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**Committee of Experts on International Cooperation in Tax Matters**

**Eighth session**

Geneva, 15-19 October 2012

Item 3 (i) of the provisional agenda

Update on the Work of the Sub-Committee on Capacity Building

**UPDATE ON THE WORK OF THE SUB-COMMITTEE ON CAPACITY BUILDING  
OCTOBER, 2011 TO OCTOBER, 2012**

***Summary***

The sub-committee had reported on its activities from inception to October, 2011 in its reports to the Sixth and Seventh Sessions respectively (**E/C. 18/2010/CRP.11**) and (**E/C. 18/2011/CRP.8**). This report is a further update to the activities reported in those papers and covers the period October, 2011 to October, 2012 except where otherwise indicated. An appendix to the report prepared by S4TP appears as a separate document referenced E/C. 18/2012/CRP.12/Add.1.

The attached note is prepared to assist the Committee in its discussions on the capacity building matter.

**E/C.18/2012/CRP.12**  
**Committee of Experts on International Cooperation in Tax Matters**  
**Seventh Session**  
**Geneva, 15th-19th October, 2012**  
**Item 3(i) of the provisional agenda**  
**Capacity Building**

**UPDATE ON WORK OF SUB-COMMITTEE ON CAPACITY BUILDING OCTOBER, 2011 TO OCTOBER, 2012**

**BACKGROUND**

The sub-committee on capacity building is one of the sub-committees of the United Nations (UN) Committee of Experts in International Co-operation in Tax Matters formed at the 5th session of the UN Committee in Geneva, Switzerland in October, 2009.

The sub-committee was formed with a specific mandate to focus on formulating and executing capacity building strategies for tax agencies of developing countries. The sub-committee is expected to achieve its mandate within a four year life span. A critical objective is to empower developing countries to more effectively formulate tax policy and carry out tax administration, so as to strengthen the economy, enhance equity, mobilize revenues for development, and collect tax according to law, with minimal administrative and compliance costs.

The sub-committee's mandate calls for addressing capacity from the following perspectives:

- Research/ Needs Analysis;
- Organisational Structure and Strategy;
- Skills;
- Legislation, manuals, and publications;
- Processes, procedures, and systems;
- Level of investment in people, institutions, and practices;
- Funding support/ Technical Assistance; and
- Impact Assessment.

The members of the sub-committee include the following members and observers in the main committee as follows:

- (1) Ifueko Omoigui Okauru – Coordinator
- (2) Ben Arindell
- (3) Mansor Hassan
- (4) Gianluca Pirozzi
- (5) Hein Zillikens (International Chamber of Commerce)
- (6) Jean Sebastien Conty/Eric Desquesses (Ministry of Foreign Affairs, France)
- (7) Victor Thuronyi
- (8) David Spencer (Tax Justice Network)
- (9) Arcotia Hatsidimitris (IBFD<sup>1</sup>)
- (10) Chris Williams (RtVAT)
- (11) Jo Marie Griesgraber (S4TP<sup>2</sup>)

<sup>1</sup> International Bureau for Fiscal Documentation

<sup>2</sup> South South Sharing of Successful Practices

## 1. WORK DONE AND MEETINGS HELD SINCE OCTOBER, 2011

The sub-committee had reported on its activities from inception to October, 2011 in its reports to the Sixth and Seventh Sessions respectively (**E/C. 18/2010/CRP.11**) and (**E/C. 18/2011/CRP.8**). This report is a further update to the activities reported in those papers and covers the period October, 2011 to October, 2012 except where otherwise indicated. Within the period under review, the sub-committee held one meeting in October 2012 in Geneva, Switzerland.

### (a) GENEVA MEETING

The Geneva meeting of the sub-committee was held at the offices of the South Centre in Geneva on the 14th of October 2012 to follow up on progress of work by the Committee since October, 2011. The issues discussed at the meeting included updates from the S4TP, the Sub-committee's report to the Eight Session, the review of the South-South cooperation and its impact on the sub-committee's work and the work plan for 2013.

