Peters then turned to the one remaining open issue under agenda item 3 (b), as presented in note E/C.18/2021/CRP.9, the issue of whether the definition of royalties in article 12 of the Model Convention should be revised to refer explicitly to payments for computer software. Such an addition would expand the scope of article 12 beyond payments relating to the use of a copyright in the computer software. She invited the secretariat to summarize the work that had been done by the Subcommittee since the twenty-first session of the Committee, including three meetings and the release of a public discussion draft in February 2021.

18. Ms. Peters asked the Committee to consider first the threshold question of whether it could agree to include the proposed change to the treaty text and the proposed changes to the commentary set out in section 2 of the note. While some members of the Committee expressed the view that the technical work in the proposed commentary was sufficiently advanced to be included in the 2021 Model Convention, other members believed that more work was necessary, especially regarding the treatment of software embedded with other goods and services and the interaction of the proposed change to article 12 with articles 12A and 12B. Observers who intervened in the discussion similarly expressed views on either side of the issue.

19. With no majority of the Committee in favour of making the change to the definition of royalties, no change was made. Ms. Peters then turned to the second issue, that of a minority view to the commentary on article 12 expressing support for the modification of the definition of royalties to include payments for computer software, as described in section 3 of the paper. After discussion, it was agreed that the new paragraph would be included with minor modifications and the commentary would state that it was supported by a large minority of the Committee. The Committee also agreed on the wording of an elaboration on the existing minority view included in the current paragraph 12 of the commentary on article 12 of the Model Convention.

20. Finally, the Committee supported a recommendation to the next membership of the Committee that it continue to work on the issue, on the basis of the technical work reflected in note E/C.18/2021/CRP.9.

2021 Update to the United Nations Model Double Taxation Convention between Developed and Developing Countries

21. Ms. Peters also asked the secretariat to remind the members of the Committee of the changes to the Model Convention that had been agreed during earlier sessions. The secretariat listed them all, including changes to the treaty text and commentaries dealing with collective investment vehicles, pension funds and real estate investment trusts, offshore indirect transfers, permanent establishments and a number of technical issues that were approved in connection with consideration of note E/C.18/2020/CRP.37 at the twenty-first session of the Committee. Changes reflecting decisions made at the twenty-second session included the addition of article 12B and consequential changes approved in note E/C.18/2021/CRP.15, a new paragraph in the commentary on article 25 to refer to the United Nations handbook on the avoidance and resolution of tax disputes and changes to the introduction to the Model Convention that explained how minority views were presented in the Model Convention, including when not all members of the Committee were in attendance. The last item was further outlined in chapter IV.A in the context of procedural issues for the Committee (agenda item 3 (a)).

Possible issues for future updates of the United Nations Model Double Taxation Convention between Developed and Developing Countries

22. The secretariat reminded the Committee that it had agreed at its twenty-first session to invite the next membership of the Committee to consider the technical issues found in section 2 of note E/C.18/2020/CRP.37, which the current membership had not had time to address. The issues identified in that document were:

(a) Article 5 (6) of the United Nations Model Double Taxation Convention between Developed and Developing Countries, Permanent establishment with respect to insurance activities, including the treatment of reinsurance;

(b) Article 3, reference to the mutual agreement procedure for interpretation of undefined terms;

(c) Commentary on articles 7, 9 and 25, self-initiated adjustments;

(d) Time limits for profit adjustments under articles 7 and 9;

(e) Changes to article 25 (Mutual agreement procedure);

(f) Amendments to the commentary on article 15 related to payments made upon termination of employment;

(g) Clarifications on the application of article 17 (Artistes and sportspersons);

(h) Tax treaty issues relating to emissions permits/credits;

(i) Possible issues related to article 1 (2) dealing with transparent entities;

(j) Application of the Model Convention to sovereign wealth funds;

(k) Treatment of accrued interest in the commentary on article 11;

(l) Tax treaty provisions related to the exploration and extraction of natural resources;

(m) To what extent a tax treaty can result in increased taxation;

(n) Whether the mutual agreement procedure should deal with issues that had already been decided by the courts of one of the States (i.e., it is noted in note E/C.18/2020/CRP.37 that, while the commentary on article 25 already indicates that the competent authorities of a contracting State may be constrained by a court decision rendered in that State, it suggests that access to the mutual agreement procedure cannot in that case be denied without the situation of the other competent authority being directly addressed. It has been suggested that this question should be examined);

(o) Whether article 8 should be fundamentally revised, including as to the treatment of shipping income from international traffic;

(p) Interaction between article 21 (3) and the source rule of article 18, alternative B.

23. In addition to those issues, the Committee recommended to the next membership that it continue to work on the treatment of computer software under article 12. The Committee had not been able to finalize a redraft of article 13 (6) which had been prompted by the consideration of transfers of shareholdings by transparent entities, as discussed in note E/C.18/2020/CRP.33, and this was another issue that might be considered by the next membership.

24. Ms. Peters then asked for the input of the Committee members with respect to other issues that might be recommended to the next membership of the Committee for consideration. One additional substantive topic, a fresh look at the attribution of

profits under article 7 with a view to simplification and reducing disputes, was suggested by a Committee member.

