



DRAFT FOR CONSIDERATION

<p style="text-align: center;">Expert Group Meeting on Extractive Industries Taxation New York, 28 May 2013</p>
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1. Background

There are few areas of economic policymaking in which the returns to good decision-making are so high – and the punishment of bad management so cruel – as in the area of extractive industries. Rich endowments of oil, natural gas and minerals including diamonds have set some countries on the course of sustained development while others remain poor.

In developing countries, taxes on extractive industries often do not contribute as much as they could to public revenues. Government's goal should be to tax rents arising from the extraction of natural resources, that is the excess of revenues over the costs of production. In reality, taxes on rents are often dissipated through subsidies or appropriated by private interest. Meanwhile, investors have to be provided with adequate incentives to explore, develop and ultimately extract natural resources. A country's domestic tax system is just as important as international tax issues to strike the balance of attracting investment while ensuring domestic resources.

Firms investing in extractive industries are likely to be multinational enterprises. This holds especially true in developing countries. Investors thus have substantive market power and are often better informed than many governments. Developing countries and especially least developed ones on the other hand, often lack adequate skills and experience to efficiently deal with these firms and the related investments including domestic and international taxation issues.

2. Expert Group Meeting

There have been a number of recent discoveries of natural gas and oil reserves in developing and middle-income countries such as Ghana, Mozambique and Brazil. These in turn have spurred discussions about various aspects of the extractive industry, among them taxation.

To this avail, at its last annual meeting, the UN Committee of Experts on International Cooperation in Tax Matters in line with their mandate to discuss current topics in

international taxation decided that they would like to focus efforts on the taxation of the extractive industry sector.

The Financing for Development Office (FfDO) of UN-DESA is organizing a one-day expert group meeting with a view to inputting into the new agenda item on extractive industry taxation of the Committee of Experts on International Cooperation in Tax Matters to be held on 28 May 2013 prior to the ECOSOC meeting on international cooperation in tax matters.

The discussions will focus on issues that developing countries face when designing and administering an extractive industries fiscal regime with a view to ensuring that the UN tax cooperation work can further support developing countries in this important area of development. During the meeting, discussants from national tax authorities, international organizations, the non-governmental and the private sector will consider question of international tax cooperation in the extractive industries sector, including institutional arrangements to promote such cooperation.

3. Aims and Modalities

Objective

The Group Meeting will aim to: (1) identify pressing issues of developing countries in the area of taxation of the extractive industry; (2) determine the needs for guidance on these issues (3) to inform the work of the Committee of Experts on International Taxation on how the Committee may make a unique contribution in this field while working constructively with others and (4) bring together the different stakeholders involved in these issues.

Participants

We will seek representatives from national tax authorities with expertise in the extractive industry (Norway) or need for scaling up such expertise (Angola, Azerbaijan, Brazil, Chile, Columbia, East-Timor, Ghana, Kazakhstan, Malaysia, Mozambique) experts from international (financial) organizations (ATAF, CIAT, EITI, IMF, OECD, UNDP, UNCTAD, World Bank), as well as representatives from non-governmental organizations (Action Aid, Christian Aid, Global Financial Integrity, Revenue Watch, Tax Justice Network) and the private sector (Shell, Chevron). We hope to ensure an equitable geographic distribution.

Outcome

A report of the meeting will summarize the main findings with regard to the existing challenges faced by developing countries in the taxation of the extractive industry and priority areas for action for the Committee of Experts on International Taxation.

Detailed background information and a programme will be available shortly.