

**Statement by Dr. Narayan Dhakal, Under Secretary, Ministry of Finance, Government of Nepal at the 1st drafting session of the outcome document for the Third International Conference on Financing for Development**

***Building Block A: Domestic Public Finance (28 January 2015)***

Distinguished co-facilitators,

Thank you for giving me the floor.

My delegation aligns with the statements made on behalf of G77 and China, and LDCs. I would highlight on the following points under the "Domestic public finance" building block in national capacity:

1. Taxation also can contribute to environmental protection by providing certain incentives for green investment. For example, Nepal Income Tax Law allows deduction of accelerated depreciation on pollution controlling devices installed in the industries.
2. Capacity of tax administration can be enhanced by blending two major elements- 'knowledge' and 'information'. Capacity development of revenue administration in developing countries in areas of identification of revenue risk, understanding issues of international taxation like transfer pricing, dividend stripping etc. are crucial for domestic public finance.
3. Coordinated and harmonized ODA can enhance effective tax reform and capacity development. Nepal could be a good case study country to substantiate this hypothesis where IMF, USAID, Denmark, and Germany have engaged in a harmonized and coordinated way to carry out successful tax reform in Nepal. Reform in Income Tax legislation, fully

computerized tax administration, Functional organizational structure, online return filing and online payment are some of the major outcomes this effort.

4. Finally, I would repeat the need of compliance by ODA implementing international organizations with domestic income tax regime.

Thank you.