

ECOSOC Special Meeting on International Tax Cooperation (New York, 15 March 2012)

Executive summary

Pursuant to ECOSOC resolution 2011/23, the Council held, for the first time in its recent history, a one-day special meeting to consider the question of international cooperation in tax matters, including institutional arrangements to promote such cooperation. In accordance with the same resolution, the President of ECOSOC, H.E. Mr. Miloš Koterec (Slovakia), invited representatives of national tax authorities to participate in the meeting.

Mr. Alexander Trepelkov, Director, Financing for Development Office, UN-DESA, introduced the *report of the Secretary-General on the Role and Work of the Committee of Experts on International Cooperation in Tax Matters* (E/2012/8), prepared in consultation with the Committee members and relevant international organizations. The report identified some deficiencies and gaps in international tax cooperation and suggested ways of how to address them, with particular reference to the perceived strengths and weaknesses in the Committee's working methods and outputs.

Overall, the report concluded that the Committee was well placed to make a distinctive, practical and enduring contribution to improving international tax cooperation, and 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.

At the opening of the meeting, Ms. Allen Kagina, Commissioner-General of the Uganda Revenue Authority, delivered a keynote address on "*Current Challenges, Priorities and Experiences of Developing Countries in Tax Matters*". According to the speaker, strengthening domestic resource mobilization in developing countries was not only a question of raising revenue, but also that of designing a tax system that promoted inclusiveness, encouraged good governance, reflected society's views on fair income and wealth distribution and promoted social justice. Despite significant progress in this area, weak capacity of tax administrations, corruption and the missing reciprocal link between tax and public and social expenditures remained as main challenges in many developing countries.

The morning meeting also featured a panel discussion on "*The Role of Multilateral Bodies in Strengthening International Cooperation in Tax Matters*", with the participation of high-level officials of major international organizations active in the tax area. Mr. Pascal Saint-Amans, Director, Center for Tax Policy and Administration, OECD, provided an overview of his organization's activities, which reached out beyond the OECD membership. He emphasized the importance of avoiding double standards in the provision of technical advice, as long as different levels of development of countries were duly reflected. The speaker called for enhanced involvement of the UN Secretariat in the work of OECD, including UN participation as observer in the OECD Committee on Fiscal Affairs. An official letter to that effect from the Secretary-General of OECD addressed to the Secretary-General of the United Nations was received on 13 March 2012.

Mr. Michael Keen, Deputy Director, Fiscal Affairs Department, IMF, focused on his organization's capacity development activities in the tax area. He emphasized that in addition to increasing tax revenue, measured by tax/GDP ratio, it was important to build more efficient and transparent tax systems in developing countries. He stressed that technical advice to developing countries should focus not only on the revenue but also on the expenditure side to provide a more integrated view of tax and development. Mr. Keen called for the UN participation in the International Tax Dialogue, which he perceived as an optimal framework for dialogue between various partners.

Mr. Richard Stern, Global Product Specialist for Business Taxation, World Bank Group, provided an overview of relevant capacity development activities undertaken by the World Bank. He emphasized that technical advice to developing countries must be demand driven and that the real needs of those countries should be identified in consultation with their tax administrations. According to the speaker, the overall goal of this work should be to let tax systems evolve in a way that facilitates economic growth and development.

Mr. Márcio Verdi, Executive Secretary, Inter-American Centre of Tax Administrations (CIAT), outlined CIAT's activities aimed at enhancing cooperation, including through exchange of experiences and best practices among its 40 member countries, with a view to strengthening their tax administrations. He also reported on CIAT's cooperation with other multilateral organizations and recent joint initiatives that resulted in an effective coordination of efforts. Mr. Verdi stressed that such coordination required additional efforts to optimize the use of resources and minimize the costs. The speaker called on the UN Committee to involve, to a greater extent, regional tax organizations in its work.

Mr. Logan Wort, Acting Executive Secretary, African Tax Administration Forum (ATAF), shared the experience of establishing his new organization (founded in 2009). It was important that ATAF was able to demonstrate immediate value-added and impact by providing its member countries with a series of capacity development programmes. He acknowledged that ATAF had benefited from the support of other multilateral organizations and civil society but found it challenging to navigate the complex multilateral landscape. The speaker emphasized the capacity gaps in African countries, limiting their ability to benefit from international cooperation in tax matters.

In the afternoon, the center piece of the meeting was an official launch of the *United Nations Model Double Taxation Convention between Developed and Developing Countries: 2011 Update*. 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 UN Model can be downloaded from the FfD website and its printed version will be available later this year.

At the launch, Mr. Armando Lara Yaffar (Mexico), Chairperson of the Committee of Experts on International Cooperation in Tax Matters, recalled the history of the UN Model and described the work of the Committee on key substantive issues, in finalizing the 2011 update. The presentation by Mr. Alexander Trepelkov, Director, FfDO/DESA, was on the role of the UN Model in the context of the Financing for Development. The key point was to illustrate that a UN Model-based treaty, as compared to the one based on the OECD Model, would give more taxing rights to a developing country, in support of its development goals.

In addition, Mr. Michael Lennard, Chief, International Tax Cooperation Unit, FfDO/DESA, outlined the key features of the UN Model focusing on those articles and commentaries which were updated as compared to the 2001 version. Following the panel presentations, the seven Committee members, who were present at the meeting, commented on the Committee's achievements and stressed the need for additional resources to support its work.

During the general discussion, all countries agreed on the need to strengthen international cooperation in tax matters and on the important role of the UN work in this area. However, the discussion revealed the continued divide between developing and developed countries on the specific issue of the proposed conversion of the Committee of Experts into an intergovernmental body. Developing countries emphasized the need to establish a truly universal and inclusive body for international tax cooperation at the intergovernmental level, which would embody democratic principles on a level playing field by giving developing countries a "full seat" and "equal voice" at the table and thus supported the conversion. Developed countries, on the other hand, opposed the conversion and proposed to focus on improving the effectiveness of the current structure and making sure that existing resources were used most effectively. Many developing countries called for additional resources to support the work of the Committee, including from the UN regular budget.

Mr. Masatsugo Asakawa (Japan), Chair, Committee on Fiscal Affairs (CFA), OECD, stated that giving the UN a greater role in the OECD tax work would support the UN work in that area and would be an efficient way to strengthen collaboration between the two organizations. He reiterated the invitation from the Secretary-General of the OECD for the UN Secretariat to participate as an observer in the CFA and its Working Parties and invited the UN to take part in the activities of the OECD Global Relations programme. On its part, the OECD would like to contribute to the Committee's work on its *Practical Manual on Transfer Pricing for Developing Countries*. He also expressed the view that UN was uniquely positioned to reflect interests of developing countries, especially those of the Least Developed Countries.

H.E. Mr. Manjeev Singh Puri, Deputy Permanent Representative of India, confirmed India's position that it was extremely important to bring the UN work on international tax matters into the intergovernmental process by upgrading the Committee of Experts to an intergovernmental commission. He was of the view that the OECD Transfer Pricing Guidelines should not have been endorsed by the UN Model and the UN Committee as they had been agreed upon only by the OECD Member States. Instead, an alternative set of guidelines should be developed by a UN intergovernmental body on the basis of consensus amongst all UN Member States.

As a next step, the Council will take up the issue of international cooperation in tax matters during the general segment of its substantive session in July 2012.

For more detailed information, please consult the web page of the meeting at: <http://www.un.org/esa/ffd/tax/2012ICTM/index.htm>