Economic and Social Council
Special meeting on international tax cooperation
(New York, 5 June 2014)

Pursuant to its resolution 2013/24, ECOSOC will hold on 5 June 2014, a one-day meeting to consider international cooperation in tax matters including, as appropriate, its contribution to mobilizing domestic financial resources for development and the institutional arrangements to promote such cooperation, with the participation of representatives of national tax authorities.

A short opening plenary will feature a presentation by the Chair of the UN Committee of Experts on International Cooperation in Tax Matters on the outcome of the 9th session of the Committee (Geneva, 21-25 October 2013). Subsequently, there will be a panel discussion on "*International tax cooperation: Current issues on the agenda of international organizations"*, 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). This will be followed by a general discussion.

The afternoon session will feature two interactive panel discussions as follows:

Interactive Discussion: "Current issues in domestic resource mobilization for development: Base erosion and profit shifting (BEPS)"

The importance of raising tax revenues for development, including through international tax cooperation, features prominently in the ongoing intergovernmental discussions on a new financing strategy, in support of the post-2015 development agenda with sustainable development at its core. The General Assembly, in its resolution 68/204 of 20 December 2013 on Financing for Development, recalled the commitment of Member States to enhance and strengthen domestic resource mobilization and fiscal space, including, where appropriate, through modernized tax systems, more efficient tax collection, the broadening of the tax base and the effective combating of tax evasion and capital flight. Over the years, the UN Tax Committee has addressed the issues of international tax cooperation, giving special attention to developing countries and countries with economies in transition. These include issues related to broadening the tax base of developing countries, as well as the effective combating of tax evasion and tax avoidance.

More recently, there has been strong political momentum among developed countries to curtail so called "base erosion and profit shifting" (BEPS) by multinational enterprises engaged in a wide range of cross-border tax planning techniques allowing them to pay little or no tax anywhere in the world. At the request of the G20 Finance Ministers, in February 2013, the OECD prepared a report outlining the BEPS issues, and in July 2013, followed with an action plan, which was to address those issues in a coordinated and comprehensive manner. Specifically, the BEPS Action Plan[1] was to provide countries with domestic and

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[1] Available at http://www.oecd.org/ctp/BEPSActionPlan.pdf

international instruments that would better align rights to tax with economic activity. The Plan is organized around 15 actions, which are to be implemented by the specified deadlines during 2014-2015.

The OECD/G20 Action Plan on BEPS recognized that developing countries also face issues related to BEPS, though these issues may have a different impact on them, given the specificities of their legal and administrative systems. Given that issues, which comprise the BEPS agenda, were selected according to the priorities of the OECD-member countries, they naturally do not include some of the related issues of particular importance to developing countries. In addition, the Plan includes certain issues, on which developing countries would likely benefit from different solutions than the developed ones. Generally speaking, the instruments, which are expected to be proposed by the OECD to deal with the BEPS issues, will likely be too complex and not practically feasible for developing countries, whose tax systems and capacities are at levels not comparable to those of the OECD-member countries.

Nevertheless, the OECD project on BEPS has sought feedback from developing countries through number of mechanisms, including through OECD global forums on tax treaties and transfer pricing, the OECD Taskforce on Tax and Development and designated regional consultations. The Action Plan also called for a prominent role for the United Nations in providing the perspective of developing countries, including through participation in relevant OECD work. In response, the UN Tax Committee, at its 9th session (Geneva, 21-25 October 2013), set up a Subcommittee on Base Erosion and Profit Shifting Issues for Developing Countries (Subcommittee on BEPS) and mandated it to draw upon its own experience and engage with other relevant bodies, particularly the OECD, with a view to monitoring developments on BEPS issues and communicating on such issues with officials in developing countries, directly and through regional and inter-regional organizations. This communication will be done with a view to helping: (1) inform developing countries on such issues; (2) facilitate the input of developing country experiences and views into the ongoing UN work, as appropriate; and (3) facilitate the input of developing country experiences and views into the OECD/G20 Action Plan on Base Erosion and Profit Shifting. In addition, the Subcommittee on Transfer Pricing decided to give due consideration in its work to the outcome of the OECD/G20 Action Plan, as concerns transfer pricing and the UN Practical Manual on Transfer Pricing for Developing Countries.

