

**Importance of the Capacity Development on Tax
Treaties for Developing Countries and the contributions
of the UN Manual in it.
(Experiences of Bangladesh)**

Syed Mohammad Abu Daud.

Commissioner of Taxes.

National Board of Revenue.

Ministry of Finance.

People's Republic of Bangladesh.

Email – badalsyed@yahoo.com

badalsyed@gmail.com

Areas Discussed.

- 1.Importance of capacity development on Tax Treaties(including negotiation).
2. Challenges, Bangladesh Faces in Capacity Development on Tax Treaties.
3. How UN Manual helps in it.
4. How Bangladesh disseminates knowledge on International Tax Matters
5. What Bangladesh wants.

Importance of capacity development on Tax Treaties for Bangladesh.

Without having it, Bangladesh Can not match with the changing global economic phenomenon .

Can not eliminate the Prevalence of double taxation.

Can not Attract FDI

Can not accommodate the claims of other nations within the own fiscal arena to develop international trade and business with minimum barriers. • Can not harmonies Tax definitions.

•Can not define Taxable bases.

Importance of capacity development on Tax Treaties for Bangladesh.

Can not assign Taxation jurisdiction.

- Can not set mechanism to remove double Taxation.**

**Can not Exchange Information between the contracting
states properly.**

Importance of capacity development on Tax Treaties for Bangladesh.

- To make more reciprocal fiscal relationship with contracting states.
 - To allocate taxing right to the respective state
 - To mitigate uncertainty for the foreign investors how to tax their overseas profit will be taxed and repatriated.
- • To Increase tax base.
- • Tracking E transactions.
- To be compatible with digital economy.

Challenges and Skill gaps.

- In case of negotiation and administration of Tax Treaties, Bangladesh faces the following challenges.

Skill gap on the basics of Tax Treaty.

The Basics are-----

- What tax problems that treaty will overcome?
- How will tax treaty correct their problems?
- What will be the fiscal cost of the treaty?
- What come the risks to own tax base?
- What will be the ultimate benefit from the treaties.

These basic calculation is must for capacity development on Tax Treaty. But due to incompetence in these calculation, expected capacity building on Tax Treaty negotiation and administration has not reached to a level of expected height.

Challenges, Bangladesh Faces in Capacity Development on Tax Treaties

- Skill gaps in negotiating tax treaties.**
- In need of well defined tax treaty Policy.**
 - Poor automation system.**
 - Red tapes in bureaucracy.**
 - Time consumption,**
- TT can take years to negotiate.**

Challenges, Bangladesh Faces in Capacity Development on Tax Treaties.

- •Not well equipped to monitor foreign transactions specially E-Transactions .
 - Tax Policies on lagging behind technical developments in the Taxation of new and Innovative financial instruments.
- Not well equipped to cope with digital economy.
- 6. Due to digital economy, definition of PE in Bangladesh Model is not working properly.

Challenges, Bangladesh Faces in Capacity Development on Tax Treaties

- •For lacking of Proper expertise Bangladesh Tax administration can not keep issues like capital movement and transfer Pricing in a comprehensive manner and so can't tax on these issues.
- •Difficulty to construct own unique model.
 - Frequent transfer of the officials responsible for Treaty negotiation. This is a big bar in achieving expertise.
 - Knowledge gap and lack of policy to develop expertise in treaty negotiation and administration.

Challenges, Bangladesh Faces in Capacity Development on Tax Treaties

- •Language barrier. Sometimes some Bangladesh faces language barrier since there is no common language like English or French etc. in between .
- Lack of ability of the Tax administration to comply with the treaty obligations.
- Bangladesh faces the problem of in availability of written materials and capacity building tools in the area of Treaties.
- Often, due to lack of expertise it can't calculate the significant cost for revenue which will be happening due to a treaty.

Challenges, Bangladesh Faces in Capacity Development on Tax Treaties

- Developing countries face the problem of unavailability of written materials and capacity building tools in the area of Treaties.
 - Often, due to lack of expertise, they can't calculate the real cost for revenue which will be happening due to a treaty.
- **For these challenges Bangladesh is lagging behind from the --**
- **The 17th goal of SDG clearly stated the necessity of internal revenue mobilisation.**

How UN Manual helps???

Development of a smart and Compatible own model.

•

- UN manual on Tax Treaties helps Bangladesh to develop a skill in negotiation administering the treaties.
- **. It helps to develop an own treaty model, which is**
 - Effective and implantable.
 - Simplified and easy to comply.
 - Matching with International Standards and guidelines.
 - Will attract FDI by assuring the investors the legal protection of their interests.

