

**Opening statement by Alexander Trepelkov,
Director, Financing for Development Office, UN-DESA, at the
7th session of the Committee of Experts on International Cooperation in Tax Matters**

Geneva, 24 October 2011

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

It is my great honor and pleasure to welcome all of you to the seventh session of the UN Committee of Experts on International Cooperation in Tax Matters. The central issue on the agenda of this session is **the Update of the United Nations Model Double Taxation Convention between Developed and Developing Countries**. It culminates the work of this Committee over the past 10 years, since the last update of the UN Model in 2001, and 2 years of intense hands-on work by the **Subcommittee on the UN Model Tax Convention Update**.

I wish to thank the Committee for its hard work on this important matter and its commitment to finalizing the revised UN Model as scheduled. This update is long-awaited by all users of the UN Model, especially by developing countries which seek assistance in the negotiation of modern bilateral double-tax treaties reflecting their current circumstances and priorities. Expectations from all concerned are very high.

To support the work of the Committee on the update of the UN Model, FfDO/DESA organized, in June 2011, an **Ad Hoc Expert Group Meeting**, which brought together several Committee Members and other key participants with relevant expertise. As a result of the meeting of experts and subsequent work by the relevant Subcommittee, a draft update of the UN Model has been submitted for further consideration by the Committee here in Geneva. It is imperative that the Committee seek to complete its task without delay, so that the 2011 Update of the UN Model can be issued before the end of this year or in early 2012.

Another timely 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.

Substantial work on the Manual has been done since the 6th session of the Committee. In addition to extensive drafting of the chapters of the Manual undertaken by the Members of the **Subcommittee on Transfer Pricing**, there were three in-person meetings: (1) a second meeting of the Subcommittee in New Delhi, India, in February 2011; (2) an Informal Meeting on Practical Transfer Pricing Issues for Developing Countries, organized by FfDO/DESA in cooperation with three CSOs – the Friedrich-Ebert-Stiftung; Center of Concern; and Christian Aid – in New York, in June 2011; and (3) a third meeting of the Subcommittee in Tokyo, Japan, in September 2011. At these meetings, draft chapters of the Manual were discussed in detail, with the emphasis on ensuring that developing country perspectives, priorities and experiences were fully taken into account. As a result, most of the draft chapters of the Manual are well developed, but will no doubt benefit from inputs from the Committee during this session.

As the next step, the Manual must be edited and put in its final cohesive form. FfDO/DESA is currently in talks with the European Commission about possible support in that regard. Both organizations see the Manual as a useful way to promote greater international cooperation on tax matters. The complete draft Manual is expected to be presented for adoption to the 2012 session of the Committee.

Other important issues on the agenda of this session include: (1) tax treatment of services; (2) taxation of development projects; (3) tax cooperation related to major environmental issues, particularly climate change; and (4) revision of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. We will hear presentations on the progress of work in these areas.

As we move closer to finalizing the revised UN Model Tax Convention and the Manual on Transfer Pricing, capacity development becomes of critical importance. The **Subcommittee on Capacity-Building** will report on its activities. That Subcommittee has been active in targeted assistance to developing countries, especially in making training materials available, and in promoting cooperation between developing countries on tax issues.

On its part, UN-DESA has recently finalized its **capacity development strategy** which identified *fiscal policy and international tax cooperation* as one of priority areas. While pursuing its relevant activities, UN-DESA seeks to assist developing countries in maximizing fiscal policy space, and to strengthen their capacity to develop more effective and efficient tax systems to support the desired level of private investment and combat tax evasion.

Several modalities and specific projects are worth mentioning. Starting in 2012, UN-DESA will organize training seminars and provide technical advice related to implementing and interpreting UN Model Tax Convention-based treaties as well as in the area of transfer pricing. These activities will be funded under the **UN Regular Programme of Technical Cooperation**, including one post of Inter-regional Advisor (IRA). To initiate this work, a temporary vacancy has already been advertised, pending a regular recruitment to fill the IRA position. In implementing these plans, we will draw on the unique expertise from the work of the Committee, especially in relation to the updated UN Model, the Manual on Transfer Pricing, and the Manual on Negotiation of Bilateral Tax Treaties.