The interactive discussion on this topic will serve to inform ECOSOC and the representatives of national tax authorities about the current work undertaken on these issues by the UN Subcommittee on BEPS, OECD and other international organizations and to assess it from the point of view of developing countries. The debate will focus on determining which of the BEPS actions and more broadly topics related to tax base protection are of particular relevance to developing countries, at the relevant stage of their capacity development, and which of them lend themselves to proposing practical and feasible solutions, which can be implemented by these countries, resulting in increased tax revenues.

Interactive Discussion: "Extractive industries taxation issues for developing countries"

In developing countries, taxes on extractive industries often do not contribute as much to public revenues as they could, given the amount of revenue generated by these industries. It is related to special challenges faced by developing countries when dealing with private companies or joint ventures in extractive industries. Often, natural resources are extracted by foreign firms as local capital is scarce and FDI is much needed. Those producers often have substantive market power and are better informed than many Governments as the process of discovery and appraisal is often driven by private companies. It is likely that those companies have more expertise and special knowledge in understanding an industry and in dealing with taxation issues than under-resourced tax administrations of developing countries.

Governments are faced with the challenge of choosing a fiscal regime that satisfies their country's specific needs while making trade-offs between conflicting objectives such as adequate government income over the whole project life cycle, securing early revenue, attracting investments, ensuring a "fair" share of the proceeds in case of rising prices, and minimizing administrative burden and risks. The level of complexity and knowledge required in administering the domestic and international taxation issues that arise from extractive industries taxation can put a tremendous strain on tax authorities, especially in countries where tax administrations tend to lack human and other resources.

At its 9th session, the Committee decided to establish a Subcommittee on Extractive Industries Taxation Issues for Developing Countries, in order to consider the most pressing issues in the area of extractive industries taxation where guidance from the Committee may be useful in assisting developing countries, and propose draft guidance on such issues for the approval of the Committee.

The first meeting of this Subcommittee will be held in Johannesburg, South Africa, on 7-9 May 2014 and will be hosted by the South African Revenue Service (SARS). During the meeting, the Subcommittee members representing national tax authorities, the business sector and international organizations will identify and prioritize the most pressing issues in the area of extractive industries taxation for developing countries and consider proposals providing policy and administrative guidance on these issues with a view to articulating a work programme of the Subcommittee.

The interactive discussion on this topic will inform ECOSOC about the outcome of the first meeting of the Subcommittee and provide opportunity for other relevant international organizations and representatives of Governments to contribute their views to the debate.

UN-OECD Workshop on protecting tax base of developing countries (New York, 4 June 2014)

Preceding the ECOSOC meeting, FfDO is organizing a one-day workshop, with the participation of 20-25 representatives of national tax authorities in developing countries, which will aim at launching a new capacity development project on "Protecting and Broadening Tax Base of Developing Countries". This project is intended to complement the OECD project on BEPS from the capacity development angle. It will deal with selected topics of the OECD/G20 Action Plan on BEPS, which are of particular importance to developing countries. It will, however, go beyond the BEPS agenda, by addressing other topics of particular concern to developing countries relevant to their tax base protection, such as taxation of services and tax incentives. To this end, the project will also coordinate with and draw upon the relevant work of the UN Tax Committee and its relevant Subcommittees.

This first workshop, which is organised in cooperation with the OECD, will provide a broad overview and update on the UN and OECD work in this area and focus on several selected topics, as follows: (a) Preventing Tax Treaty Abuse; (b) Taxation of Services (including Taxation of Fees for Technical Services); (c) Protecting the Tax Base in the Digital Economy; and (d) Tax Incentives and Tax Base Protection Issues. Representatives of national tax authorities participating in the workshop will also be invited to attend the ECOSOC meeting.