Opening remarks by Mr. Navid Hanif
Director, Financing for Sustainable Development Office,
United Nations Department of Economic and Social Affairs

Informal briefing on outcomes of the 19th Session of UN Committee of Experts on International Cooperation in Tax Matters
New York, 23 October 2019, 3-4PM

Thank you for joining this informal briefing on highlights and outcomes of the 19th Session of the UN Committee of Experts on International Tax Cooperation in Tax Matters.

I have the honour to brief you on behalf of the Committee, which held its second session of 2019 in Geneva, from 15 to 18 October.

**Background on the Committee, its subcommittees and sessions**

The Committee is one of the most influential UN expert bodies. It brings global recognition to the United Nations as one of the two major norm- and policy-developing bodies on tax, the other being the OECD.

The Committee reviews and regularly updates its major products, starting with: (1) the UN Model Double Taxation Convention between Developed and Developing Countries; (2) the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries; (3) the Manual on Transfer Pricing; and (4) the Handbook on Taxation of the Extractives Industries by Developing Countries. It probes how new and emerging issues could affect international tax cooperation and develops assessments, commentaries and recommendations.

The Committee also provides recommendation on DESA’s capacity building activities related to tax treaties, domestic resource mobilization, and tax and SDG-related issues; these activities are specifically designed to strengthen the demand-driven nature and country-level impact of the Committee’s policy and practical guidance.

The 19th session saw the Committee hard at work at the midpoint in its four-year programme of work. It reviewed several documents, including draft chapters to be part of a number of documents constituting the pillars of its work programme.

Different technical Subcommittees advance progress on the draft guidance in between sessions. The Subcommittees are often multi-stakeholder, including Committee members and other experts from civil society, private sector and international and regional organizations.

The 25-member Committee welcomes member-States and a wide range of other observers to attend and contribute to its sessions, engaging 150-200 participants.

**Update of the UN Model Double Taxation Convention between Developed and Developing Countries**
The UN Model is widely drawn upon by developing countries in their tax treaties.

The Committee agreed to work on a number of key issues that would lead to the update of several Articles of the Model: (1) to provide guidance on the application of tax treaties to foreign collective investment; (2) to clarify the meaning of the treaty expression “beneficial owner”; and (3) to work on a treaty provision that would allow source taxation of capital gains on Offshore Indirect Transfers.

**Tax consequences of the digitalized economy**

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. As we saw during the session, the proposal has triggered further vital and complex discussions about where tax should be levied and to what extent, under modern conditions.

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. Getting there will be a challenge. There are a number of difficult factors: i) the complexity of the issue, ii) data and information gaps, iii) the breakneck speed of the discussions, iv) reflecting the urgency to reach a multilateral solution, v) achieving dispute prevention and resolution that is fair to both governments and taxpayers; and more. With the OECD Secretariat proposal now public and perspectives on the issues multiplying, the Committee’s work in this area will surely accelerate and become more, rather than less, important.

The Committee invited OECD Secretariat to present the proposal to the session and respond to questions from members and observers on its contents. The Committee then continued its deliberations on the issue. It recommended its Subcommittee to analyze and provide comments on the OECD Secretariat and other proposals made, with particular attention to implications for developing countries, especially the least developed and other countries in special situations, while working on alternatives that might better suit all parties.

**New Handbook on Tax Dispute Avoidance and Resolution**

The Committee provides practical guidance on avoiding and resolving tax disputes between countries. The Committee reviewed and approved the chapter on Domestic Dispute Resolution Mechanisms and had a first discussion on two other chapters of the Handbook.

**Update to the Manual on Transfer Pricing**

The Committee continued its work on transfer pricing issues, with the view to update its manual on transfer pricing and as another way to provide countries with practical tools to combat illicit financial flows. The update will include new chapters on Financial Transactions, Profit Splits, and Establishing...
Transfer Pricing Capability at Country Level, responding to developing country requests for further guidance.