Other Contributions of UN Manual.

UN Manual helps in many ways.

Contribution of UN Manual.

It Helps with the guidelines in

- 1.making more reciprocal fiscal relationship with contracting states.
2. allocating taxing right to the respective state
3. mitigate uncertainty for the foreign investors how to tax their overseas profit will be taxed and repatriated.
4. Increase tax base.
- 5.Tracking E transactions.
- 6.How to be compatible with digital economy.
- 7.How to be compatible with BEPS issues.

Contribution of UN Manual. (Contd.)

7. Helps to way out to increase withholding income tax rate at source in case of transactions with low-tax jurisdiction.
8. To tax on digital transactions..
9. Identify significant risk areas and begin remediation as required, based on current actions of tax authorities and the future impact of UN work.

Contribution of UN Manual. (Contd.)

- 10.To Identify significant risk areas and begin remediation as required, based on suggestions of the manual.
- 11.To Monitor the domestic impact of BEPS work – especially on behavioral changes
- 12.I. In Developing efficient information access system.
- 13. In Formulation of strong law to submit information properly.
- 14. In Developing cost benefit analysis capacity before entering in to a Tax Treaty.

The biggest contribution of the UN model.

- **The biggest contribution of the UN model is –**
- **It speaks the language of developing countries.**
- **It feels the pulse of these countries.**
- **Since the socio-economic situation of OECD countries are not alike developing countries, it does not reflect the true scenarios of these countries.**
- **The developing countries like bangladesh are prone to accept the UN model as it seems to provide more benefits to them. On the other hand, the OECD model protects the developed countries more than their counterparts**

How Bangladesh disseminates knowledge on International Tax Matters

- *Bangladesh is faced with a major skills gap with regard to cross-border tax issues .*
- *As such, the country is largely dependent on foreign training in this arena.*
- *However, inadequate resources and obstacles to accessing training opportunities make it very difficult to send relevant officials abroad for specialized training*
- *Looking at ways to overcome these hurdles, Bangladesh has devised a bespoke system that enables those who have managed to access training abroad to share their learning with their colleagues.*

How Bangladesh disseminates knowledge on International Tax Matters

- How it works.
- Officers who are able to access international training are instructed to prepare a detailed report on their experiences.
- Upon their return they must submit their report to the National Board of Revenue.
- The National Board of Revenue then convenes a seminar based on the report for all officers working on international tax matters.
- A precise copy of the report is provided to all the participants giving them a comprehensive overview on the topic of the question.

How Bangladesh disseminates knowledge on International Tax Matters

- The discussion is followed by a brief question-answer session to enable participants to clarify their understanding.
- All attendees must then submit a report to their respective departments describing their understanding of the topic presented at the seminar.
- Important papers are posted on the website of the National Board of Revenue and the Bangladesh Civil Service (Taxation) Academy.

What Bangladesh Needs

- International support in the form of training to make the locals efficient in treaty issues.
- Technical assistance specially IT assistance to track BEPS cases in more efficient ways.
- Exchange of information (should perform more Tax Treaties.)
- Expertise on Treaty issues specially negotiation and administration of it. International organizations like OECD can help in this issue.
- A proper system for MNEs to report their global financial activities .Reporting template is be processed and finalized as soon as possible.
- **Bangladesh demands the fulfillment of the Addis Ababa Action Agenda (AAAA) set in July 2015 clarifies further priorities in providing support to the developing countries to ensure financing for sustainable development in the area of knowledge and skills of the participating countries, especially the developing ones.**

Final Note.

- How over Bangladesh, as an emerging economy tries to build a robust capable skill in performing tax treaties.
- Now Bangladesh tries to attend to develop the skill by-----
- Enacting proper law.
- State of the art treaty skill.
- Developing Information gathering skill and related law.
- Building law and skill on digital economy.
- International help.
- **MOST IMPORTANT: A very good treaty network is essential to combat BEPS problems and Bangladesh should focus on building skill in Negotiation and administration of Tax treaties.**
- **There is NO SHORT CUT WAY.**
- Hope Bangladesh will overcome the problems soon.
-

спасибо
danke 謝謝
ngiyabonga
teşekkür ederim
tapadh leat
gracias
moichchakkeram
go raibh maith agat
arigatō
takk
dakujem
merci
ευχαριστώ
감사합니다
terima kasih
kop khun krap
sukriya
sagolun
dziękuję
hvala
mauruuru
obrigado
bedankt