

**Opening statement by Alexander Trepelkov,
Director, Financing for Development Office, UN-DESA, at the
8th session of the Committee of Experts on International Cooperation in Tax Matters**

Geneva, 15 October 2012

Distinguished Members of the Committee,
Distinguished Observers,
Ladies and gentlemen,

It is my great honor and pleasure to welcome all of you to the 8th session of the UN Committee of Experts on International Cooperation in Tax Matters. The central issue on the agenda of this session is **the Practical Manual on Transfer Pricing for Developing Countries**. This useful tool will provide much needed assistance to developing countries in practical application of the arm's length principle reflected in both the UN Model Tax Convention and the OECD Model Tax Convention.

I wish to thank the Committee and, in particular, the **Subcommittee on Transfer Pricing**, coordinated by Stig Sollund of Norway, for its hard work on this important matter and its determination to finalize the Manual at the current session, as scheduled. The Committee may consider, after completing its mandate, that further work could be useful to deal in greater detail with issues such as the treatment of intangibles, including through an additional chapter, since the Manual should be a living document.

To support this area of work of the Committee, my office (FfDO/DESA) and the Friedrich-Ebert-Stiftung (FES) New York Office jointly organized **an expert group meeting**, held in New York in March 2012, which focused on practical transfer pricing issues for developing countries as a contribution to the work on the *Practical Manual*. FfDO/DESA, within its limited resources also provided secretariat support to the work of the Subcommittee on Transfer Pricing.

Other important issues on the **agenda** of this session include: (1) tax treatment of services; (2) taxation of transport under double tax treaties; (3) the interaction of the UN Model Tax Convention and climate change mechanisms; (4) the Mutual Agreement Procedure; (5) revision of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries; and (6) capacity development. The Committee will also consider, for the first time, classification of hybrid entities and permanent establishment issues in international Value Added Tax (VAT). We will hear presentations on the progress of work in these areas. My colleague, Michael Lennard, the Acting Secretary of the Committee, will review the agenda in greater detail, outline the programme of work and assist the Committee throughout the session.

Now let me turn to the UN intergovernmental process and brief you on some relevant developments. During its substantive session last July, the **UN Economic and Social Council** (ECOSOC), in its resolution 2012/33, took note of the report of this Committee on its 7th session, welcomed the Committee's work to implement its mandate and encouraged the Committee to continue its efforts in this regard.

In the same resolution, ECOSOC took note of the 2011 revised version of the **UN Model Convention**, adopted by this Committee last October and noted the publication of its

English-language version. It further requested that: (a) the Convention continue to be made freely available in downloadable form from the website of the Financing for Development Office; and (b) the Convention be translated into the other official languages of the United Nations and published in those languages as soon as possible.

Accordingly, the electronic version of the UN Model Convention is made available free of charge on our website. We also have an ample supply of paper copies, which are available to developing countries upon request. A sizable number of free copies was also brought to Geneva. In addition, the UN Model Convention is now available for purchase through the UN Publications. It is also being translated into UN official languages and the first drafts of translations are due by the end of this year. We expect the language versions of the UN Model Convention to be available in print in the first half of 2013.

Regarding the Committee recommendation that ECOSOC seek country positions on the UN Model Convention, the Council was of the view that it was not necessary to include that recommendation in its resolution as the UN Model Convention was already in public domain and open for comments by all interested parties, including Member States. On its part, FfDO has designated space on its website, where such views are posted.

ECOSOC also took note with appreciation of the **report of the Secretary-General** on the role and work of the Committee and requested the Secretary-General “to report to the Council on further progress achieved in strengthening the work of the Committee and its cooperation with concerned multilateral bodies and relevant regional and subregional organizations” next year.

You will recall that the Secretary-General’s report, prepared in consultation with the members of the Committee, as well as relevant international organizations, focused to a large extent on the working methods of this Committee. Overall, the report concluded that the Committee was well placed to make a distinctive, practical and enduring contribution to improving international tax cooperation. It also explored opportunities for creating greater synergies between the UN policy development and capacity-building work and that of other international organizations and regional bodies. The report was well received by all delegations. However, there was a widespread agreement among the Committee members and beyond that additional resources were urgently needed to support its work and to enable it to fulfill its mandate.