25. An observer suggested that the Committee work on the development of a United Nations multilateral instrument to implement changes to the Model Convention, in particular the addition of article 12B, but there was no support from the Committee for that suggestion.

26. For the purposes of agenda item 5 (ii) (c) of the proposed provisional agenda in paragraph 1 of the present report, the items at paragraphs 22 to 24 above were regarded as comprising the list of matters suggested by the current membership for possible further work by the next membership. That membership would, of course, make its own decisions on its work programme.

27. There was also a general discussion regarding methods for receiving input from developing countries regarding issues that were of most importance to them, to help inform discussion of the next membership on its work programme. One member suggested that inputs could perhaps be invited from developing countries in advance of the first session of the next membership. Some other members and observers supported this. The secretariat would explore how to engage broadly to assist the next membership in setting its work programme. Some members were concerned that the Committee membership might not be in a position to make decisions about chairing, for example, very early in the twenty-third session. The secretariat indicated that it was usual for a Committee to have its new Chair(s) in place as soon as possible in a session, to help resolve such issues as might arise and assist the discussions, but the secretariat would explore options to have the members meet each other as early as possible before that session in order to form views as to issues for decision, including the chairmanship. In the session itself the Committee had some ability to defer a decision on this or other issues if it considered that necessary, and the ordering of the agenda should not be taken as preventing this.

C. Tax and the Sustainable Development Goals: follow-up report (agenda item 3 (c))

28. The Director of the Financing for Sustainable Development Office, Mr. Hanif, delivered a presentation on taxation and the Sustainable Development Goals workstream to provide the Committee with a framework of priority areas that had emerged from recent United Nations work and intergovernmental discussions, such as the Financing for Development Forum in April. He called on the Committee to continue to guide United Nations work in shaping tax policy that supported the Goals, as well as COVID-19 response and recovery efforts.

29. Mr. Hanif emphasized the long-standing role of tax policy in achieving the Sustainable Development Goals, but particularly in dealing with the ongoing crisis, which had heightened the risk of divergence from progress on the Goals and the risk of a lost decade of sustainable development. He pointed to pandemic recovery as an opportunity to take decisive action on Sustainable Development Goal-oriented fiscal policies and reforms to reduce risk and build resilience. He described efforts to build back better as dependent on a fiscal policy framework that guided how much revenue was collected and how it was raised and spent, which could take a variety of approaches. He affirmed, therefore, the role of international tax cooperation in coping with the current multidimensional crisis, which had had social, economic and environmental impacts.

30. Mr. Hanif demonstrated key linkages between the Sustainable Development Goals and fiscal policies in the form of recommendations through the United Nations

three-pillar comprehensive response to COVID-19. First, a health response in support of Goal 3 (good health and well-being) required health taxes (on sugar, tobacco and alcohol) and expenditure policies that expanded health coverage and went well beyond the current infectious disease response. Second, safeguarding lives and livelihoods in support of Goals 1 (no poverty), 2 (zero hunger), 8 (decent work and economic growth) and 10 (reduced inequalities) required fiscal policies that reduced inequality, lessened tax evasion, provided social protection, boosted the economy and restored fiscal sustainability, especially in developing countries. Third, a better post-pandemic world in support of the Goals meant fiscal policies and capacity-building efforts that protected the environment, increased preparedness and built resilience.

31. Mr. Hanif reiterated key issues identified by the Committee at its twenty-first session as underpinning priority areas in the taxation and Sustainable Development Goals workstream. He listed taxation of companies and high net-worth individuals, the formalization of the informal sector, climate-focused tax policies, expenditure policies favouring redistribution and the ending of harmful tax incentives and subsidies.

32. Mr. Hanif introduced the outcome document of the Financing for Development Forum as a second frame of reference and presented three main areas of focus: (a) inequality, which countries could combat through transparent fiscal systems, taxation of the digital economy and reduced illicit financial flows; (b) climate action and environmental protection measures, such as phase-out of inefficient fossil fuel subsidies, which could generate co-benefits of growth and job creation; and (c) universal health coverage. As a third reference point for current tax and Sustainable Development Goal priorities, he echoed calls made by the Secretary-General related to all three focus areas, including the consideration of a solidarity or wealth tax on those who had profited during the pandemic and the shifting of the tax burden from taxpayers to polluters.

33. Mr. Hanif outlined examples of Financing for Sustainable Development Office capacity-building activities to implement the workplan on tax and the Sustainable Development Goals. He specifically mentioned multipurpose integration of the Goals into tax policy to foster all types of development progress, from gender equality to resilient health systems; dissemination of the Committee's work to reduce inequality in developed and developing countries; dissemination of handbooks on carbon taxation and taxation of extractive industries; and the Integrated National Financing Framework Knowledge Platform which had drawn over 70 countries to support consistent and coherent implementation of the Addis Ababa Action Agenda.

34. Mr. Hanif noted the Platform for Collaboration on Tax as another means to coordinate tax work relating to the areas of gender, the environment and Sustainable Development Goal 17 on the global partnership for sustainable development. He then mapped out the programme of the special meeting of the Economic and Social Council on international cooperation in tax matters, which was to take place on 29 April 2021 and was aimed at identifying concrete tax policy and administration options in support of more resilient, inclusive and sustainable societies. He highlighted the issues of an increasingly digitalized economy, as well as COVID-19 recovery, which cut across all three panel conversations on tax work relating to inequality, the environment and health. He remarked that, while the political economy of environmental taxation posed many challenges, the pandemic had opened space for countries to reimagine and take the lead in a sustainable economic recovery, aligned with the 2030 Agenda for Sustainable Development and commitments in the Paris Agreement on Climate Change.

