The Director
CENTRE FOR TAX POLICY AND ADMINISTRATION

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Dear Alex,

I am pleased to provide the OECD response to your request for input to the Report on international tax cooperation mandated by ECOSOC Resolution 2011/33 and I thank you for having shared with us the draft outline of that report.

As the new director of the OECD's Centre for Tax Policy and Administration, I highly value the quality of our relationship and hope we can enhance it in the near future for the benefit of all our member countries. Given the current budgetary constraints in most of the countries around the world, the necessity for international organisations to cooperate and avoid duplication or competition has never been greater. I, and my team, will be fully available to better cooperate in the future.

In this context, I am very happy to confirm to you that the Committee on Fiscal Affairs has asked the OECD Council for approval of its decision to invite the UN Secretariat to become an observer to the Committee. Once the decision is formalized, you will be invited to attend the meetings of the CFA and its working parties. I hope that you will be able to come to the next CFA meeting, which will take place on 26-27 June 2012. I think that this will create a fruitful exchange of knowledge and experience which will be mutually beneficial. I also hope this will support your work and will be an efficient way to strengthen our collaboration, thanks to more regular meetings and active engagement in our work. I note that we already have a successful experience with the Global Forum on Transparency and Exchange of Information for Tax Purposes, where your presence and input are very much appreciated.

Turning now to the role of the UN Committee in promoting international cooperation in tax matters, I believe that the UN, being in a unique position to bring the views of developing countries, and in particular the least developed countries, could focus its work on the needs and specificities of these countries so that they can be fully taken into consideration in the international tax debate. Indeed, this is the value of the UN Model Tax Convention and is also consistent with ECOSOC Resolution 2004/69, which calls on the Committee to "Give special attention to developing countries and countries with economies in transition." I am convinced that tax issues related to development would greatly benefit from UN input. Governments need to put in place tax systems and tax administrations that are adapted to their purposes and that contribute to the development of the countries that these governments serve, notably by facilitating international trade and investment by preventing double taxation. This requires the implementation of a coherent international tax framework that can be tailored to the needs of countries at different stages of development. As shown in our joint report to the G20, Domestic Resource Mobilisation is a key priority and better organizing the partnership of all interested international organisations is a key challenge and opportunity. Similarly, as highlighted in Section II of the draft outline, the UN could play a very useful role in the discussions on innovative instruments for financing for development.

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In order to facilitate the identification of the gaps and deficiencies in international tax cooperation, the attachment to this letter includes a description of the OECD activities related to international tax cooperation. I hope that this part of our response will also be helpful for the drafting of section III (Activities by multilateral bodies in promoting international tax cooperation) of your report.

Tax policy is also about tax administration and the ability to properly implement international and domestic tax rules. As you know, the OECD has long been involved in providing a substantial programme of workshops to its members and non member countries. The UN would be more than welcome in this multilateral sharing of experience between experts, including both South –South dialogue on practical solution based approaches to problems in international tax areas. More details of the Global Relations program are in the annex but we would be very happy to discuss with you ways of developing an engagement that would strengthen your work programme and explore how we can help and support you in this area.

As we also discussed during our last meeting in New York, I invite you to consider how the UN (and maybe not only DESA) could contribute to and benefit from the International Tax Dialogue (ITD) which brings together key international tax organisations. The engagement of the UN (ECLAC attended the last ITD conference in Delhi on tax and inequality) in the ITD could help to achieve greater and more effective collaboration among international organizations working on tax matters.

I appreciate your willingness to allow me to provide our comments after the deadline. I very much look forward to seeing you again and to the discussion of the important topic of international tax cooperation at the upcoming March special meeting organized by the ECOSOC.

Best regards,

Pascal Saint-Amans

CC: Ms. Grace Perez-Navarro, Deputy Director, CTPA

Annex

OECD ACTIVITIES RELATED TO INTERNATIONAL TAX COOPERATION

Work related to tax treaties

There has been a long-standing cooperation and complementarities in the work of the OECD and the UN related to tax treaties. The first draft model tax convention published by the OECD in 1963 was largely based on the Mexico (1943) and London (1946) models of the League of Nations. The model that was subsequently developed by a group of experts appointed by the UN (the UN Model, published in 1980) was itself largely based on the OECD Model with adaptations being made for the special circumstances of negotiations between developed and developing countries.

The OECD continues to improve the drafting of its model: examples of changes include the addition of Article 27 on Assistance in the Collection of Taxes in 2003 and the redrafting of Article 26 on Exchange of Information in 2005 (both changes have been adopted by the UN Committee and will be included in the revised UN Model that is expected to be published in 2012). Since the 1980s, however, the tax treaty work of the OECD has focused more on issues related to the interpretation and the practical application of the provisions of treaties than on their drafting.

