

Expert Group Meeting on Transfer Pricing and Capacity Development in Tax Matters (New York, 14 March 2012)

Executive summary

On 14 March 2012, the Financing for Development Office (FfDO) of DESA and the Friedrich-Ebert-Stiftung (FES) New York Office jointly organized an Expert Group Meeting on Transfer Pricing and Capacity Development in Tax Matters. This expert group meeting was held in the run-up to the official meeting of ECOSOC on International Tax Cooperation, which took place on 15 March 2012. Combining the official and expert-level meetings allowed securing broader participation in both meetings of national tax authorities, relevant international organizations and tax experts from the public and private sectors.

Over 100 participants attended the expert group meeting, including UN delegates and senior officials of international organizations active in tax matters, such as the IMF, World Bank, OECD, European Commission, the African Tax Administration Forum (ATAF) and the Inter-American Center of Tax Administrations (CIAT), nine members of the UN Committee of Experts on International Cooperation in Tax Matters, as well civil society, the private sector and academia. Representatives of UNDP and UN-ECLAC were also present.

The agenda of the meeting focused on the two current priority areas in the work of the Committee, namely: (1) practical transfer pricing issues for developing countries as a contribution to the Committee's current work on a *Practical Manual on Transfer Pricing for Developing Countries*, to be adopted at its next session in October 2012; and (2) capacity development programmes in developing countries, based on the 2011 Update of the UN Model Tax Convention and the forthcoming UN Practical Manual on Transfer Pricing. The main objective of the meeting was to provide a platform for an open informal dialogue among all stakeholders committed to improving international tax cooperation, with a view to seeking their inputs into the Committee's work.

Following opening remarks by Mr. Alexander Trepelkov, Director of FfDO/DESA, and Mr. Werner Puschra, Executive Director of the FES New York Office, the meeting featured a keynote address by Mr. Vito Tanzi, former Director of the Fiscal Affairs Department of the IMF, entitled "Building Fiscal Capacity through Greater Tax Cooperation". He outlined major historical developments that had cumulatively contributed to the current limitations in tax capacity of developing countries and emphasized the need for both domestic and global tax reforms to enable those countries to increase domestic resource mobilization. The speaker called for the establishment of a World Tax Organization, which would be equipped with the necessary tools to, *inter alia*, address the growing problem of fiscal evasion, which had shifted from being merely a domestic issue to a global phenomenon.

First part of the meeting was dedicated to the discussion of key issues in transfer pricing from the developing countries' perspective. Transfer pricing refers to setting of prices in international transactions between companies that are members of a multinational enterprise. If the method used to determine the price of such transactions does not reflect the true value, profits might be effectively shifted to low- or no-tax jurisdictions (where the company may have no real presence) and losses and deductions to high-tax jurisdictions, depriving a country unfairly of tax revenue. This complex area of international taxation heavily depends on availability of data and expert skills, which raises particular difficulties

for developing countries. Speakers exchanged transfer pricing experiences of various countries and widely acknowledged the current UN work on a *Practical Transfer Pricing Manual for Developing Countries* as particularly timely.

The second part of the meeting focused on capacity development in tax matters. It was noted that the 2011 Update of the UN Model Double Taxation Convention and the forthcoming Practical Transfer Pricing Manual provided the UN Committee and UN-DESA with a solid foundation to expand their activities in this area. Assistant Secretary-General Jomo Kwame Sundaram outlined a potential leading role for the United Nations in capacity development in tax matters and the future direction it could take. His presentation was followed by comments by Ms. Allen Kagina, Commissioner-General of the Uganda Revenue Authority, and Mr. Armando Lara Yaffar (Mexico), Chairperson of the Committee of Experts, who highlighted the skills and data gaps faced by many developing countries in the tax area and the unique role that the UN can and should play in addressing those gaps.

Many speakers emphasized that the UN, with its global membership and inclusive and impartial working methods, was well suited to assume a leading role in international tax cooperation to the benefit of all its Member States. It was noted, however, that lack of sufficient resources had thus far limited the capacity development work within the UN Committee and the support provided by the Secretariat. Several speakers stressed the need for further budgetary and extra-budgetary resource allocations to enable UN-DESA to fully fulfill its mandates in this area.

The IMF, World Bank, European Commission, OECD, ATAF and CIAT and FfDO/DESA presented their perspectives on capacity development in tax matters. They mentioned ongoing initiatives of their respective organizations, building on their “comparative advantages”. Several speakers stressed the need for better coordination of different initiatives as part of enhanced cooperation. It was noted, however, that such cooperation and coordination could be very resource intensive by itself. It was also emphasized that there had recently been a clear shift from supply-driven to demand-driven assistance in the tax area, with developing countries being gradually more capable of assessing their own needs, but that the shift was not complete.

For more detailed information, please consult the web page of the meeting at: <http://www.un.org/esa/ffd/tax/2012EgmTax/index.htm>.