



Economic and Social Council
Special meeting on international cooperation in tax matters
(New York, 18 May 2018)

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 policy 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.

Within the United Nations system, the ECOSOC Committee of Experts on International Cooperation in Tax Matters (Committee) is tasked with addressing taxation issues, 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 inter-agency level, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations and the World Bank Group (WBG) cooperate in the tax area through the Platform for Collaboration on Tax (Platform). Considering 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 this context, the Platform organized its first global conference on the theme “Taxation and the Sustainable Development Goals,” which was held at the United Nations headquarter in New York, on 14-16 February 2018. The conference contributed to taking forward the global dialogue on the role of taxation in mobilizing domestic revenue to finance the SDGs and provided an inclusive forum for the exchange of country experiences on challenges and opportunities in using tax systems in support of sustainable development.

Mandate

Pursuant to its resolutions 2017/2 and 2018/1, ECOSOC will hold, on 18 May 2018, 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 16th 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 international tax cooperation, including the IMF, the OECD and the WBG, and with relevant regional and inter-regional 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. 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. This year's special meeting will serve as an important opportunity to address emerging tax policy and administration issues related to the digitalization of the economy. The meeting will also discuss, with relevant stakeholders, broader thematic issues in international tax cooperation.

Programme

The meeting will be chaired by the President of ECOSOC, H.E. Ms. Marie Chatardová (Czech Republic). 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 face in reforming tax systems and policies as well as the opportunities for addressing them, while also highlighting the role of international tax cooperation in overcoming these challenges and attaining the commitments set out in the Addis Agenda. It will be followed by a brief presentation by the Co-Chairpersons of the Committee, who will provide an overview of the current work of the Committee and of the outcome of its 16th session.

The morning session will comprise a panel discussion on the impact of the digitalization of the economy on the taxation of cross-border transactions. Large multinational groups can sell significant amounts of products and services in a country without having any physical presence in that country; in many cases, these products and services derive their value from data provided by that country's consumers. Some form of physical presence, however, is typically required (especially in double tax treaties) to subject foreign companies to corporate tax. It has similarly often been required before an obligation to collect value-added taxes arises. Since the late 1990s, the issue of whether and to what extent tax rules should be changed to address the digitalization of the economy has been debated in many international fora. While important changes have been made in the area of value-added taxes, the issue is still being discussed, including as regards corporate taxation.

The OECD has been mandated to present an interim report on this issue to the G20 Finance Ministers at their meeting in April 2018 (a final report is due by 2020). Proposals dealing with the issue have also been recently raised by the European Commission. The topic of "Taxation in the digitalized economy" has also been included in the tentative programme of the

Special High-level Meeting with the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD), which is part of the forthcoming ECOSOC Forum on Financing for Development follow-up (New York, 23-26 April 2018).

The Committee is also undertaking work on the impact of the digitalisation of the economy on taxation, focusing particularly on the interests and the perspective of developing countries. Past work has resulted in an important model tax treaty provision on the taxation of fees for services provided into a country, even without a geographic presence. Future work will address not just the policy (including legislative and treaty) issues in this area, but also the administrative issues, including the opportunities a digitalized economy may bring for improving tax administration. This last point involves aspects of improving tax collection and taxpayer services and thereby contributing to enhancing domestic resource mobilization, which is crucial to achieving the SDGs. The meeting will provide a timely opportunity to take stock of the developments on these important issues, as well as the United Nations and ECOSOC's role in the debate and will assist developing countries in contributing to shaping and elaborating the debate on these issues.

The afternoon session will comprise two panel discussions. The first panel will discuss the taxation of ODA-funded projects. Government and international organizations that fund official development assistance (ODA) projects often request tax exemptions for these projects. These exemptions typically cover custom duties on imported goods, value-added taxes and income taxes for personnel and enterprises. While there may appear to be good reasons for requesting some tax exemptions, overly broad tax exemptions can raise significant concerns for recipient countries, including economic distortions, increases in transaction costs, potential for abuses and an increased administrative burden for tax administrations. They also run counter to the overall aim of strengthening domestic resource mobilization in these countries.

The issues raised by broad exemptions for ODA-funded projects were examined by the Committee at its first session in 2005. Draft Guidelines were prepared in 2007. While progress on these guidelines has been slow, efforts to address the issue are gathering momentum: for instance, the Platform recently announced its intention “to review current practice, and provide guidance and recommendations, on the tax treatment of ODA funded goods and services”. The meeting will allow an opportunity to discuss developing country concerns that are raised by the broad exemptions often requested for ODA-funded projects, including possible ways of addressing these concerns.

The second panel in the afternoon will focus on the work of the Platform. A report will be provided on the outcome of the first global conference organized by the Platform at the UN Headquarters in New York, on 14-16 February 2018, on the theme “Taxation and the Sustainable Development Goals.” In addition, an update will be provided on the development of “toolkits” designed to help developing countries implement measures to tackle tax base erosion and profit shifting (BEPS) and address other international tax issues of concern to these countries. In addition, Platform representatives will brief participants on the work aimed to assist developing countries in implementing nationally-owned medium-term revenue strategies (MTRSs) and to strengthen the participation of these countries in tax policy discussions and institutions. They will also provide an update on their commitment to produce a forward agenda that will take account of stakeholder suggestions concerning other topics on which the Platform could work and other ways in which it could foster cooperation.

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