A key part of that work is the OECD Annual Tax Treaty Meeting that the OECD has been hosting since 1995. The latest such meeting was held on 15-16 September and was attended by 241 officials from 99 countries, jurisdictions and international organizations, making it a truly global meeting where interpretation and application issues arising from tax treaty provisions based on both the OECD and UN models are analyzed.

Another key component of the OECD work on tax treaties is the capacity-building activities for non-OECD countries that the OECD has been organizing since 1991 (see below for more details on the OECD's Global Relations Program under which these activities are provided). Each year, the OECD organizes more than 10 technical seminars on various aspects of the negotiation, interpretation and application of tax treaties (during which both the provisions of the OECD and the UN models are addressed). In 2011, for instance, this program has delivered week-long regional training seminars on tax treaties hosted by Austria, China, Korea, Indonesia, Japan, Malaysia, Mexico, South Africa, Turkey and the United Arab Emirates (the Secretariat also participated in a tax treaty event organized by Saudi Arabia).

The OECD Secretariat participates actively in the tax treaty aspects of the work of the UN Committee of Experts on International Cooperation in Tax Matters (since the late 1980s, it has attended all the meetings of the Committee and its predecessor, the Ad Hoc Group of Experts on International Cooperation in Tax Matters). Similarly, since 2002, the UN Secretariat has been invited to all, and has participated in almost all, OECD Annual Tax Treaty Meetings.

Work related to transfer pricing

The OECD and UN models share the same arm's length standard, on which the transfer pricing provisions of current bilateral treaties are based.

The OECD has spent considerable time and effort dealing with matters related to the interpretation and application of the arm's length standard. Most recently, the OECD transfer pricing guidelines were updated in 2010. The OECD is actively cooperating in the current work of the UN Subcommittee on Transfer Pricing on the development of a manual on practical transfer pricing issues. It is also undertaking a project on transfer pricing simplification that should benefit non-OECD and OECD countries alike.

Increasingly, non-OECD countries are directly involved in the OECD work on transfer pricing. For example, Brazil, China, Colombia, India, Malaysia, Russia, Singapore, and South Africa are actively participating in the ongoing OECD project on transfer pricing aspects of intangibles. The value added to those deliberations by non-OECD countries led to a decision, in 2011, to organize an annual global transfer pricing meeting similar to the Annual Tax Treaty Meeting described above. The OECD's 1st Annual Meeting on Transfer Pricing will be held in March 2012: more than 100 countries, jurisdictions and international organizations, including the UN, have been invited to that meeting and representatives of at least 80 countries have registered to attend.

Through the OECD's Global Relations Program, the OECD is also very active in transfer pricing capacity-building activities for non-OECD countries. In 2012, it is anticipated that the OECD will present more than 20 training seminars for non-OECD country tax authorities at locations around the world on various aspects of transfer pricing. In collaboration with the World Bank and the IMF, the OECD is also undertaking major projects on Tax and Development, including exercises targeted at capacity building in the transfer pricing area in a number of non-OECD economies.

OECD's Global Relations Program

The OECD's Global Relations Program organizes around 75 week long, primarily multilateral, events per year involving about 2000 participating tax officials from 100 countries. It represents an ambitious capacity building and policy dialogue mechanism sharing good practices, and reinforcing the South-South dialogue between officials on key tax issues. The events delivered reflect focus on international tax issues including tax treaties, transfer pricing and exchange of information, as well as tax policy and tax administration. The program is the result of a partnership with regional and international tax organizations (including ATAF, CIAT, CREDAF, IOTA etc), developing countries and emerging economies and is demand-driven in nature. Participating tax officials share their respective country experiences, problems faced and solutions adopted, mainly through real case analysis, with their peers in events hosted in more than 20 locations world-wide including Brazil, China, India, Indonesia, Russia, South Africa, and Malaysia and at our OECD Tax Centres in Austria, Hungary, Korea, Mexico, and Turkey.

The Global Forum on Transparency and Exchange of Information on Tax Matters

The UN has been an observer to the Global Forum since August 2010. Attending the annual meetings of the Global Forum's now 108 members, as well as through regular contact with the Global Forum Secretariat through the year, it has been a key contributor to the review of the Global Forum's progress, and setting the future priorities of the Forum. Significantly, the endorsement of the UN, in particular in light of its broad membership, has been important in establishing a clear, internationally accepted standard for tax transparency and exchange of information.

