

Statement by Mr. Navid Hanif
Director, Financing for Sustainable Development Office,
United Nations Department of Economic and Social Affairs
19th Session of the Committee of Experts on International Cooperation in Tax Matters
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[Delivered on behalf of Mr. Hanif by Ms. Caroline Lombardo, Acting Chief,
International Tax and Development Cooperation Branch,
Financing for Sustainable Development Office]

Co-Chairs,
Distinguished Members of the Committee,
Distinguished Observers,
Ladies and Gentlemen,

On behalf of the United Nations Department of Economic and Social Affairs, I have the honour to welcome you to the 19th Session of the Committee of Experts on International Cooperation in Tax Matters.

My presentation this morning has three objectives. First, to situate the Committee's work in its sustainable development context. Second, to highlight challenges and opportunities confronting the Committee, at the mid-point of your work. And third, to update you on efforts to strengthen Secretariat support to the Committee's work and the urgent need for more funding.

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Let me start with a question. Were your ears burning a few weeks ago? Tax seemed to be the talk of the town at the UN Headquarters in New York, from the climate event to the first High-level Dialogue on Financing for Development held since the adoption of the Addis Ababa Action Agenda in 2015.

The Dialogue attracted 40 Heads of State and Government, plus 60 ministers and many other high-level representatives from multilateral development banks, civil society, local authorities, business and philanthropy. Its purpose was to accelerate progress in aligning resources with the 2030 Agenda and strengthen partnerships around financing for sustainable development.

The Dialogue underscored Official Development Assistance as a vital resource, especially for the poorest and most vulnerable countries, and addressed ways to increase sustainable investment. Yet, it stressed that the largest source of financing needed to implement the Sustainable Development Goals must come from tax revenues.

The Dialogue embraced the important role of progressive tax systems and SDG-oriented fiscal policies: not only to raise revenue to finance sustainable development but also to reduce inequality, promote inclusive growth and protect the environment.

In this context, participants noted the following five points:

- The compulsion to raise more taxes should not burden the poor, women or other marginalized groups disproportionately.

- Strengthened tax administration and collection are critical and must be accompanied by further transparency on budgets and expenditures, to foster tax morale and trust in government.
- Global action is needed to close loopholes and safeguard country efforts to mobilize domestic resources, including through tax cooperation that promotes favourable investment and trading climates that can generate jobs, expertise, a sense of independence, dignity and security.
- Tax-related illicit financial flows deprive present and future generations of vital resources for sustainable development. Political will and concrete solutions are urgently needed to combat them.
- The United Nations' role in international tax cooperation and shaping norms and standards is critical to ensure more inclusive processes and effective multilateral approaches.

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This brings us to the challenges and opportunities currently before this UN Tax Committee.

Many aspects of taxation are loosening increasingly outmoded and constricting bonds. Over-reliance of legal form over substance. Too rigid focus on avoiding double taxation, at the expense of avoiding double non taxation. Over-insistence on the need for complex rules on physical presence over time as a basis for taxation in a destination jurisdiction. As these examples show, the time has come to modernize tax rules, for the benefit of all stakeholders.

A key challenge will be to balance modernizing changes with greater certainty for taxpayers and jurisdictions. For the UN and this Committee, the gold standard is a system that: reflects the realities and priorities of countries in all situations; catalyzes sustainable development rather than put it at risk; and operates as simply and transparently as possible.

Increasing digitalization of the economy heightens the challenges and opportunities faced by tax policy makers and administrators. The OECD Secretariat's recent proposal to refine the options for reform, into a single "unified approach" on nexus requirements, seeks to build consensus for reforms among Inclusive Framework members. It will trigger further vital and complex discussions about where tax should be levied and to what extent, under modern conditions, and we welcome such discussion.

With the OECD Secretariat proposal now public and perspectives on the issues multiplying, the Committee's work in this area will no doubt accelerate and become more, rather than less, important. All countries need to feel in a position to evaluate the impact on the ground of the various options, if the results of any approach are to hold up over time. The UN will continue to play its role in the discussions, alongside regional and international organizations, and taking into account stakeholder insights. As a next step, the Committee's directional and technical guidance to the subcommittee working on taxation of the digitalized economy will be especially important.

This session has other equally important roles and tasks. Matters for Committee consideration or approval will include among others, extensive proposed updates of the UN Model Tax Convention and the Transfer Pricing Manual, as well as the Handbook on Taxation of the Extractive Industries. The Committee will also review draft guidance on special exemptions claimed for ODA projects, carbon taxes and dispute avoidance and resolution.

You will also hear this week about UNDESA tax capacity development initiatives, including on-line courses, and training and technical assistance on tax matters, as well as our engagement in the Platform for Collaboration on Tax. We will seek Committee inputs on possible training events to be organized back-to-back

with subcommittee meetings, to strengthen the dynamic interaction between policy work and capacity-building for greater impact on the ground. We will also seek inputs on how capacity-building initiatives, as well as South-South sharing of experiences and mutual learning, could support countries in addressing tax-related issues relevant to achieving the SDGs.

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As a Committee and wider community you are at your midpoint. Two years remain to deliver on your ambitious agenda, with concrete, practical guidance across a range of hot topics. The policy and technical challenges may seem daunting. Yet, you are capable and committed, with the Secretariat proud to be at your side.

Others assist us and allow us to find our best selves, as, in the great poem *Inferno*, where Virgil assisted Dante through the darkness. The assistance is spiritual and financial, both vital. I reported last year on a multi-donor project UNDESA had prepared to: i) provide strengthened substantive and logistical support to the Committee, including its subcommittees; ii) support more inclusive and broad-based country engagement in international tax discussions and institutions; and iii) enhance and strengthen the impact of capacity development efforts aimed to disseminate and operationalize the Committee’s work at country level.

We gratefully acknowledge the generosity of Norway as first contributor to the project, covering approximately two-thirds of the 6.75 million US dollar budget. But the rest remains in need of donors. Support from India and the European Commission, which we hope can continue through the same project or in another form, has also been critical for the Committee’s work, especially in re-invigorating the subcommittee system. The current UN budget crisis makes fully funding the project all the more necessary and urgent.

The insights and direction setting of the Committee, with the benefit of input from our valued observers, will contribute to the quality of current and future Committee guidance. Your deliberations this session will surely also preserve and extend the welcoming, frank but respectful Committee environment to consider issues and different perspectives on them, which plays a unique part in the wider discourse of international tax.

I thank the Committee for its continued commitment to the role of tax cooperation in sustainable development. On behalf of UNDESA, I wish the Committee and all participants an enjoyable and highly successful session.

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