

Opening statement by Alexander Trepelkov
Director, Financing for Development Office, UN-DESA, at the
14th Session of the Committee of Experts on International Cooperation in Tax Matters
(New York, 3 April 2017)

Distinguished Members of the Committee,
Distinguished Observers,
Ladies and Gentlemen,

On behalf of the Department of Economic and Social Affairs of the United Nations Secretariat, I am pleased to welcome you to the 14th session of the Committee of Experts on International Cooperation in Tax Matters.

This session has a special significance. This is the last session of the current membership of the Committee, which, as you know, expires at the end of June. Overall, you should have every reason to be proud of the Committee's recent achievements. The legacy of this membership will be rich in substance and impact. It will include the updated version of the *United Nations Model Double Taxation Convention between Developed and Developing Countries* (UN Model), an updated version the *United Nations Practical Manual on Transfer Pricing for Developing Countries* (UN Transfer Pricing Manual), and the *United Nations Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries*, as well as a new *Handbook on Selected Issues in the Taxation of the Extractive Industries for Developing Countries*.

This session is where all of the work of the past four years comes together, as members meet for one last time to make their final contributions to those publications not already agreed – this especially relates to the UN Model. We hope in all this work to be able to provide balanced, substantive and practical options and guidance for Governments and taxpayers in support of robust and fair tax systems, taking into account the interests of all relevant stakeholders, while bearing in mind the frequent resource, information and other limitations of developing countries, especially the least developed countries.

14th session of the Committee of Experts on International Cooperation in Tax Matters

Let me briefly outline key items on the agenda for this session of the Committee, against the backdrop of its work under the current very active and effective membership.

The revision of the UN Transfer Pricing Manual is complete. A digital copy of the new version of the Manual will be distributed to all the participants during the Special Meeting of ECOSOC on International Cooperation in Tax Matters, where its official launch will take place. Likewise, the Handbook on Taxation of the Extractive Industries has been concluded and will be launched in October 2017; hopefully a final chapter on the key issue of transfer pricing and extractive industries will be approved this week.

In its effort to finalize the update of the UN Model, the Committee will consider and evaluate an important body of work on the G20/OECD project on base erosion and profit shifting (BEPS) and its implications for developing countries. The draft documents to be presented during the session will point out proposed changes to a number of Articles of the UN Model to address BEPS, especially as it affects developing countries.

Specific BEPS items for discussion include a possible limitation on benefits clause and other options such as a principal purpose test, to prevent those not intended to be covered by tax treaties from obtaining their benefits, as well as some procedural issues related to (i) possible changes to Articles and Commentaries; and (ii) possible treaty revisions to deal with subsequent changes in law. These changes are highly technical, but that should not obscure their practical importance to revenue bases and to development.

In addition, as you may recall, during the 13th session in New York, there were extensive discussions regarding characterization of certain activities in the context of international transport. This time, you will be deciding which, if any, of the changes to the OECD Model will be incorporated into the new version of the UN Model, in view of their relevance and impact on developing countries.

The Subcommittee on Mutual Agreement Procedure is proposing a new text to be incorporated in the revised version of the UN Model on non-binding dispute resolution mechanisms, with corresponding guidance in the commentaries. In addition, the Committee will review to what extent it wishes to introduce into the UN Model some of the outcomes of the OECD BEPS discussion. Among other important issues, the Committee will review and approve the outline of the UN Handbook on Dispute Avoidance and Resolution and an outline of the UN Mutual Agreement Procedure Guide. This is likely to be an important bridge to the next membership of the Committee.

The Subcommittee on Royalties also has new proposed commentaries to Article 12, in relation to the concept of industrial, commercial and scientific equipment. Interesting debates lie ahead on royalty issues for an increasingly digitalized economy.

Furthermore, after having heard at the 13th session about the Swedish experience with the implementation of a carbon tax, and gathering evidence from the IMF as to how countries have been using environmental taxes to increase their revenue collection ability, at this session the Swedish tax administration will put forward an issues paper with a proposition for further work on environmental tax issues and options for developing countries.

Last but not least, the Capacity Development Unit will report to the Committee on progress in the capacity-development work undertaken by the Financing for Development Office since the last session of the Committee. The highlights include: (i) the UN Workshop on the Negotiation and Administration of Double Tax Treaties, held in Luanda, Angola, on 16-20 January 2017; (ii) the UN Course on Double Tax Treaties, held in Asunción, Paraguay, on 13-17 March 2017, which has launched a technical cooperation project aimed at strengthening the capacity of tax officials in the Revenue Service and the Ministry of Finance of Paraguay to negotiate and apply tax treaties; and (iii) the UN Workshop on Double Tax Treaties and Base-Eroding Payments for Developing Countries, held in Nairobi, Kenya, on 21-24 March 2017, in cooperation with the African Tax Administration Forum (ATAF) and thanks to the financial support by the Government of Italy.

This agenda represents an ambitious work plan for the Committee's last session, but I am confident that this Committee, drawing upon the expertise and good will of many others, will once again be able to deliver.

Special meeting of ECOSOC on international cooperation in tax matters

This is the second time the Committee is holding its session in New York back-to-back with the Special Meeting of the Economic and Social Council (ECOSOC) on International Cooperation in Tax Matters, with the participation of national tax authorities. We hope to see many of you at this meeting on Friday.

The ECOSOC special meeting will be held in the form of an interactive dialogue between the Committee Members and UN delegates. This modality aims to bridge the gap between the technical nature of your work and broader policy concerns of Governments, particularly national tax authorities and relevant ministries. We will discuss the upcoming review and update of the UN Model, the new version of the UN Transfer Pricing Manual, and provide an overview of the upcoming Handbook on Extractive Industries.

Furthermore, the Special Meeting will feature a discussion on international cooperation to combat illicit financial flows. The focus will be on corrective actions in support of a more coherent policy approach to combat illicit financial flows at all levels. Finally, we will look more deeply into the work of the inter-agency Platform for Collaboration on Tax, in order to build tax capacity in developing countries.

The Platform for Collaboration on Tax

Before I pass the floor to the Secretary of the Committee, Michael Lennard, who will provide you with further details regarding the agenda and logistical arrangements for the session, let me update you on the progress in the work of the inter-agency Platform for Collaboration on Tax, which comprises the IMF, OECD, UN and World Bank Group.

Since December 2016, the Platform has made progress on several fronts. Work was advanced on the development of toolkits to help developing countries in implementing measures to address BEPS. In particular, the Platform released a discussion draft of the toolkit on “Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analysis”, and a complementary study on “Addressing the Information Gaps on Prices of Minerals”. These documents were made available not only in English, but also in French and Spanish, and were posted on the websites of each Platform member, with a view to seeking comments from interested stakeholders. Work is also advancing on a draft report on indirect transfers of assets, which is expected to be released by the middle of this year.

In addition, the Platform started the work on nationally-owned medium-term revenue strategies (MTRS), with a view to supporting country-led reforms to tax policy and administrations in developing countries. A meeting on this issue will be organized by the Platform in May in London. Moreover, progress was made on the preparations for the first global conference to be organized under the aegis of the Platform. This conference will be held in February 2018 at the UN headquarters in New York under the theme of “Taxation and the Sustainable Development Goals”.

Finally, and as I noted earlier, the Special Meeting of ECOSOC on International Cooperation in Tax Matters this coming Friday will also feature an update on the work of the Platform, including the preparations for this conference.

Thank you.