



Economic and Social Council
Special meeting on international cooperation in tax matters
(New York, 7 April 2017)

Background

The implementation of the 2030 Agenda for Sustainable Development (2030 Agenda) requires the mobilization of significant financial resources. To this end, the Addis Ababa Action Agenda (Addis Agenda) of the Third International Conference on Financing for Development provides a holistic and coherent framework for financing sustainable development in all its three dimensions, including through the effective mobilization and use of domestic resources.

Whereas taxation is one of the most important ways in which developing countries can mobilize resources for investment in sustainable development, substantial gaps in raising tax revenues persist between developed and developing countries (especially the Least Developed Countries). In this respect, strengthening tax systems – both in terms of tax policies and administration – has emerged as a key development priority both in the 2030 Agenda and the Addis Agenda. Specifically, the Addis Agenda contains a commitment *to “[...] work to improve the fairness, transparency, efficiency and effectiveness of tax systems”*, and highlights the critical role to be played by development-oriented tax policies, modernized tax systems and efficient tax collection procedures. Given the globalized nature of business and finance, there are limits to what countries can do on their own through domestic policies, so the Addis Agenda also emphasizes the importance of international tax cooperation and the need to combat illicit financial flows.

While estimates on their size vary, depending on the definition and methodologies used, experts widely agree that illicit financial flows (IFFs) out of developing countries significantly undermine their ability to raise, retain and mobilise resources to finance sustainable development. In this respect, the Addis Agenda calls on Governments *“to redouble efforts to substantially reduce IFFs by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation”* (para 23 of the Addis Agenda, MoI 16.4 of the 2030 Agenda). The topic has also garnered renewed momentum in the General Assembly with the recent adoption of resolution 71/213, of 21 December 2016, on the *“Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development”*. In the resolution, Member States welcome the inclusion of combating illicit financial flows in the 2030 Agenda and the Addis Agenda and decide to give appropriate consideration to this issue in their follow-up and review.

In view of these challenges and in the context of increasing globalization, global cooperation on tax matters, has gained increased momentum in recent years at the expert, intergovernmental and institutional levels.

Within the United Nations system, the ECOSOC Committee of Experts on International Cooperation in Tax Matters (Committee) is tasked with addressing the issues of

taxation, paying special attention to developing countries and countries with economies in transition. In the Addis Agenda, Member States welcomed the work of the Committee and decided to strengthen its effectiveness and operational capacity (para 29 of the Addis Agenda), including by increasing the frequency of its meetings to two sessions per year, with a duration of four working days each. It was also decided to increase the engagement of the Committee with ECOSOC through the special meeting on international cooperation in tax matters, with a view to enhancing intergovernmental consideration of tax issues at the United Nations.

At the institutional level, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations and the World Bank Group (WBG) have recently launched the Platform for Collaboration on Tax, a joint initiative aimed at intensifying their cooperation on tax issues, with a view to strengthening their capacity-building support to developing countries. Vis-a-vis the growing importance of taxation in national efforts to achieve the Sustainable Development Goals (SDGs), a major aim of the Platform is to provide a framework to better assist developing countries as they seek both more capacity support and greater influence in designing international rules.

In addition, the Inter-agency Task Force on Financing for Development (IATF) launched a workstream to follow-up on commitments related to the IFFs in the Addis Agenda, as well as on a mandate contained in General Assembly resolution 71/231 to analyse this issue. As a first step, the IATF is mapping out the different components and the current status of data and estimates, in order to begin building on the existing efforts and identify data gaps. The IATF has also focused on examining policy responses to different channels based on the recognition that policies can focus on attacking IFFs at the source (where the money is earned), at the transfer (i.e. through trade, capital transactions, or transfer mispricing) or at the destination (where the money is used).

Mandate

Pursuant to its resolution 2017/2 and decision 2017/209, ECOSOC will hold, on 7 April 2017, its one-day annual meeting to consider international cooperation in tax matters, including its contribution to mobilizing domestic financial resources for development and the institutional arrangements to promote such cooperation, with the participation of the representatives of national tax authorities. The meeting will be held immediately following the 14th session of the Committee, to facilitate dialogue between the Committee and the Council and to provide input to intergovernmental consideration of tax issues at the United Nations. Furthermore, ECOSOC resolution 2017/2 emphasized that the Committee should enhance its collaboration with other international organizations active in the area of international tax cooperation, including the IMF, the WBG and the OECD, and with relevant regional and subregional bodies. Accordingly, representatives of these organizations will be invited to actively participate in the meeting.