35. Mr. Hanif concluded his presentation on tax and the Sustainable Development Goals by posing a question to the Committee on how countries could make use of tax

policy and administration to tackle challenges in the context of COVID-19 response and recovery. He also sought its input and proposals on the other emerging areas in this workstream that needed policy dialogue and guidance, as well as the priority areas for technical assistance and/or capacity-building.

36. Committee members and observers expressed thanks to Mr. Hanif for the presentation and invited further discussion and work to link technical deliberations on international tax with concrete, coordinated actions that fostered sustainable development within countries. One Committee member backed the effectiveness of taxes on sugar, tobacco and alcohol intake as an instrument for generating revenue but more importantly for combating health issues and gender inequality. A question was raised about whether such health taxes could be looked at more closely by the Committee and in other forums.

37. Another Committee member expressed the concerns of developing countries with regard to implementing tax policies and fiscal stimulus plans, including incentives, without eroding the tax base and of setting an optimal income tax threshold when formalizing the informal economy, given that many people in the informal sector fell below the current level. Committee members shared their ideas for the work of the next membership, including greater norm-shaping and capacity-building for international tax policy, particularly on taxation of cross-border transactions; data-driven policymaking that addressed the spread of revenues and expenditures, in particular across vulnerable groups in society; economic analysis of tax implications to include opportunity costs; and taxation of the digital economy, as well as benefiting from the opportunities afforded by digitalization.

38. Mr. Hanif welcomed the comments and questions from Committee members and responded with three key points: (a) contextualizing the tax work could advance certain proposals such as health taxes that previously could not gain traction; (b) the imposition of tax policies should minimize the risk of harming any segments of society and should demonstrate transparency and tangible benefits to the population; (c) the political economy of taxation must closely follow the contours of the 2030 Agenda and the Paris Agreement, among other supporting frameworks, which in turn requires high levels of sustained international cooperation.

39. Mr. Hanif concluded the discussion by thanking all Committee members for their useful feedback and continued leadership and guidance that had bolstered Financing for Sustainable Development Office work on effective, inclusive tax policy and administration for achieving the Sustainable Development Goals.

D. Update of the United Nations Practical Manual on Transfer Pricing for Developing Countries (agenda item 3 (d))

40. The Co-Coordinators of the relevant Subcommittee, Ingela Willfors and Stig Sollund, were invited to present agenda item 3 (d). They noted that the last parts of the third edition of the United Nations Practical Manual on Transfer Pricing for Developing Countries had been approved by the Committee at the twenty-first session and that editorial work had continued since then. They thanked the Subcommittee members, those who had commented on drafts, those involved in the editorial work and the secretariat for their contribution to meeting the workplan within the deadlines. The hosts of the various subcommittee meetings were thanked especially. The Co-Coordinators noted the importance of the Manual in addressing complex and important issues in a way that responded to the realities and priorities of developing countries, referring in particular to the chapter on financial transactions, which had grown out of feedback from developing countries in capacity-building events, and would now feed into such events in the future.

41. The new edition of the *United Nations Practical Manual on Transfer Pricing for Developing Countries (2021)* was officially launched and was welcomed with appreciative comments. Committee members commended the Subcommittee and the Co-Coordinators for their leadership on technical issues and for successfully completing the project, and thanked all involved for the timely update of the Manual.

E. Update of the United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries (agenda item 3 (e))

42. Introducing the topic, the Co-Coordinator of the Subcommittee on the United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries, Mr. Mensah, informed the Committee that note E/C.18/2021/CRP.14 was a brief on the Subcommittee's work. The Subcommittee had, since the twenty-first session, held three formal meetings: from 7 to 9 December 2020; on 1 and 2 March 2021; and on 19 March 2021. He also indicated that, besides the three formal meetings, the drafting groups of various chapters of the Handbook had convened a series of technical meetings.

43. The Committee heard that, following its guidance during the twenty-first session, the Subcommittee had prepared the following documents, which were presented for discussion and approval:

(a) E/C.18/2021/CRP.10, titled "Overview";

(b) E/C.18/2021/CRP.11, titled "The tax treatment of decommissioning";

(c) E/C.18/2021/CRP.12, titled "Issues and best practices in auditing oil, gas and mining activities";

(d) E/C.18/2021/CRP.13, titled, "Transfer pricing issues".

44. The other Co-Coordinator of the Subcommittee, Ignatius Mvula, gave an outline presentation of the four papers. The changes to the overview chapter were a consequence of the effect of the COVID-19 pandemic on the global economy, which made it necessary to update the data and forecasts contained in the chapter. The overview also took into account the newly added chapters.

45. The chapter on issues and best practices in auditing oil, gas and mining activities discussed the audit process in the following phases: preparation; planning; execution; and finalization. It includes a review of the intricacies of auditing the extractives industry. The Committee was advised that, given the complex nature of the extractives industry, the issues discussed in this chapter were at a general level and not intended to be exhaustive; as such, they require detailed and extensive analysis in practice.

