



Economic and Social Council
Special meeting on international cooperation in tax matters
(New York, 7 April 2017)

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 policies 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 3 (bus)-1 (5(e)4 (7b-4 (ef)-0cb vs)-1 (5(e)h 5 02 (ve)4 (n)4 b t)-6 5 02 16
stance of international tax
cooperation and the need to combat illicit financial flows.

While estimates on their size vary, depending on the definition and methodologies used, experts widely agree that illicit financial flows (IFFs) out of developing countries significantly undermine their ability to raise, retain and mobilise resources to finance sustainable development. In this respect, the Addis Agenda calls on Governments “to redouble efforts to substantially reduce IFFs by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation” (para 23 of the Addis Agenda, MoI 16 of the 2030 Agenda). The topic has also garnered renewed momentum in the General Assembly with the recent adoption of resolution 71/213, of 21 December 2016, on the “Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development”. In the resolution, Member States welcome the inclusion of combating illicit financial flows in the 2030 Agenda and the Addis Agenda and decide to give appropriate consideration to this issue in their follow-up and review.

In view of these challenges and in the context of increasing globalization, global cooperation on tax matters, has gained increased momentum in recent years at the expert, intergovernmental and institutional levels.

Within the United Nations system, the ECOSOC Committee of Experts on International Cooperation in Tax Matters (Committee) is tasked with addressing the issues of

taxation, paying special attention to developing countries and countries with economies in transition

the Committee, given that its term expires in June 2017. The meeting will also discuss, with relevant stakeholders, broader thematic issues in international tax cooperation. Overall, the event will follow similar modalities as those utilized in the previous special meeting, held by the Council on 9 December 2016. Accordingly, 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.

Programme

The meeting will be chaired by the President of ECOSOC, H.E. Mr. Frederick Musiiwa Makamure Shava (Zimbabwe). 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 have faced in developing efficient tax systems and policies, while also highlighting the role of international tax cooperation in overcoming these challenges and attaining the commitments set out in the Addis Agenda.

The morning session will comprise three thematic discussions, focusing on the main achievements of the Committee during its current term (July 2013 - June 2017). During each segment, members of the Committee will provide a general overview of specific issues, focusing on its relevance for developing countries, and of the technical work carried out by the relevant Subcommittees. Following the presentations by Committee members, representatives of national tax authorities from developing countries will share their perspective on these issues, including by providing their views on the relevance of the work of the Committee for developing countries and sharing examples from their country experience.

This first thematic discussion will focus on the primary mandate of the Committee, which is the review and update of the *United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model)*. The presentations will focus on the most relevant changes to Articles and Commentaries of the UN Model discussed and agreed by the current membership of the Committee, in particular with respect to issues related to base erosion and profit shifting.

The second session will feature a presentation of the updated and enhanced *United Nations Practical Manual on Transfer Pricing for Developing Countries* with the view to reflecting the relevant revision of the Commentary on Article 9 of the UN Model, and to providing further and clearer guidance on the policy and administrative aspects of applying transfer pricing analysis to cross-border transactions between related parties, with particular attention paid to the needs of developing countries.

The third thematic discussion will provide an overview of the forthcoming *Handbook on the taxation of extractive industries in developing countries* which will contain guidelines, approved by the Committee in the form of guidance notes, on issues related to the taxation of extractive industries in developing countries, including on specific aspects of domestic legislation and double tax treaties, and on the negotiation of contracts in the extractive industries.

The afternoon session will comprise two panel discussions. The first panel will discuss the “Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development”. Against the backdrop of the commitments highlighted in

the Addis Agenda and the recent General Assembly resolution on the same theme, this session will focus on concrete country insights on: (i) the impact of IFFs on national sustainable development efforts; (ii) measures that may help reduce IFFs; and (iii) policies and actions that may address the underlying behaviours that give rise to IFFs, such as tax evasion, money-laundering and corruption. It will also explore regional and international initiatives to strengthen national efforts aimed at curbing IFFs. Special emphasis will be placed on policy recommendations for corrective actions in support of a more coherent policy approach to combat IFFs at all levels. The second panel in the afternoon will focus on the work of the inter-agency Platform for Collaboration on Tax (Platform). The session will continue the discussion of the report entitled “Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries”, submitted by the Platform to the G20 Finance Ministers. In particular, the Platform partners will provide an update on the progress in the implementation of the recommendations and enabling actions contained in the report, as well as present an overview of toolkits developed jointly by the Platform to assist developing countries in addressing important issues in international tax cooperation. These include a toolkit dealing