Remarks by Mr. Navid Hanif

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Informal Briefing on 17th Session of UN Committee of Experts on International Cooperation in Tax Matters

<u>New York, 30 October 2018</u>

Excellencies and Colleagues,

The UN Committee of Experts on International Cooperation in Tax Matters held its 17th session in Geneva from 16 to 19 October 2018, amidst wider efforts to mobilize the means of implementation for sustainable development.

The Committee has a wide mandate. The workings of its specialist, and generally multi-stakeholder, subcommittees are central to the Committee's success.

This year, for the first time, subcommittees met to progress their work before, during and after the Committee session, back-to-back. This moved the Committee work forward more quickly, while minimizing resource implications. Yet, it still involves human and financial resourcing costs that would need to be covered for more sessions to have this advantage.

For me, the main takeaway from this past session was how fully the Tax Committee embraced its special responsibility to frame its work programme and outputs in the wider context of sustainable development, especially the 2030 Agenda – and also to communicate its work in those terms.

The secretariat has prepared a paper that begins to further elaborate the role of taxation in effectively raising domestic resources for governments to finance achievement of the SDGs. More, the Committee added "Tax and the SDGs" as an agenda item for its next session, to take place in New York in April. The discussions and outcomes will further strengthen the engagement between the work of the Committee and the wider work of ECOSOC.

The Committee is already working effectively to meet its mandate as a truly representative and globally focussed body. Let me briefly share with you some examples of how this was achieved at the 17th session.

The close technical work of the Tax Committee is crucially important. Well considered, robust and watertight technical provisions on tax can have huge budgetary and developmental consequences, specifically by informing and supporting the policy decisions taken by governments to further domestic resource mobilization.

The Committee has a special role in providing guidance on how countries can allocate profits made in a digitalized economy. Here traditional rules on allocation of taxing rights may no longer seem fit for purpose, and much business can be done in countries without any physical presence. The Committee has begun to examine whether current and emerging rules sufficiently safeguard legitimate policy space in this context. This directly builds on the pioneering guidance produced by the Committee on taxing technical, managerial and consulting services provided internationally, without a physical presence. The 2017 version of the Committee's UN Model Tax Convention sets out this guidance.

The Committee also added to its agenda the issue of the relationship of tax, trade and investment treaties. Increasingly, tax issues are being scrutinized before investment treaty arbitral tribunals or under trade treaties. Committee guidance on the interactions between such treaties will help encourage "whole of government' responses on such issues, as well as avoiding resource intensive and costly surprises.

The Committee has recently produced its Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries. The next version will give practical guidance on issues such as, (i) auditing of oil, gas and mining activities; (ii) tax treatment of subcontractors and service providers; (iii) tax incentives; (iv) tax treatment of financial transactions; and (v) trade mis-invoicing issues.

The issue of transfer mis-pricing (or profit shifting) remains central for all countries. Related companies in a multinational corporation sometimes report profits in low or no-tax jurisdictions, rather than where real activities occur. Pricing complex transactions of this sort, often with a heavy component of intellectual property and other intangibles, is not easy; it is even more challenging to achieve agreement on how to do this internationally, without creating double taxation. The UN Practical Manual on Transfer Pricing for Developing Countries is therefore being reviewed to make it even more practical and easy to use, while adding new guidance sought by developing countries, such as on profit shifting in financial services.

Tax treaties between countries encourage investment, while avoiding double taxation. Their role in countering tax avoidance is also increasingly being recognized. The 2017 version of the UN Model already assist developing countries in negotiating and interpreting their treaties. Discussions and drafting commenced in earnest in Geneva on the latest update of the model. The Committee also reviewed a first draft of the accompanying Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries.

The Committee set up a subcommittee on tax treatment of ODA projects to produce guidelines in this area and contribute to strengthening policy coherence for sustainable development. Such work will draw upon other relevant efforts, especially of the Platform for Collaboration on Tax.

On environmental taxation, the Committee approved subcommittee proposals on guidance for countries considering implementing carbon taxation.

The Committee expressed support for progress made in the UN's capacity development programme in international tax cooperation, including collaboration with other bodies. It also discussed UNDESA proposals to strengthen the dynamic interaction between tax policy and capacity development work, with a view to effectively supporting and feeding into the Secretary-General's Strategy for Financing the 2030 Agenda (2018-2021).

Excellency, Ladies and Gentlemen,

Looking forward, seeing the Committee in action again in Geneva only reinforced my sense of this Committee membership as very well qualified, engaged and focussed, with a balance in perspective that equips it well to meet its mandate.

As secretariat, we have sought to use the resources available to support the Committee as efficiently as possible. Recent financial support for its work, from the Indian government and the European Commission, has especially helped the vital work of the subcommittees. We are also working with the Committee to developed more targeted, effective and resource efficient workplans covering the span of their tenure, through July 2021.

This is the good news. The Committee's full potential, however, cannot realistically be met under current resourcing. There is no doubt that the Committee will need significantly stepped up staff and financial support to produce its main deliverables – and help member States significantly accelerate progress on the 2030 Agenda over the next few years.

In this context, UNDESA is currently preparing a proposal for Multi-donor funding to:

- provide strengthened substantive and logistical support to the Committee, including its Subcommittees;
- support more inclusive and broad-based country engagement in international tax discussions and institutions; and

- enhance and strengthen the impact of capacity development efforts aimed at disseminating and operationalizing the Committee's work at country level.

We hope the proposal will bring your interest, support and advocacy. With your support, in a world where the importance of tax to sustainable development is increasingly recognized, the UN can play its proper part in all aspects of mobilizing domestic resources for development.

The Committee work is only one element of the solution. Good work is being done in other areas. Yet, the Committee plays an increasingly important and unique part of the large and complex jigsaw of international tax policy making and administration.

Thank you for your attention. We look forward to your questions and comments.

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