ECOSOC also decided “to hold a **one-day meeting** during the first half of 2013 to consider international cooperation in tax matters, including institutional arrangements to promote such cooperation”, with participation of national tax authorities. This meeting will be modeled on a similar meeting held by the Council in March 2012, which many of you attended.

The center piece of the 2012 meeting was an official launch of the 2011 UN *Model Convention*. The launch included panel presentations and distribution of the publication (on CD-ROM and flash drive), as well as promotional materials (posters, press releases and flyers). It was preceded, on the previous day, by a press conference, which garnered considerable interest from UN journalists and resulted in numerous press reports, especially by news agencies of developing countries and China. The meeting also featured a panel discussion on “*The Role of Multilateral Bodies in Strengthening International Cooperation in Tax Matters*”, with the participation of major international organizations active in the tax

area, such as the IMF, World Bank, OECD, the Inter-American Centre of Tax Administrations (CIAT) and the African Tax Administration Forum (ATAF).

In the same resolution, ECOSOC re-emphasized the importance for the Committee to enhance its **collaboration with other international organizations** active in the area of international tax cooperation, including the IMF, the World Bank and OECD. During the past year, the Secretariat continued intensifying its efforts in this area. In a major development, for the first time, UN participated as an observer in the OECD Committee on Fiscal Affairs and intends to participate in its Working Parties. UN observers also continued to participate in the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, the OECD Informal Task Force on Tax and Development, the OECD Annual Tax Treaty Meeting and the core meetings of the International Tax Compact. The Secretariat also intensified its relationships with regional institutions, such as CIAT and ATAF. In fact tomorrow, during CIAT's technical conference in Amsterdam, the UN will make a presentation on the 2011 UN Model Convention.

ECOSOC resolution, also for the first time recognized the work of the Financing for Development Office in developing, within its mandate, a **capacity development programme** in international tax cooperation aimed at strengthening the capacity of the ministries of finance and the national tax authorities in developing countries to develop more effective and efficient tax systems, which support the desired levels of public and private investment, and to combat tax evasion, and requested the Office, in partnership with other stakeholders, to continue its work in this area.

Given its limited resources, FfDO focuses its activities on the area of its comparative advantage, namely its expertise derived from the work of the Committee and its own work as Secretariat to the Committee. Drawing on the 2011 update of the UN Model Convention, we are currently working on the development of capacity building initiatives aimed at strengthening developing countries' capacity to negotiate, administer and interpret tax treaties based on the UN Model. In fact, last Friday and Saturday we held a technical group meeting here in Geneva focused on our first product, namely the "UN Course on Double Tax Treaties". At this meeting the draft materials for the course, prepared by various authors were reviewed by several Committee Members with the view to ensuring that these materials adequately reflect positions, priorities and interests of developing countries. We hope to launch our first events in 2013.

Following the adoption by the Committee of the UN Practical Manual on Transfer Pricing, we aim to develop similar capacity building initiatives in the area of transfer pricing, drawing on that Manual. In all its capacity development initiatives, FfDO/DESA stands ready to cooperate with all interested multilateral organizations and other partners, consistent with the UN mandate and to the extent possible within its limited resources. Such collaboration will help to improve mutual understanding and to avoid unwarranted duplication and overlap in meeting the needs of Member States.

Finally, as the four-year term of the present Committee comes to an end next June and this effectively is its last annual session, let me thank all of you for your great work. It has been a very productive period, resulting in at least two millstones, the 2011 update of the UN Model Convention and a draft of the UN Practical Manual on Transfer Pricing for Developing Countries.

In particular, I want to thank the Committee Chair, Mr. Armando Lara Yaffar of Mexico, for his highly effective leadership and commitment to this work. We are also grateful to the Vice-Chairs of the Committee, Mr. Tizhong Liao of China, Ms. Anita Kapur of India and Mr. Henry John Louie of the United States, as well as all Coordinators of the Subcommittees and Working Groups and those Committee Members who have fulfilled the important position of Rapporteur, for their hard work.

I wish you productive deliberations and a successful session.

Thank you.