46. The aim of the chapter was to provide developing countries with an overview of typical issues encountered during the planning and execution of tax audits in the extractive industry. Although it was predominantly focused on domestic audit practices, the growing application of joint and simultaneous audits was recognized in the chapter and it therefore included a description of some multilateral and bilateral audit approaches. In one of its sections, the chapter also contained a description of audit capacity-building programmes which were available for developing countries. Finally, as the Committee had decided at its twenty-first session, the chapter included a section on trade mispricing.

47. The chapter on transfer pricing issues was being presented for the first time. The update was necessary because of ongoing changes to the United Nations Practical Manual on Transfer Pricing for Developing Countries, as the Manual was referred to

throughout the chapter. The update also includes new topics on financial transactions with new practical cases.

48. The chapter on decommissioning had been updated and addressed many aspects of decommissioning that must be considered, such as legal and topical environmental issues. It also pinpointed different schemes of decommissioning that were applied in different countries for the accounting accrual of the cost on decommissioning, such as cash payments at the end of or during the project. The Committee was informed that the chapter also contained a review of broader issues that could arise in the taxation of extractives, e.g., offsetting the decommissioning costs against a different project in the same country and ring-fencing.

49. The introduction to each chapter, by Mr. Mvula, was followed by detailed presentations by each drafting group. The Committee was also informed of the global round table on extractive industries as an engine for recovery, expected to be chaired by the Secretary-General on 10 May 2021. The round table would be mentioned in the overview chapter and a link provided to its outcomes.

50. After explanations on matters raised by the Committee, the four chapters were approved, and the Subcommittee and the secretariat were commended for the work done, which had successfully concluded the update of the Handbook, subject, as usual, to any necessary editorial work, to be supervised by the Co-Coordinators.

F. Dispute avoidance and resolution (agenda item 3 (f))

51. The Co-Coordinator of the Subcommittee on Dispute Avoidance and Resolution, George Omondi Obell, summarized the work done by the Subcommittee and the chapters approved in the previous sessions. He also presented briefly the six chapters of the Handbook. Mr. Obell mentioned that some of the contents of the Handbook had already been used in capacity-building workshops and organizers of such events would find the complete version of the Handbook especially helpful for that purpose.

52. The other Co-Coordinator of the Subcommittee, Cezary Krysiak, then presented note E/C.18/2021/CRP.2 and mentioned that the preface and chapter 1 of the Handbook included in the note followed very closely the outline that had been discussed by the Committee at its twenty-first session in October 2020. He highlighted that the preface explained the link between the Handbook and the United Nations' overall work on domestic resource mobilization and the 2030 agenda. Mr. Krysiak then presented the four parts of chapter 1 and invited the Committee to approve the contents of the note.

53. There were no interventions on the contents of the Preface and chapter 1, which the Committee approved as drafted. Members of the Committee and observers highlighted the importance of the Handbook for capacity-building for developing countries.

54. A member suggested that it might be helpful to refer to the Handbook in the commentary on article 25 (Mutual agreement procedure) of the United Nations Model Double Taxation Convention between Developed and Developing Countries. There was general support for this suggestion, which was incorporated into note E/C.18/2021/CRP.16. The Committee subsequently approved the changes to the commentary on article 25 included in that document.

G. Capacity-building (agenda item 3 (g))

55. Mr. Mensah invited the secretariat to give a presentation on its capacity development programme. Caroline Lombardo and Michael Lennard updated the Committee on capacity-building efforts and other related activities implemented by the Financing for Development Office of DESA since the twenty-first session.

56. Ms. Lombardo informed the participants that the Department continued to disseminate guidance by the Committee of Experts on International Cooperation in Tax Matters, especially to developing countries, through a comprehensive capacity development programme that included workshops and, more recently, webinars, at the global, regional and national levels. Online courses and technical advisory services upon Member States request were an important part of this programme. International and especially regional partners played a critical role in disseminating the products of the Committee. Regional partners could be very instrumental in identifying emerging issues in tax of concern for developing countries.

57. In her briefing, Ms. Lombardo mentioned the first United Nations virtual workshop on the handbook on carbon taxation, held on 30 November and 1 December 2020, at which relevant chapters of the draft United Nations handbook on carbon taxation for developing countries had been discussed. Renowned experts and members of the Subcommittee on Environmental Taxation Issues had delivered key messages and practical tools included in the handbook for an audience comprising over 110 government officials from more than 30 developing countries. There were plans for a follow-up virtual workshop on carbon taxes and the use of revenues generated by such taxes later in 2021.

58. In March 2021, DESA had conducted two virtual webinars on transfer pricing in response to suggestions made by Committee members at the twenty-first session. At that time, transfer pricing had been identified as a topic for which there was a need for additional training. The webinars had been very well received and had attracted over a thousand registrations, among them government officials, international and regional organizations, civil society, private sector and academia. The panellists analysed and discussed subjects such as comparability in the time of the COVID-19 pandemic, issues of accurate delineation of transactions, treatment of intra-group loans and relevance of credit ratings. Presentations were followed by a very interactive question and answer session with strong participation from developing countries.