## 2. KEY ACTIVITIES BY THE SUB-COMMITTEE IN THE PERIOD INCLUDE:

- (i) **Implementation of the Sub-committee's Work Plans** - the sub-committee reviewed the status of implementation of its work plan and noted the outstanding work to be done. The Sub-committee reiterated the areas of responsibility for specific members as follows:

Member	Area of Coverage
Gianluca Pirozzi	Europe
Mansor Hassan	Asia Pacific
Ben Arindell	Americas
To be designated	Africa and the Middle East

The six key performance indicators agreed by the sub-committee in 2010 as parameters for assessing its work were retained. These performance indicators remain:

- 1) Establishment of a website and number of hits on the website. There were about 2,050 (Two Thousand and Fifty) hits on the website in 2011. 2012 figures are still being collated.
- 2) Spread and frequency of participation of developing and less developed countries in UN sub-committee activities. There are now five (5) country correspondents who contribute material to the S4TP website from Ghana, Kazakhstan, Indonesia, Pakistan and Tanzania.
- 3) Clear list of needs and products to address identified needs and gaps.
- 4) Pool of resources available (skills, time, online events, tools etc)
- 5) Evidence that sub-committee activities have impacted positively in the activities of countries within the target group – satisfaction, revenue yield, effectiveness numbers etc, using baseline measures set in 2010
- 6) Execution of Work plan

The above would be continually used to assess the performance of the sub-committee.

- (ii) **S4TP Side Event organised with the African Development Institute of the African Development Bank on the role of South-South Cooperation in Domestic Resource Mobilisation** – within the period under review, the S4TP initiative co-organized a side event with the African Development Institute (ADI) of the African Development Bank (AfDB) at the AfDB Annual General Meeting in Arusha, Tanzania in May, 2012 on the role of South-South cooperation in domestic resource

mobilization. This side event assembled leaders of institutional capacity building efforts in developing countries to increase domestic resource mobilization to share experiences, specifically in the areas of capacity building needs assessment and tax training efforts.

Jo Marie Griesgraber served as Moderator with panelists, Victor Murinde, Head of the ADBI, Ifueko Omoigui Okauru, Chairperson of the UN Sub-committee on Capacity Building, Logan Wort, Executive Secretary of ATAF and Nilton Nogueira, Director of the International Cooperation Division at the Brazil Federal Revenue Secretariat. Erika Siu of S4TP also delivered a presentation on the S4TP project, highlighting the S4TP Web Portal and work in the area of Illicit Financial Flows.

- (iii) Development and management of the website** – as reported at the Sixth and Seventh Sessions of the Committee, the website was developed with the cooperation of all committee members and the UN secretariat. It is funded and hosted by the S4TP and RTPay/RTVat on [www.s4tp.org](http://www.s4tp.org)

Within the period, the S4TP Web Portal was redesigned and now includes updates and links to regional tax associations and research organizations, such as ATAF<sup>3</sup>, CIAT<sup>4</sup>, CATA<sup>5</sup>, CATRC<sup>6</sup>, and SGATAR<sup>7</sup>. A peer review mechanism for approving articles for posting on the site was agreed upon and is working effectively. In addition, the process of updating the WIDE Experts Roster with data that has been collected is also in progress. This will help in maintaining a database of experts that can be called upon as resource persons online and physically where required.

The Sub-committee continues to receive support from the Federal Inland Revenue Service of Nigeria, which has provided personnel who work fulltime on sub-committee matters, acting as Website Facilitator, Country Correspondents Network Coordinator, Country Correspondent for Nigeria and assisting the Sub-committee Secretariat.

### **3. SPECIFIC FUNDING INTERVENTION/CAPACITY BUILDING INITIATIVES SINCE OCTOBER, 2010**

In addition to previous funding and other assistance received by the sub-committee (indicated in the report to the Sixth and Seventh Session) the sub-committee has received further funding and assistance from the following bodies in the period under review:

- (i) S4TP**
- Facilitation of all funding received to date and on-going proposals for additional funding to meet the needs of the sub-committee. These include:
    - proposals to the African Development Bank and the Asian Development Bank
  - Development and management of the sub-committee's website.
  - Facilitation of the a side event with the African Development Institute (ADI) of the African Development Bank (AfDB) at the AfDB Annual General Meeting in Arusha, Tanzania, on 31st May, 2012 on the role of South-South cooperation in domestic resource mobilization.
  - Hosting of Sub-committee's pre-Eight Session meeting on 14th October, 2012 in Geneva, Switzerland;
  - Current Initiatives include:

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<sup>3</sup> African Tax Administration Forum

<sup>4</sup> Inter-American Center of Tax Administrations

<sup>5</sup> Commonwealth Association of Tax Administrators

<sup>6</sup> Central Asian Tax Research Centre

<sup>7</sup> Study Group on Asian Tax Administration and Research

- Co-hosting a Tax & Climate Lunch Panel Discussion with the South Centre, to be held 18 October, 1:00-3:00pm in Room XXIII at the UN. All Committee members and local missions have been invited to this capacity building workshop and discussion.
- Development of a Tax Statistics and Experts Roster section of the S4TP Web Portal.

A detailed presentation on S4TP is available as **E/C.18/2012/CRP.12/Add1** and would be presented to the Committee.