Modalities

The meeting will be held in the form of an interactive dialogue between the Council, Committee members, senior representatives of national tax authorities, relevant international organizations, civil society and academia. Following the presentations, time will be allocated for comments and questions from the floor. This year's special meeting will serve as an important opportunity to highlight the major accomplishments of the current membership of

the Committee, given that its term expires in June 2017. The meeting will also discuss, with relevant stakeholders, broader thematic issues in international tax cooperation. Overall, the event will follow similar modalities as those utilized in the previous special meeting, held by the Council on 9 December 2016. Accordingly, special efforts will be made to relate the technical nature of the work of the Committee and of relevant international organizations to the broader policy interests of Member States.

Programme

The meeting will be chaired by the President of ECOSOC, H.E. Mr. Frederick Musiiwa Makamure Shava (Zimbabwe). A short opening plenary will feature a keynote address by a senior tax official from a developing country, who will address the challenges that developing countries have faced in developing efficient tax systems and policies, while also highlighting the role of international tax cooperation in overcoming these challenges and attaining the commitments set out in the Addis Agenda.

The morning session will comprise three thematic discussions, focusing on the main achievements of the Committee during its current term (July 2013 - June 2017). During each segment, members of the Committee will provide a general overview of specific issues, focusing on its relevance for developing countries, and of the technical work carried out by the relevant Subcommittees. Following the presentations by Committee members, representatives of national tax authorities from developing countries will share their perspective on these issues, including by providing their views on the relevance of the work of the Committee for developing countries and sharing examples from their country experience.

This first thematic discussion will focus on the primary mandate of the Committee, which is the review and update of the *United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model)*. The presentations will focus on the most relevant changes to Articles and Commentaries of the UN Model discussed and agreed by the current membership of the Committee, in particular with respect to issues related to base erosion and profit shifting.

The second session will feature a presentation of the updated and enhanced *United Nations Practical Manual on Transfer Pricing for Developing Countries* with the view to reflecting the relevant revision of the Commentary on Article 9 of the UN Model, and to providing further and clearer guidance on the policy and administrative aspects of applying transfer pricing analysis to cross-border transactions between related parties, with particular attention paid to the needs of developing countries.

The third thematic discussion will provide an overview of the forthcoming *Handbook on the taxation of extractive industries in developing countries* which will contain guidelines, approved by the Committee in the form of guidance notes, on issues related to the taxation of extractive industries in developing countries, including on specific aspects of domestic legislation and double tax treaties, and on the negotiation of contracts in the extractive industries.

The afternoon session will comprise two panel discussions. The first panel will discuss the “Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development”. Against the backdrop of the commitments highlighted in

the Addis Agenda and the recent General Assembly resolution on the same theme, this session will focus on concrete country insights on: (i) the impact of IFFs on national sustainable development efforts; (ii) measures that may help reduce IFFs; and (iii) policies and actions that may address the underlying behaviours that give rise to IFFs, such as tax evasion, money-laundering and corruption. It will also explore regional and international initiatives to strengthen national efforts aimed at curbing IFFs. Special emphasis will be placed on policy recommendations for corrective actions in support of a more coherent policy approach to combat IFFs at all levels. The second panel in the afternoon will focus on the work of the inter-agency Platform for Collaboration on Tax (Platform). The session will continue the discussion of the report entitled “Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries”, submitted by the Platform to the G20 Finance Ministers. In particular, the Platform partners will provide an update on the progress in the implementation of the recommendations and enabling actions contained in the report, as well as present an overview of toolkits developed jointly by the Platform to assist developing countries in addressing important issues in international tax cooperation. These include a toolkit dealing with difficulties in accessing comparables data for transfer pricing analyses and supplementary materials addressing information gaps on prices of minerals. Moreover, an update will be provided on plans for the first global conference to be organised under the aegis of the Platform, including proposed specific topics to be discussed on the role of taxation in achieving the SDGs.

The meeting will conclude with a general discussion segment and closing remarks by the President of ECOSOC.