59. The secretariat also briefed the Committee on the work carried out in the context of the Platform for Collaboration on Tax, a joint initiative of the secretariats of the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations and the World Bank. In that respect, Mr. Lennard informed the Committee of the launch of two toolkits by the Platform for Collaboration on Tax: (a) transfer pricing documentation in February 2021; and (b) tax treaty negotiations in March 2021. The toolkit on transfer pricing documentation gathered existing guidance in implementing and providing efficient and effective transfer pricing documentation regimes. The toolkit on tax treaty negotiation was based primarily on the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries, which provided practical guidance on issues faced by developing countries in deciding whether and how to conduct tax treaty negotiations. The toolkits were good examples of the Platform for Collaboration on Tax, which had contributed to avoiding duplication of efforts and sending a consistent message from secretariats (whenever possible) on various tax issues.

60. Participants in this session also learned about a new initiative spearheaded by DESA: the forthcoming United Nations tax talks, a free pre-recorded capacity development event by high-level experts. The two initial Tax Talks addressed the future of tax incentives and where the least developed countries stood on the digital debate. Challenges in using corporate taxes to attract and maintain investments, the global minimum tax and its impact on tax incentives, and how the least developed countries could be best represented in the discussions on the taxation of the digitalized economy were analysed by renowned experts.

61. Ms. Lombardo then briefed the Committee on the upcoming events. Online courses on transfer pricing and tax treaties were being updated and their content streamlined on the basis of the new materials of the Committee's upcoming publications. Translations of the mutual agreement procedure online course in French and Spanish were under way. A general public celebration/launch event of the Committee's publications would be organized for later in June 2021, when some of the publications would already be available, including some in French and Spanish versions. These activities as well as other capacity development activities, she added, had been made possible by the generous contribution of the Norwegian Agency for Development Cooperation.

62. Ms. Lombardo spoke briefly about the commitment of DESA to capacity development. The Under-Secretary-General of DESA had recently announced that the Department had increased its budget for the regular programme of technical cooperation with the intention of making effective use of those resources to strengthen the impact of the Department's capacity development work.

63. Lastly, Ms. Lombardo explained the importance of the capacity-building on infrastructure asset management project and activities in the space of domestic resource mobilization. This project, she pointed out, was intended to help bolster local revenues.

64. Committee members commended DESA for not only maintaining its capacity-building work but also expanding and deepening its offerings, with a view to disseminating guidance and recommendations produced by the Committee through workshops, webinars and online courses. One member noted that the work should continue to help developing countries mobilize domestic resources and make tax policymakers aware of existing capacity-building tools that would help these countries address challenges posed by the current crisis and reduce poverty and inequality.

65. Members intervening cited the transfer pricing webinars and the workshop on the United Nations Handbook on Carbon Taxation for Developing Countries as good examples of the capacity-building work of DESA. They suggested expanding communications and outreach of all the new and updated publications of the Committee. Moreover, comprehensive courses on specifics topics of the publications, for example, on dispute avoidance and resolution, could be of great use and value for developing countries.

66. The secretariat thanked the members of the Committee and observers who had participated in the capacity-building activities over the past year and asked for their continuing support going forward.

H. Environmental tax issues (agenda item 3 (h))

67. The Coordinator of the Subcommittee on Environmental Taxation Issues, Natalia Aristizábal Mora, provided an overview of the structure of the United Nations Handbook on Carbon Taxation for Developing Countries, before proceeding to

discussion on individual chapters. The Handbook would comprise a foreword, seven chapters and an annex, as follows:

(a) Foreword by the Director of the Financing for Sustainable Development Office, including considerations on how COVID-19 might impact the adoption of carbon taxation and on climate change policy in general around the world;

(b) Chapter 1: Introduction. Submitted as note E/C.18/2021/CRP.4 for discussion and approval at the twenty-second session of the Committee;

(c) Chapter 2: An introduction for policymakers. Approved at the twenty-first session of the Committee, as note E/C.18/2020/CRP.45;

(d) Chapter 3 (former chapter XX): How to generate public acceptability for carbon taxes. Conceptual model and policy implications. Submitted as note E/C.18/2021/CRP.5 for discussion and approval at the twenty-second session of the Committee;

(e) Chapter 4 (former chapter 3): Designing a carbon tax. Approved at the twentieth session of the Committee as note E/C.18/2020/CRP.17; however, its section 4A, 5.5.2, on international maritime transport, was submitted for discussion and approval, as note E/C.18/2021/CRP.6, at the twenty-second session of the Committee, following edits to reflect the most up-to-date work of the International Maritime Organization (IMO);

(f) Chapter 5 (former chapter 4): From design to administration: practical application of a carbon tax. Approved at the twenty-first session of the Committee, as note E/C.18/2020/CRP.44;

(g) Chapter 6 (former chapter 5): Revenue use. Submitted as note E/C.18/2021/CRP.7 for discussion and approval at the twenty-second session of the Committee;

(h) Chapter 7 (former chapter 6): Carbon taxation: Interaction with other instruments. Submitted as note E/C.18/2021/CRP.8 for discussion and approval at the twenty-second session of the Committee;

(i) Annex I: Carbon taxation in the context of the United Nations. Approved at the twenty-first session of the Committee, as note E/C.18/2020/CRP.45.