- (ii) **GIZ**<sup>8</sup> –the funds earlier provided by GIZ (15,000 euros) to the sub-committee, were fully utilised as follows:
- establishment of a Transfer Pricing Unit in the Federal Inland Revenue Service, Nigeria. Two Units have now been fully set up and are operational in the Oil and Gas and Non-Oil Departments of the Federal Inland Revenue Service (FIRS);
  - technical assistance in the form of practical training was provided for over forty (40) officials of the FIRS;<sup>9</sup> and.
  - Transfer Pricing Regulations for Nigeria<sup>10</sup> have been approved and gazetted

GIZ had also offered to support two other countries that **do not have any** transfer pricing units (greenfield situations). The Sub-committee is however yet to receive applications from interested countries.

(iii) **FEDERAL INLAND REVENUE SERVICE, NIGERIA**

- Provision of personnel to assist the sub-committee carry out its activities
- Provision of airfare and travel expenses for the S4TP Website Facilitator and Country Correspondents Network Coordinator to the AfDB Annual General Meeting in Arusha, Tanzania on 31st May, 2012

(iv) **RTPay / RTVAT**

- Continuous assistance with the design, hosting and management of the website of the sub-committee and other technical support to the sub-Committee

(v) **IBFD**

- The Sub-committee has continued to receive moral support from the IBFD, which remains a committed partner.

The sub-committee expresses its appreciation to the above named partner organisations – GIZ, IBFD, RTPAY/RTVAT AND S4TP for their continued support. The sub-committee continues to expect and welcomes similar assistance from these and other organisations.

#### **4. AREAS OF CO-OPERATION WITH OTHER SUB-COMMITTEES, DEVELOPMENT PARTNERS AND OBSERVERS**

There are several areas in which the sub-committee requires co-operation and assistance of other sub-committees in the execution of its mandate. These areas include:

- (i) Contribution and provision of technical input to the S4TP website. The sub-committee invites other sub-committees to visit the website and become active

<sup>8</sup> Deutsche Gesellschaft Internationale Zusammenarbeit GmbH

<sup>9</sup> After due consideration of different countries for the choice of pilot for technical assistance to support the set up of a transfer pricing office, the donors decided on Nigeria as pilot country largely because of the need to support a country that had no clear structures for transfer pricing. Other countries considered included - Egypt and El Salvador

<sup>10</sup> The first time that such regulations are being introduced in Nigeria

- participants and contributors of content to the website especially in respect of areas within the direct responsibility of such sub-committees;
- (ii) Identification of potential funding support and development partners;
  - (iii) Provision of pro-bono or discounted training courses and identifying such opportunities for use by the sub-committee;
  - (iv) Responding to requests for information, questionnaires and other initiatives being undertaken by the sub-committee. While the sub-committee has received some responses in this regard, there is need for response from a larger number of Committee members and participants; and
  - (v) Provision of direct support to tax administrations in developing countries, through exchange of personnel, funding and other capacity building initiatives

## **5. PROPOSAL FOR THE CREATION OF A NEW SUB-COMMITTEE ON TAXATION OF ELECTRONIC TRANSACTIONS**

Following presentations made by RTPay/RTVat on the potential for improvement in the tax collection process in developing nations through use of electronic/mobile payment platforms, it was agreed at the Seventh Session to put forward a proposal for the creation of a new sub-committee on taxation of electronic transactions, as an offshoot of the sub-committee on capacity. A separate paper on this is available as **E/C.18/2012/CRP.13** and would be presented to the Committee.

## **6. NEXT STEPS**

A number of tasks as set out in the work plan and as discussed at sub-committee meetings are yet to be carried out. Significant tasks include:

- (i) Expansion of Website Country Correspondent network;
- (ii) Ensure effective coverage of areas of jurisdiction by sub-committee members;
- (iii) Linkage with the work of other sub-committees such as in Treaty Negotiation Manual, Transfer Pricing Manual, Guide to Mutual Agreement Procedure (MAP)/Dispute Resolution, Exchange of Information etc. as is relevant to building capacity in relation to developing countries;
- (iv) Conclusion of Capacity Building Needs Assessment Analysis to determine specific areas of need for developing countries and aid the provision of targeted capacity building intervention to developing nations;
- (v) Hosting of an annual conference on a topical issue;
- (vi) Leverage on partner organizations and donor agencies for continuous funding and technical support for the sub-committee; and
- (vii) Development of an Impact Assessment Framework for use by the Sub-Committee to determine achievement of mandate and key objectives

As we finalise the update of the United Nations Model Double Taxation Convention between Developed and Developing Countries, the Practice Manual on Transfer Pricing for Developing Countries as well as the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries, the work of this Sub-committee becomes increasingly critical. We need your continued support and increased involvement.

Thank you for your support to date.