*Update to Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries.*

As part of its effort to continuously improve the quality of its guidance and responsiveness to changing contexts and country needs, the Committee is updating its Handbook on Extractive Industries Taxation Issues for Developing Countries. In Geneva, the Committee reviewed the draft chapter on tax incentives in the extractive industries, an important issue of focus for many developing countries.

**Handbook on environmental taxation**

The Committee reviewed a draft chapter on the design of carbon taxation. This is at the core of what will be a new Handbook on environmental taxation focusing in its first volume on carbon taxation. The Committee agreed that a carbon tax is a cost, albeit necessary and beneficial in the long run. This in turn necessitates better communication and sensitization from policymakers, to make sure the population understands the benefits of a carbon tax and the costs of not acting to address climate change.

**Tax treatment of ODA projects**

A subcommittee is working on finalizing updated guidelines for the tax treatment of ODA projects, which seek to reduce the negative effects of tax exemptions often required by donors on projects funded in developing countries. The subcommittee includes participation by the UN Secretariat’s counterparts in the Platform for Collaboration on Tax, namely the IMF, OECD and World Bank. The Committee is leading the work in this area and is ensuring coordination with work done at the OECD Development Assistance Committee.

**Tax, trade and investment treaties**

The Committee discussed the relationship between investment and tax treaties, with the view to achieving a whole-of-government approach on these issues, and the need to address how tax and investment agreements fit together as part of the investment framework. As a next step, the Committee tasked the secretariat to produce a new paper on the issue with the collaboration of UNCTAD and the Vienna University of Economics and Business, and liaising with OECD tax experts.

**Tax and the SDGs**

In an effort to further align its work with, and support implementation of, the 2030 and Addis Ababa Agendas, the Committee discussed the nexus between tax and the SDGs.
The Committee asked the Secretariat to continue to promote and facilitate the Committees’ engagement in UN sustainable development-related strategies and activities and to ensure that its work and inputs feed into relevant UN initiatives and meetings.

As a next concrete step, to provide support at country level, the Committee recommended to expand the capacity development activities of the Secretariat in UNDESA to assist countries in dealing with tax-related aspects of SDGs’ implementation in such areas as: i) environmental taxation; ii) taxation of the informal economy; iii) gender-responsive tax policies; iv) wealth and inheritance taxation; and v) global action to curb illicit financial flows (IFFs). These same issues will inform the shaping of the programme for the next ECOSOC Special Meeting on International Cooperation in Tax Matters, to advance inclusive global discussion on tax matters, peer learning and knowledge exchange as part of efforts at all levels to achieve sustainable development.

Committee members also recommended to i) continue delivering capacity-building activities in all the regions, in collaboration with relevant stakeholders, including regional organizations of tax administrations, and ii) make relevant materials available in not only English but also other UN languages, especially French and Spanish.

Committee Practices and Working Methods

The Committee reflected on its Practices and Working Methods. Approved during its 18th Session in New York in April, these are based on, and aligned with, the ECOSOC rules of procedure. The Committee found that the practices and working methods have had a positive impact on the performance and outcome of both of its sessions in 2019.

The wider community of stakeholders has also taken note of the Committee’s increased efficiency and effectiveness. See for example the GLOBTAXGOV project blog of Leiden University, commenting the work of the Subcommittee on practices and procedures: https://globtaxgov.weblog.leidenuniv.nl/2019/06/06/un-tax-committee-gets-a-boost-through-new-working-methods/

The Subcommittee is currently preparing a paper on options for dealing with minority opinions for reflection in the UN Model, with a view to Committee consideration at its twentieth session.

Strengthening support to the UN Tax Committee and related capacity building

The Committee also received an update 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.

UNDESA gratefully acknowledged the generosity of Norway as first contributor to the project, covering approximately two-thirds of the 6.75 million US dollar budget. But we noted how 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.

Next steps

The Committee will next meet here in New York on 27-30 April, with the ECOSOC Special Meeting on 1 May 2020.

We take heart from the increasing focus on international tax cooperation as practical global imperative. Indeed, Committee members were personally inspired by how the recent High-level Dialogue on Financing for Development here in New York 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 international tax cooperation, the UN and its Tax Committee will continue to work toward the gold standard: 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.