68. Ms. Aristizábal Mora provided a brief overview of chapter 1: Introduction to the Handbook (E/C.18/2021/CRP.4), an editorial chapter summarizing the content of each chapter of the Handbook. The Committee approved chapter 1.

69. The lead drafter of chapter 3: Public acceptability of carbon taxes (E/C.18/2021/CRP.5), Sverker C. Jagers, provided an overview of the contents of the chapter. He highlighted that the feasibility of a carbon tax was a function of its effectiveness, cost-efficiency and acceptability; the latter (which was at the centre of the chapter) enabled decision-making and implementation of the tax and facilitated compliance. Mr. Jagers highlighted the importance of contextual factors, such as political and institutional trust, and outlined some ways in which Governments could increase the public acceptability of a carbon tax, for example by having trial periods and introducing the carbon tax as part of a policy package. He concluded by stressing that the Handbook advised each country to identify the factors constituting the most prominent obstacles in its specific national context. The Committee approved chapter 3, subject to an edit (which was finalized during the session) to the last sentence of para. 21, which would read as follows:

> Finally, it is important to note that many of the countries that have introduced carbon taxes suffer from relatively low corruption according to the metrics of the Corruption Perceptions Index (Transparency International, 2017). In a

situation where countries and Governments experience low political trust, it is important to introduce the carbon tax in a way that would not further lower institutional trust (Klenert et al., 2018).

70. Ms. Aristizábal Mora provided an overview of the edits to chapter 4, section 4A, 5.5.2, on international maritime transport (E/C.18/2021/CRP.6), which had been updated following edits to reflect the most up-to-date work of IMO, including the initial IMO strategy on reduction of greenhouse gas emissions from ships of 2018. The Committee approved the edits to chapter 4, section 4A, 5.5.2.

71. The lead drafter of chapter 6: Revenue Use (E/C.18/2021/CRP.7), Eike Meyer, provided an overview of the contents of the chapter. He highlighted that carbon taxes around the world currently had limited coverage and low rates; however there was significant potential for increasing revenues by setting carbon prices in line with climate commitments, even though those revenues would structurally decline over decades, as behaviours became less carbon-intensive. He then provided an overview of the potential uses of revenues discussed in the chapter; since carbon taxes could pose competitiveness and/or distributional concerns, Governments could choose to compensate affected industries and households. Additionally, Governments could boost the decarbonization effect of such a tax, by directing revenues towards environmental spending; or improve the overall efficiency of the tax system, through tax shifts. Mr. Meyer concluded by highlighting that the choice of revenue use depended on country circumstances, and that, in making this choice, Governments could aim to maximize economic, social and environmental benefits, and to improve public support. The Committee approved chapter 6.

72. The lead drafter of chapter 7: Carbon taxation: interaction with other instruments (E/C.18/2021/CRP.8), Anna Theeuwes, provided an overview of the contents of the chapter. She discussed how carbon taxes were not implemented in a policy vacuum, and Governments should focus on the intended objectives of the carbon tax (decarbonization, revenue generation, etc.) to consider whether other instruments were complementary, overlapping or countervailing in the achievement of these goals. For these reasons, the current policy setting might need adjustments in order to avoid undesired effects. Ensuring the effectiveness of a carbon tax might require amending the design of the carbon tax or other instruments, adding complementary (or hybrid) policies, or removing existing harmful incentives (for example, fossil fuel subsidies). A member of the drafting group, Rodrigo Pizarro, contextualized the discussion by providing some examples of complementary, overlapping and countervailing interactions between the carbon tax and the energy sector in Chile, for example, the renewable energy laws and regulations that had been introduced to reaffirm the country's commitment to fighting climate change and to support the objectives of the carbon tax. The Committee approved chapter 7.

73. With the approval of chapter 7, the whole United Nations Handbook on Carbon Taxation for Developing Countries had been approved by the Committee. Ms. Aristizábal Mora provided an update on next steps, namely, the secretariat would work with an editor, in close cooperation with the Subcommittee members, to finalize the Handbook for publication (no substantive changes to the contents would be made following each chapter's approval).

74. Several members of the Committee congratulated the Subcommittee on the finalization of the Handbook, given the approval of all its chapters. The Committee commended the Coordinator and the Subcommittee for their work over the past four years, since the Subcommittee was first established, and for the relevance of their work amid increasing global concern over climate change and a sustainable recovery from the COVID-19 pandemic. Several members also recommended that the secretariat draft a note for the next membership of the Committee (with inputs from

Subcommittee members) to highlight topics in the area of environmental and environmentally related taxation that were especially prominent in international discussions, and where developing countries had expressed a need for further guidance.

75. Ms. Aristizábal Mora concluded by thanking the Subcommittee's members for their work, the Committee for its guidance, and the United Nations Secretariat for its support, in developing the United Nations Handbook on Carbon Taxation for Developing Countries.

I. Tax consequences of the digitalized economy: issues of relevance for developing countries (agenda item 3 (i))

Article 12B

76. The Co-Chair, Ms. Peters, gave an update on the status of the work by the Subcommittee to date. She introduced the papers relevant to this work, noting that, in note E/C.18/2021/CRP.1 the insertion of article 12B into the United Nations Model Double Tax Convention between Developed and Developing Countries was proposed, whereas note E/C.18/2021/CRP.15 dealt with the consequential changes to the Model Convention on the insertion of this article. She pointed out that the Committee had agreed in principle during the twenty-first session on the inclusion of article 12B in the Model Convention, and the Subcommittee had subsequently addressed the technical issues with the drafting of the article and commentary and developed the text of a minority view for inclusion in the commentary.

