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ECOSOC Special Meeting on International Cooperation in Tax Matters
New York, 29 April 2019

Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,

It is my great pleasure to address you at the opening of this ECOSOC Special Meeting on International Cooperation in Tax Matters.

Tax policy is gaining increasing political and societal attention. It is no longer a topic for tax experts only.

The Addis Ababa Action Agenda marked a change in the way we look at domestic resource mobilization and tax cooperation. Effective tax systems are key to generating the domestic resources needed to finance efforts towards the Sustainable Development Goals and to support enabling investment frameworks. They are also powerful incentives that influence and can guide private investment and consumption decisions.

That is why taxation clearly belongs in the SDGs toolkit. This recognition gives extra importance and resonance to global, regional, national and sub-national tax norm-setting. We are all collectively called upon to rethink tax rules in sustainable development terms. Suitable venues and support should be provided to allow for development-focused tax discussions and decision-making.

Choices among different policy options should be informed by the sustainable development agenda and yield fair results for all, with special attention to implications for those with least resources and weakest capacities.

To be sure, the challenges are great. Yet, there is growing momentum and willingness to take them on, and to do so on a more inclusive basis.

The voices of all countries and the diversity of non-state actors need to be part of discussions on revising the international tax architecture and setting new tax norms.

Ladies and Gentlemen,

This meeting provides a timely opportunity to generate inputs for the intergovernmental consideration of frontier issues in international tax cooperation.

The first topic of today's meeting – taxation and the digitalization of the economy – is key to domestic resource mobilization efforts and long-term quality and effectiveness of tax rules.

Economies and societies around the world are digitalizing rapidly.

These days, through digitalized business models, multinationals can sell significant amounts of products and services in a country without having any physical presence in that country. Yet, under existing corporate tax rules, a physical presence is normally required to allow a country to tax the profits generated by those activities. The issue of how best to tax the profits from cross-border digital transactions is being widely debated.

The nature of work is also evolving due to technological innovation. Under the platform economy, work can be communicated in one place, prepared by independent contractors in another, consumed in a third and paid for in a fourth. Where and by whom should these various activities be taxed?

This morning, we will discuss several current proposals made to address this issue, as well as some structural problems of the current corporate tax rules that contribute to base erosion and profit shifting (BEPS). Several aspects must be taken into account when assessing these and any other proposals related to changes to the corporate tax rules applicable to cross-border transactions.

First, it is essential that any reform of the relevant tax rules consider the potential implications for all countries. Special attention should be given to the unique needs and capacities of developing countries and countries in special situations.

Second, it is important to examine the feasibility of each proposal, given the administrative capacities of countries, and the possible implications for their existing tax policies.

Third, the implications on income distribution of the proposals and their impact on broader sustainable development objectives should be considered.

Reforms may not necessarily be zero sum. They can increase aggregate global tax revenues, in particular if they result in taxing so-called "stateless income," which is income not taxed anywhere under current tax rules. Even reforms that increase global tax revenues, however, may negatively impact the tax base of least developed countries and other developing countries.

Putting the needs and capacities of these countries at the center of decision-making would help create a fairer international tax system and more enduring contributions to advancing sustainable development for all.

Excellencies,
Ladies and Gentlemen,

This afternoon, we will hear expert voices and exchange experiences on the contribution that a fiscal system can make to protecting the environment and reducing inequalities.

Climate change mitigation and adaptation can, indeed must, be effectively supported by fiscal measures that reflect the "polluter pays" principle and take into account the social costs of carbon emissions and pollution. Carbon taxation and the reform of energy subsidies are key elements of transitioning the world to a low-carbon economy.

There are well-developed practices on taxing harmful pollutants, such as charges on the emission of air pollutants, discharges of wastewater into water bodies and disposal of waste. There are also environmental taxes that can be levied on specific products or inputs, such as gasoline, motor vehicles or plastic bags and bottles. Other environmental or environmentally-related taxation efforts are also critical to help shift consumer and business behaviours towards more sustainable patterns.

Such fiscal measures should be implemented in a holistic way, consistent with the national sustainable development strategies, to ensure the alignment between government expenditures and environmental objectives. Any potential regressive effects – for instance, those that may derive from taxation of transportation and impact low-income households more than high-income households – should be offset by using the revenues for redistributive expenditures.

The positive effects of using taxation and expenditure to address the distribution of resources will be at the center of today's last panel, dealing with inequality.

While global inequality has modestly decreased in the past three decades, thanks to strong economic growth in some emerging markets, income inequality has risen significantly at the national level. Fiscal policies are important tools for combating inequality, while promoting inclusive economic growth. While some redistributive policies may have conflicting effects on growth and distribution, empirical evidence shows it is possible to achieve growth that is inclusive and sustainable.

This is what the 2030 Agenda is about!

Countries wishing to scale up or redesign redistributive policies need to look at the effects of both taxes and expenditures. Tax progressivity is key to having the wealthier parts of society finance a greater proportion of public goods. At the same time, expenditure policies should be aligned with sustainable development strategies to deliver public services equitably and ensure that no one is left behind.

Excellencies,
Ladies and Gentlemen,

In closing, I would like to invite all of you to actively participate and engage in today's discussions. I look forward to an open and inspiring exchange of views and to concrete and achievable proposals.

Thank you for your attention and I wish you a productive meeting.

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