



Work in this area has been undertaken by the Organisation for Economic Cooperation and Development (OECD). Its focus, however, has naturally been mainly on the priorities of Member States of the OECD. Yet, O-1S negatively affects domestic resource mobilization in developing countries more significantly than in developed countries, due to lack of specialized skills and resources, and results in substantial forgone tax revenue and higher costs of tax collection. Strengthening the capacity of developing countries to protect and broaden their tax base is therefore critical to meet the challenges posed by the 2030 Agenda for Sustainable Development.

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Against this background, the Financing for Development Office (FFD) of the United Nations Department of Economic and Social Affairs (UN DESA) launched a project on international tax cooperation aimed to strengthen the capacity of developing countries to increase their potential for domestic revenue mobilization through the effective protection and broadening of their tax base.

This project drew upon and contributed to the work done in this area by the UN Tax Committee, as well as by the OECD on O-1S, with a view to complementing it from a capacity development perspective for the benefit of developing countries.

The project addressed a number of topics that developing countries had reported to be of particular interest and relevance to them, while focusing the capacity development dimension on three important areas: 1) the engagement and effective participation of developing countries in relevant international decision-making processes; 2) the assessment of relevance and viability of potential options to protect and broaden their tax base; and 3) the effective and sustained implementation of suitable options from which they would benefit the most.

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The first tangible output of the above-mentioned project was the United Nations Handbook on Selected Issues in Protecting the Tax Base of Developing Countries (Handbook), which was presented at the Third International Conference on Financing for Development (Addis Ababa, Ethiopia, 13-15 July 2016) as a tangible deliverable towards the objectives of the Conference.

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1 See OECD, (Addressing Base Erosion and Profit Shifting) (BEPS), (2015), available at [http://www.oecd.org/tax/addressing-base-erosion-and-profit-shifting/AB7A\(2015\)en.htm](http://www.oecd.org/tax/addressing-base-erosion-and-profit-shifting/AB7A(2015)en.htm); OECD, (Action Plan on Base Erosion and Profit Shifting) (2015), available at <https://www.oecd.org/ctp/40-1S/action-plan.pdf>. See also, [http://www.oecd.org/tax/beps\(516\)final-reports.htm](http://www.oecd.org/tax/beps(516)final-reports.htm).

2 Available at <http://www.un.org/esa/ffd/wp-content/uploads/2016/05/Handbook-0-0-0-rgsq31w.u>

This publication was developed through a collaborative engagement with government representatives from more than 5 developing countries, members of the +, Tax %ommittee, and relevant international and regional organizations. These sta: eholders participated in two wor: shops, which were organized by &fD\* in cooperation with the \* -%D and held in , ew <or: !>@une (51>"6 and 1aris !(; September (51>"?, to discuss about the guidelines contained in a first draft of the Handboo: and provide their contribution toward the final draft of this publication.

The Handboo: addressed several issues of particular relevance to developing countries and examined a first set of reports and recommendations on how to tac: le base erosion and profit shifting released in the context of the \* -%D wor: on 0-1S. \$t outlined the most suitable options, along with easy)to)implement approaches, which could be adopted by developing countries to protect their tax base, ta: ing into account their specific needs and levels of development. The Handboo: also addressed a number of relevant issues not covered by the \* -%D wor: on 0-1S, which developing countries reported to be of particular importance to them.

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The \* -%D wor: on 0-1S, as well as the wor: of the +, Tax %ommittee on issues relevant to protecting and broadening the tax base of developing countries, has then mar: ed a further significant step forward in the efforts to curtail tax base erosion and counter international tax evasion and avoidance. The \* -%D released a second set of reports and recommendations addressing 0-1S<sup>B</sup>. . oreover, the +, Tax %ommittee continued discussing 0-1S concerns of developing countries and related issues in international tax cooperation. These include issues related to the prevention of tax treaty abuse, the taxation of cross)border services, the exchange of information for tax purposes, which will all be reflected and addressed in the next revision of the United Nations \* odel &ouble \$axation ' onvention between &eveloped and &eveloping ' ountries !+, . odel %onvention".

The United Nations andbook on !elected "ssues in #rotecting the \$ax %ase of &eveloping ' ountries !Handboo:" was introduced to more than >5 tax officials from (6 developing countries in #frica during the +, %ourse on Double Tax Treaties, which was held in cooperation with the #frican Tax #dministration &orum !#T#&" in Da: ar, Senegal, on A)1; , ovember (516<sup>7</sup>. Strong interest was expressed on 0-1S)related issues, such as taxation of services, base eroding payments of interest, royalties and other rents, as well as general anti)

<sup>6</sup> Description of the event available at <http://www.un.org/esa/ffd/events/event/workshop/on-tax-base-protection-for-developing-countries.html>.

<sup>7</sup> Description of the event available at <http://www.un.org/esa/ffd/events/event/second/workshop/on-tax-base-protection-for-developing-countries.html>.



To ensure country ownership of the process, &fD\* has been following modalities similar to those adopted for the original development of the Handbook, including the organization of ad hoc capacity development workshops to raise awareness on and discuss technical matters with tax officials from developing countries, members of the Tax Committee, and international and regional organizations, with the aim of seeing their views and inputs so that the perspective of developing countries may be coherently and comprehensively captured in the final draft of the above-mentioned materials.

1. The workshop was organized in Nairobi, Kenya, in cooperation with the African Tax Administration Forum (ATAF), a Consortium on Double Tax Treaties and Base-Erosion and Profit-Shifting Payments for Developing Countries. This event was held in Nairobi, Kenya, with the participation of 7 tax officials from 12 countries in the region.

The workshop aimed to strengthen the technical capacity of participants in dealing with tax treaties and in addressing relevant tax-related issues, drawing upon the practical guidelines contained in the Handbook. It also raised awareness on, discussed and analysed the latest developments in this area and received feedback and inputs from participants for the revision and expansion of the Handbook, as well as the further development of supplementary materials, called Practical Portfolios, providing a more in-depth analysis of selected topics.

8. The workshop was organized in Nairobi, Kenya, in cooperation with the African Tax Administration Forum (ATAF), a Consortium on Double Tax Treaties and Base-Erosion and Profit-Shifting Payments for Developing Countries. This event was held in Nairobi, Kenya, with the participation of 7 tax officials from 12 countries in the region.

8. The workshop was organized in Nairobi, Kenya, in cooperation with the African Tax Administration Forum (ATAF), a Consortium on Double Tax Treaties and Base-Erosion and Profit-Shifting Payments for Developing Countries. This event was held in Nairobi, Kenya, with the participation of 7 tax officials from 12 countries in the region.

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Discussions will primarily focus on the issues covered in the two new chapters of the revised edition of the Handbook, namely: 1) the treatment of base-eroding payments of rent and royalties and 2) practical aspects of the implementation of §§ 170D-170E. To this