77. The Co-Coordinators of the Subcommittee on Tax Consequences of the Digitalized Economy, William Fowler, thanked all the members of the Subcommittee who had worked on this issue and recognized the work done by various organizations on taxation of the digitalized economy. He noted that the COVID-19 pandemic had turned many businesses digital, and without effective taxation there was a likelihood of great reductions in tax revenues. A simplified solution was therefore vital as it brought developing countries closer to earning revenues from profits made in the digitalized economy. Mr. Fowler thanked Committee members for a collegial atmosphere, despite strongly held views, in arriving at article 12B.

78. The other Co-Coordinator, Aart Roelofsen, observed that this had been a challenging assignment, but the result was one to be proud of. He thanked his Co-Coordinator and noted that this Committee term was the first time that subcommittees had had Co-Coordinators and, while this was new, it was an excellent working model, which enhanced teamwork. Mr. Roelofsen thanked the drafting group, which had done an immense amount of work to prepare the first draft, and also non-members of this group who had contributed to building up the article and commentary. Since the previous session, several meetings had been held, resulting in changes to the draft including: improvement to paragraphs 1 and 10 by introducing the concept of underlying payments; providing clarity and examples in paragraphs 5 and 6; providing clarity on the interaction of article 12B with articles 12 and 12A in paragraph 7; and, importantly, the inclusion of a minority view in the commentary.

79. One of the drafting group leaders, Rajat Bansal, provided an overview on the article highlighting the changes introduced to the article since the twenty-first session in October 2020. Mr. Bansal highlighted that the article now had 11 paragraphs, an increase from the previous 8. Changes introduced included: the enhancement of paragraph 3 to deal with instances where information required was not available; the introduction of a new paragraph 4 which defined the term “multinational enterprise group”, drawing from the base erosion and profit shifting work on country-by-country

reporting; paragraph 6, which had been introduced to include a listing of some potential automated digital services, but not in a self-standing fashion; and paragraph 7, which was now a stand-alone paragraph. The concept of underlying payments had also been introduced to the article.

80. The other leader of the drafting group, Carlos Protto, made general remarks on the article. Mr. Protto observed that this was a tax treaty solution to what was considered a tax treaty problem, that is, the lack of taxing rights where a permanent establishment did not exist but where significant economic activity was taking place. Digitalization assisted business to effectively engage in substantial business activities in a country without meeting the threshold for permanent establishment as set by tax treaty rules. He pointed out that article 12B did not preclude any multilateral solution, acknowledging the ongoing work by other organizations such as OECD to find a multilateral solution, and that the Committee might in future choose to extend this work to explore other possible multilateral solutions. This article was, Mr. Protto further noted, not incompatible with ongoing global efforts to find a multilateral solution.

81. A member observed that finding a solution for taxing the digitalized economy was a challenge to all involved in this quest, not just this Committee. The member expressed support for the minority views contained in paragraphs 8 to 17 of the commentary, citing concerns that a bilaterally negotiated solution might not necessarily be the best option for developing countries. Further, the allocation of taxing rights to a market jurisdiction on the basis only of sales was not necessarily a sound tax policy move. This being a bilateral solution, bilateral negotiations to incorporate this provision might be slow. The scope of the provision was also said to be rather narrow as it looked at payment only without considering the “user”. The member also highlighted potential administrative challenges and uncertainty in applying the provision. These views were included in the commentary, as were the counterviews.

82. Observers commended the Subcommittee on a job well done. An observer inquired as to whether this was a recommendation by the United Nations for countries to introduce the provisions of the article in their domestic law or as part of their tax policy. On this observation, the Co-Chair noted that the Model Convention was one agreed to by the Committee. The secretariat elaborated that the article was not purporting to be the position of the United Nations membership as a whole but was rather a text drafted by a Committee mandated to provide guidance to countries in negotiations and implementation. That guidance included the article and its perceived pros and cons.

83. The issue arose as to whether a fresh vote on the article was needed and the secretariat reminded participants that the Committee had at the twenty-first session approved by vote the inclusion of article 12B and commentary in the Model Convention along the lines then proposed, and what was up for approval now was the latest text of the article and commentary.

84. The secretariat noted that such approval and adoption did not by any means suggest that every member of the Committee agreed with the inclusion of article 12B in the Model Convention: there were strongly held views opposing the inclusion, which formed a large minority, as indicated in the commentary. Therefore, the issue for the session had effectively been whether members were satisfied that their views were adequately reflected in the commentary. A consensus approval, when arrived at, would therefore not be unanimously favouring article 12B but would rather recognize the majority view (with options and alternatives) in favour and agreeing that the text adequately reflected the differences on that point, as well as the reasoning behind the different views. With this clarification, the Committee approved note

E/C.18/2021/CRP.1. Some minor, essentially editorial, changes as outlined in notes E/C.18/2021/CRP.17 and E/C.18/2021/CRP.17/Rev.1 were also approved at the meeting.