Other modalities include:

- **Development Account project**, entitled “Strengthening capacity of National Tax Administrations of developing countries in Latin America to reduce Tax Transaction Costs and thereby maximize their tax revenues”. This project will be carried out by UN-DESA in cooperation with CIAT, UNDP and ECLAC;
- **South-South Sharing of Successful Tax Practices (S4TP)** project whose objective is to facilitate knowledge sharing and cooperation in tax administration and tax policy among developing countries without prejudice to North-South cooperation. It has been implemented by UN-DESA in partnership with the Special Unit on South-South Cooperation of UNDP, and two NGOs – the New Rules for Global Finance coalition and the Tax Justice Network;

- A global multi-stakeholder event on **illicit financial flows from developing countries** will be organized in early 2012 by UN-DESA in collaboration with the Government of Norway and UNDP.

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 2011/23, took note of the report of this Committee on its 6th session, welcomed the Committee's work to implement its mandate and encouraged the Committee to continue its efforts in this regard.

While recognizing the need for continued consultations to explore options with regard to the strengthening of institutional arrangements to promote international cooperation in tax matters, including the conversion of this Committee into an intergovernmental body, ECOSOC shifted its focus to ways of **strengthening of the work of the Committee in its current format**. To this end, it requested the Secretary-General to submit to the Council "*a report on the role and work of the Committee in promoting international cooperation in tax matters, including further options on strengthening the work of the Committee and its cooperation with concerned multilateral bodies and relevant regional and subregional organizations*". ECOSOC also decided to hold *a one-day meeting in 2012* in conjunction with its special high-level meeting with the Bretton Woods institutions, the WTO and UNCTAD, held in March, *to consider international cooperation in tax matters, including institutional arrangements to promote such cooperation*, with participation of national tax authorities.

The Committee Members have naturally the best understanding of the role and work of the Committee in promoting international tax cooperation. In order to capture the wealth of in-depth knowledge of current practices as well as new ideas on options for strengthening the work of the Committee, we intend to seek your inputs to the Secretariat report in early 2012.

One apparent way to strengthen the work of the Committee would be to address the **resource gap in supporting the Committee's working methods**, which has been stressed in the ECOSOC resolution. As you know, the Committee has relied heavily on its subcommittees and the working groups, especially in relation to updating the UN Model Tax Convention, revision of the Manual for the Negotiation of Bilateral Tax Treaties, drafting a Practical Transfer Pricing Manual for Developing Countries and on capacity building.

On average, each subcommittee should meet at least once a year for two working days. Such meetings should be funded from the **Trust Fund for International Cooperation in Tax Matters**. However, despite frequent calls for contributions, no funds have been received to date. Due to the lack of budgetary and extra-budgetary resources, the subcommittee members had to fund their own participation or rely on their employers' financial support. As a result, only a fraction of the required meetings took place, with a low level of participation by experts from developing countries.

In the same resolution, ECOSOC 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*. The need for promoting coherence, coordination and cooperation in tax matters is growing due to the increased recognition of the relationship between taxation and development, in particular domestic resource mobilization, as well as the emergence of new institutions and initiatives.

In recent years, UN observers participated in the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, the OECD Informal Task Force on Tax and Development, the International Tax Dialogue and the International Tax Compact. Pursuant to the G-20 Multi-year Action Plan on Development, adopted at the 2010 Seoul Summit, the UN participated in the preparation of a report by several international organizations (including OECD, UN, IMF and the World Bank) on “Supporting the development of more effective tax systems”, under the theme of Domestic resource mobilization. The report is now finalized and will be made available following the G-20 Summit in Cannes, France this November.

The UN participation is often sought after as its distinct perspectives and priorities in tax work are recognized as an important complement to, and input into, the work of international tax fora. The UN engagement, thanks to its universal membership, also lends a special legitimacy and broader relevance to this work. Enhanced involvement and participation of developing countries in international tax fora is desired for similar reasons. With emergence of numerous regional institutions, such as the new African Tax Administration Forum, there is more interest in enhancing regional dialogue and assisting cooperation between regional bodies. Additional resources are required by the Secretariat and the Committee in order to respond to these growing needs and demands.

Finally, as the two-year term of the present Bureau of the Committee comes to a close and as the Committee is about to elect a new one for the next two years, it gives me a great pleasure 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, diligence and the often necessary patience.

I wish you productive deliberations and a successful session.

Thank you.