



Preparatory Process for the
Third International Conference on Financing for
Development

**Substantive Informal Session on International Tax
Cooperation and Development**

New York, 9 December 2014

Swiss Statement

Distinguished Co-Chairs

Mr. Moderator

Excellencies,

Ladies and Gentlemen,

We thank the Co-Chairs for putting this important topic on the agenda and for allowing Member States to have an informed discussion about international tax cooperation and development. Switzerland considers the issue of international tax cooperation a key to a successful Addis Conference.

Before talking about international tax cooperation let us remind ourselves that collecting taxes is the main source of domestic revenues for all countries. The fact

that tax revenues as a share of GDP in Least developed countries are much lower than in Middle Income or High Income countries are a severe impediment to their sustainable development prospects. If we look for specific 'revenue gaps' in low income countries, the most evident are: (i) the large amounts of potential tax income that is given away routinely by governments in the form of 'tax incentives'; (ii) dealing with "hard to tax" sectors, especially where administrative capacity and compliance habits are weak (iii); the large informal economy limiting the number of taxpayers compared to the workforce; (iv) the under-taxation of land and property and of natural resources in general; (v) tax optimization practices by transnational corporations, in particular those that use transfer mispricing and other tax avoidance strategies; (vi) and the under-taxation of the wealth and incomes of very rich individuals.

Switzerland recognizes that illicit financial flows impede domestic resource mobilization in developing countries. Illicit financial flows include, on the one hand, money that was earned legally by its owners, but transferred abroad in order to avoid paying tax, and on the other hand, capital that was illegally amassed through human trafficking, drug dealing, corruption or other criminal activities and transferred abroad to be laundered there.

Switzerland adopts a coherent, holistic approach to curbing illicit financial flows. Existing internationally agreed standards in the fields of exchange of information for tax purposes, anti-money laundering and corruption combined with internationally coordinated action are means to successfully curb illicit financial flows. Switzerland supports the implementation of international standards on transparency and exchange of information whereby it ensures accordance with its own legal system

and advocates an internationally levelled playing field. Switzerland also encourages and supports the involvement of developing countries in the international standard-setting discussions with the aim of bringing on board the concerns and the perspectives of developing countries and thus ensuring a level playing field.

An important, albeit small, aspect of illicit financial flows is stolen assets of exposed political persons. Over the course of 25 years, Switzerland has become a world leader in the field of recovery of illegal assets held by former heads of state and other politically exposed persons by having returned to their countries of origin a total of approximately USD 1.8 billion in assets unlawfully acquired by PEPs – more than any other financial centre. Switzerland develops tailor-made solutions to ensure that the assets returned will indeed benefit the population of the country of origin. Possible approaches in such cases include setting up an independent monitoring mechanism or returning assets via an international organization that runs projects and programs in the country of origin, or cooperating with NGOs.

At the international level, Switzerland supports the Stolen Assets Recovery (StAR) Initiative of the World Bank and UNODC, as well as capacity building and legal advice activities of the International Centre for Asset Recovery (ICAR). It takes further action at the international level to ensure that stolen assets of politically exposed persons are restituted to the countries of origin and the Addis conference could be an important milestone to discuss a conducive international environment for asset recovery.

I thank you!