One of the more recent Global Forum projects which received valuable backing from the UN has been the proposal of the Global Forum's members, with a mandate from the G20, to launch a Coordination Platform. The Platform will be an information hub, bringing together international organizations and development agencies to promote and enhance cooperation on technical assistance in the areas of tax transparency and information exchange. The inaugural meeting to discuss the proposal was held in January 2012 and attended by more than 50 delegates including the UN. Due to the UN's support for the initiative, along with the other 16 participating organizations, the Platform will launch in early February. It demonstrates for the Global Forum and each of the partners including the UN, a concrete step towards meeting the G20's Millennium Development Goals under Pillar 8.

The UN's ongoing and active participation in the work program of the Global Forum, in particular the newly launched Coordination Platform, is a valued contribution to the Global Forum's goal of improving the implementation of the international standards, to address cross-border tax evasion, and ensuring that the environment of improved transparency benefits all, including developing countries.

Tax Administration

The OECD has always worked on issues of both tax policy and tax administration. To provide a focal point for the work on tax administration the Forum on Tax Administration (FTA) was created in 2002. Since its creation the FTA has become a unique forum for co-operation between revenue bodies at commissioner-level with participation from 43 countries, both OECD and non-OECD countries, and including all G2O countries. The vision of the FTA is to create a forum through which Commissioners can identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration around the world. The key aim is to improve taxpayer services and tax compliance by helping tax administrations increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance. To ensure that the results of the FTA's work are available to as many tax administrations as possible, the FTA publish the results of our key studies in the form of reports and information or guidance notes in the tax administration guidance series. The most recent plenary meeting of the FTA was held in Buenos Aires, Argentina on January 18-19, 2012. More information including all reports and information and guidance notes can found on www.oecd.org/tax/fta

Harmful Tax Practices

For over 15 years the OECD has worked on harmful tax practices. From the beginning this work has involved extensive engagement with non-member countries. In fact, the Global Forum on Transparency and Exchange of Information grew out of the work commenced by the Forum on Harmful Tax Practices which was set up to carry out work in this area. The Forum on Harmful Tax Practices continues its work while making sure it does not duplicate the work of the Global Forum.

Multilateral Tax Co-operation

In 2009 the OECD together with the Council of Europe agreed to revise the Convention for Mutual Administrative Assistance in Tax Matters to bring it up to the international standard but also to open it up to all countries. This was accomplished in May of 2010 with the opening of the revised Convention for signature. Following the signing event at the November 2011 G20 summit in Cannes and including the signing of the Convention by India in January 2012, there are now a total of 32 signatories, including both OECD and non-OECD countries. More countries are expected to sign over the course of 2012. More information can be found on www.oecd.org/ctp/eoi/mutual

International Tax Co-operation to Improve Compliance

The OECD is actively engaged in improving cross-border tax compliance. Work includes voluntary disclosure strategies, work on all forms of information exchange with now an increased focus on automatic exchange, improving tax collection and streamlining the operation of treaty benefits to name just a few of the current topics. The work involves OECD members as well as non-members such as Argentina, Colombia, India, China, Russia and South Africa.

Work on Tax and Crime

Money laundering, corruption, terrorist financing, tax crimes, and other financial crimes can threaten the strategic, political and economic interests of both developed and developing countries. Countering these activities therefore requires greater transparency and improved efforts to harness the capacity of different government agencies to work together to deter, detect and prosecute these crimes through a whole of government approach. In 2010, the OECD launched the so-called "Oslo Dialogue": A whole of government approach to tackling financial crime. There are three main pillars to this work: 1) strengthening inter-agency cooperation at the national level; 2) improving cooperation at the international level; and 3) supporting developing countries, including through training in financial investigative techniques for criminal tax investigators. This initiative includes a wide range of developed and developing countries, representatives of tax and law enforcement agencies, development agencies as well as other relevant organizations. The next event will take place on 4-5 June 2012 in Rome back-to-back with the FATF meeting. At this event we will launch a report on models for inter-agency cooperation, release an inventory of international cooperation mechanisms and launch a training program in financial investigation techniques for criminal tax investigators which will complement and reinforce the work previously carried out by the CFA (Money Laundering Awareness Handbook for Tax Examiners; a Bribery Awareness Handbook for Tax Examiners).

The International Tax Dialogue work

The International Tax Dialogue (ITD) is a collaborative project involving the European Commission (EC), Inter-American Development Bank (IDB), IMF, OECD, World Bank, and the Inter American Centre of Tax Administrations (CIAT) to encourage and facilitate dialogue on tax matters among national tax officials, international organisations, regional development banks and other key stakeholders. The ITD aims to share good practices and pursue common objectives in improving the functioning of national tax systems. The initiative builds on the strengths of existing structures, with a Steering Group made up of staff representatives from partner institutions. All countries are invited to make use of ITD resources and opportunities.