Consequential amendments

85. The Co-Chair, Mr. Mensah, gave a brief background to the document up for discussion (E/C.18/2021/CRP.15), which dealt with the consequential changes to the Model Convention on the insertion of article 12B. Patricia Brown of the secretariat took participants through the paper. Several issues were raised during the review of the paper, most of which were editorial comments. There were also issues raised on overlap in the provisions. Members agreed that these issues would be reviewed and addressed by the secretariat and, subject to other comments that might arise, the paper would be approved when it came up for discussion later in the session meetings, all comments received been having taken into consideration.

86. When the consequential amendments as a result of the inclusion of article 12B came up for further consideration, Mr. Mensah invited the secretariat to present note E/C.18/2021/CRP.15/Rev.1, which had been prepared to take into account comments received in the earlier discussions, to the Committee of Experts. Ms. Brown presented possible changes to the text of the Model Convention – both the article and the commentary – that might arise as a consequence of the adoption of article 12B into the Model Convention. These consequential changes were based on article 12B in its most current form, i.e., after editorial changes as introduced by note E/C.18/2021/CRP.17 had been adopted by the Committee.

87. During the discussion, one member suggested that the reference to the new article 12B that would be inserted into article 23A (Exemption method) should refer specifically to paragraph 2 of article 12B, leading to the application of the credit method only in cases in which gross taxes were applied, as doing so would be consistent with the application of the exemption method in the Model Convention to date. Some members did not agree with the specific reference to paragraph 2 of article 12B and preferred to include a reference to 12B without such a level of specificity. After some discussion of the correct approach to article 23A, particularly as it related to paragraph 3 of article 12B, Mr. Mensah requested that a small group should discuss the topic and develop a proposal for consideration by the Committee.

88. On the following day, the Co-Chair, Mr. Mensah, invited the secretariat to present note E/C.18/2021/CRP.19, which contained the outcome of the smaller group discussions on the drafting of article 23A and the commentaries thereon. The proposed draft made explicit that the residence country had to provide a tax credit for the income that had been subject to reduced taxation in the source country (under paragraphs 2 or 3 of article 12B) in case of disagreement regarding the characterization of the income. This was agreed by the Committee.

89. As a consequence, the Committee decided that a reference to the new article 12B would be included in article 23A, article 24 ensuring non-discrimination; and article 29 to broaden the definition of those that might seek benefits from a tax treaty. The Committee of Experts also agreed that several changes to the commentary on the Model Convention would be made, to account for the new article 12B. The changes addressed, for example, the overlap between provisions such as articles 12A and 14 with the new article 12B. Other changes in the commentary were the result of changes to article 23A, 24 and 29. Changes to the commentary on article 12 were dealt with separately under agenda item 3 (b) on the update of the United Nations Model Double Taxation Convention between Developed and Developing Countries, as contained in note E/C.18/2021/CRP.18.

90. Mr. Mensah thanked the secretariat and relevant members for their work on the consequential changes that resulted from the inclusion of article 12B in the Model Convention.

J. Other matters for consideration (agenda item 3 (j)), including the launch of the Guidelines on the Tax Treatment of Government-to-Government Aid Projects

91. The Co-Chair, Ms. Peters, invited the Coordinator of the Subcommittee on the Tax Treatment of Official Development Assistance Projects, Marlene Patricia Nembhard-Parker, to present agenda item 3 (j).

92. Ms. Nembhard-Parker gave a presentation providing background information on the work of the Subcommittee and presenting the results achieved since its inception in 2017. Ms. Nembhard-Parker explained that work on the Guidelines on the Tax Treatment of Government-to-Government Aid Projects had started in 2005 but was never finalized. The topic had gained traction as it featured in the Addis Ababa Action Agenda and a new Subcommittee was founded in 2017. As well as Committee members, the Subcommittee included academics, together with representatives from the African Tax Administration Forum, IMF, OECD and the World Bank Group.

93. Ms. Nembhard-Parker outlined the work process of the Subcommittee. which had met twice in person and once virtually, thanking the hosts of the meetings, as well as the European Commission, for travel funding provided. The Guidelines were discussed during four meetings of the Committee of Experts to capture its feedback and had been officially approved by the Committee during its twenty-first session in October 2020. At the same time, the Committee had adopted the Recommendation on the Public Disclosure of Provisions Concerning the Tax Treatment of Government-to-Government Aid Projects. Both the Guidelines and the Recommendation reflected the link between the work of the Tax Committee and domestic resource mobilization, which was central to achieving the Sustainable Development Goals.

94. Ms. Nembhard-Parker proceeded to officially launch the Guidelines on the Tax Treatment of Government-to-Government Aid Projects and thanked the members of the Subcommittee as well as the secretariat for their efforts.

95. A Committee member expressed her gratitude at participating in the important work of the Subcommittee. Ms. Peters thanked the Subcommittee for its excellent work and concluded the agenda item.

96. Continuing with the agenda item, on other matters, the Co-Chair, Ms. Peters, noted that the subcommittees had all performed with distinction and were now, with their work done, officially dissolved. The coordinators of subcommittees would continue to have a role in the editorial work of the publications, consulting as they considered necessary (including with participants in the former subcommittees as they deemed appropriate). The next membership of the Committee would determine its subcommittees in the context of the workplan it adopted.

21-07033 (E) 220621