tax justice network

January 31, 2011

Hon. Ban Ki-Moon
Secretary General
United Nations
New York, New York

Re: <u>Economic and Social Council: Resolution 2010/33</u>

Mr. Secretary General,

The United Nations Economic and Social Council, in its Resolution 33 of July 23, 2010, requires you "to submit to the Council by March 2011 a report examining the strengthening of institutional arrangements to promote international cooperation in tax matters, including the Committee of Experts on International Cooperation in Tax Matters."

The Tax Justice Network believes that the Committee of Experts on International Cooperation in the Tax Matters ("UN Tax Committee") should be strengthened as follows:

(1) In accordance with resolution 2004/69 of November 11, 2004 which determined that the UN Tax Committee should "give special attention to developing countries and countries with economies in transition," the method of choosing members of the UN Tax Committee should be revised so that more experts from developing countries and countries with economies in transitions be appointed to the UN Tax Committee. Developing countries and countries with economies in transition are not at present adequately represented on the UN Tax Committee.

(2) The UN Tax Committee should be "upgraded" to an intergovernmental commission and given more budgetary resources in order to carry out its important functions.

(3) International tax cooperation has become even more important, especially for developing countries, and it is essential that UN Tax Committee, the most appropriate forum for the consideration by the international community of these issues, continue to focus on, and try to resolve, these major international tax issues.

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Global Financial Integrity, a research institute, has recently issued a report, "Illicit Financial Flows from Developing Countries: 2000-2009," which concludes that approximately U.S. $6.5 trillion was removed from developing countries during that period as a result of crime, corruption and trade mispricing. Substantially all of such illicit financial flows from developing countries end up in financial centers in the developed countries or in offshore financial secrecy/tax haven jurisdictions. Such illicit financial flows, which are encouraged and facilitated by financial institutions and other intermediaries in developed countries and offshore financial secrecy/tax haven jurisdictions, are far in excess of the approximate US$105 billion in Official Development Assistance (ODA) that developed countries provide annually to developing countries.

Automatic exchange of the information can be an effective measure against such illicit financial flows. The [Stiglitz] Commission of Experts of the President of the General Assembly on Reforms of the International Monetary and Financial System has called for automatic exchange of tax information. Agustin Carstens, Governor of the Central Bank of Mexico, formerly Secretary of Finance of Mexico and Deputy Managing Director of the International Monetary Fund, has stated: "The automatic exchange of information on interest paid by banks will certainly provide us with a powerful tool to detect, prevent and combat tax evasion, money laundering, terrorist financing, drug trafficking and organized crime." And the United States has recently enacted the Foreign Account Tax Compliance Act (FATCA), requiring in effect automatic exchange of information.

These significant developments reinforce the need for the proposed Code of Conduct on Cooperation in Combating International Tax Evasion, and call for continued debate and analysis by the international community of these tax related issues.

The UN Tax Committee, by promoting international tax cooperation and effectively bringing into the process developing countries and countries with economies in transition, can be and should be the most appropriate and most effective international forum to confront, and try to resolve, these and other major international tax related problems.

Tax Justice Network

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