news and developments

in the field of tax and development since december 2013

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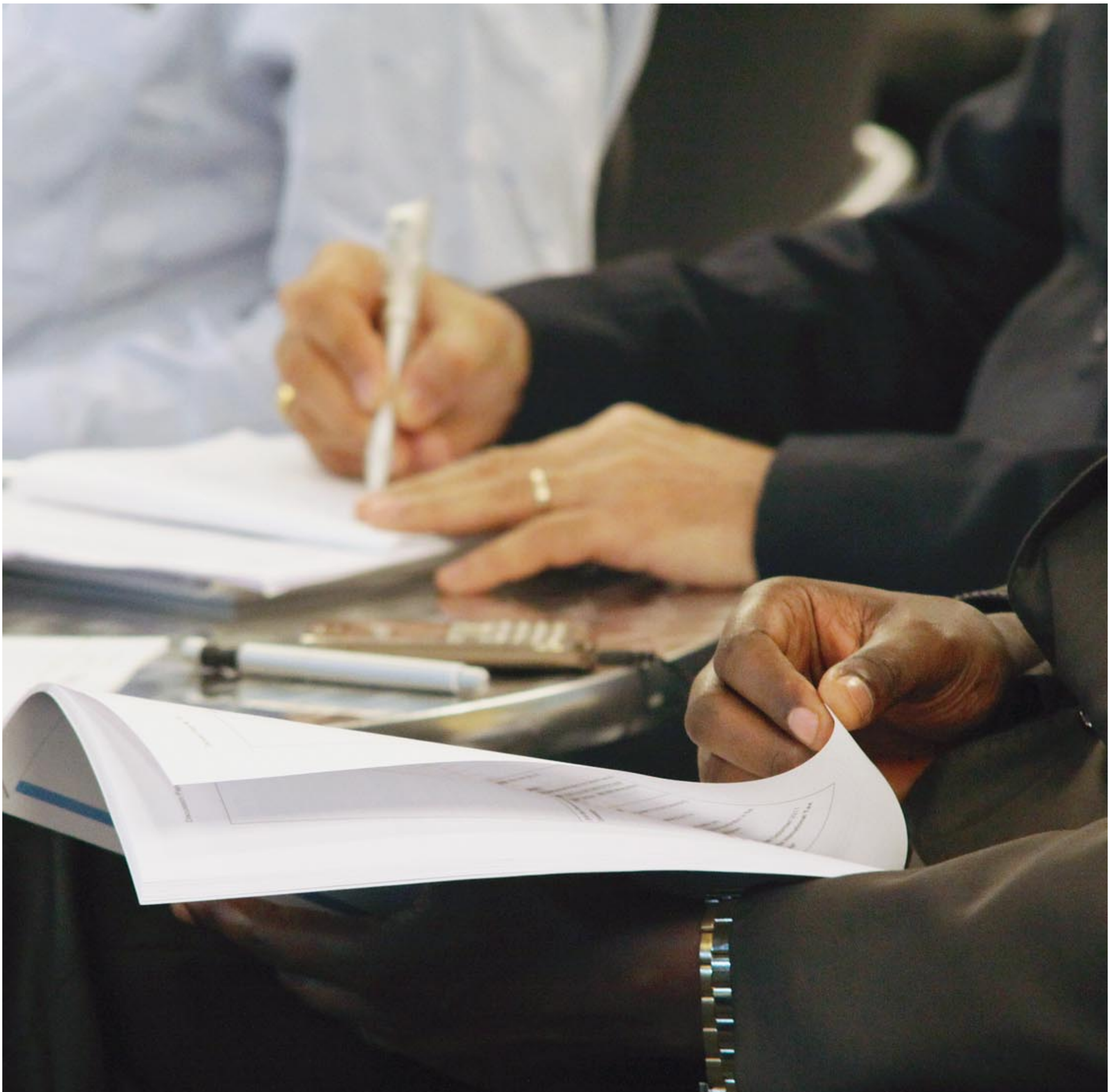
international tax compact



Welcome to the new edition of the ITC newsletter

Dear Reader,

The recent Brussels G7 Summit on 4 and 5 June 2014 repeated its commitment to helping to improve international cooperation in the field of taxation. Tackling tax avoidance and tax evasion including through the G20/OECD Base Erosion and Profit Shifting Action Plan (BEPS) and a new global standard for automatic exchange of tax information remain central pillars. More generally, the number of international events and cooperation projects in the field of taxation continue to increase. This is a clear indicator that countries from both the North and the South find themselves confronted with same or similar problems in the globalised economy. While specific programmes are constantly developed at international and regional levels, obtaining a clear overview of the worldwide activities is becoming more difficult.

Against this background the ITC newsletter, published twice a year, is seen as a contribution in short form towards better orientation. This issue includes some of the international developments as well as selected activities at regional and country levels in the area of international tax cooperation of the past months, such as the first meeting of the UN Tax Committee's Subcommittee on Extractive Industries Taxation Issues for Developing Countries, the issues raised, and decisions taken, the OECD's 'Tax Inspectors Without Borders' initative, Tax Justice Network comments on Automatic Information Exchange resolutions taken at the international level. Furthermore, Mr Alexander Trepelkov, Director of the UN Financing for Development Office, explains the work on tax matters carried out at the United Nations.

These general aspects are rounded off by reports from Africa and Latin America on selected activities at regional and country levels on issues such as BEPS, tax harmonization, double tax treaties, and fair taxation as well as other aspects of tax administration.

Please note that the perspectives and opinions expressed in this newsletter are entirely those of the contributing institutions and do not necessarily reflect the views of the ITC. If you have any questions or suggestions or if you would like to make a contribution to the upcoming ITC newsletter, please let us know – we would be very pleased to enlist your cooperation.

Enjoy reading this issue!
Best regards, ITC Secretariat

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international tax compact:
strengthening
effective, efficient and fair
tax systems

On-site visit of the UN Subcommittee on Extractive Industries Taxation Issues to Kloof Goldmine, South Africa

First meeting of the UN Tax Committee's Subcommittee on Extractive Industries Taxation Issues for Developing Countries

The UN Tax Committee's *Subcommittee on Extractive Industries Taxation Issues for Developing Countries* held its first meeting in Johannesburg, South Africa, on 7-9 May 2014. It was attended by sixteen members of the Subcommittee, comprising representatives of governments, business, academia and international organizations.

The mandate of the Subcommittee is:

> '… to consider, report on and propose draft guidance on extractive industries taxation issues for developing countries on the basis that it shall:

- identify and consider the most pressing issues where guidance from the Committee may most usefully assist developing countries in this area and report to the Committee on such at its tenth annual session in 2014;
- provide a work program to the Committee at its tenth annual session that identifies and prioritizes such issues on a preliminary basis and includes proposals providing policy and administrative guidance for developing countries at a very practical level; and
- provide draft guidance on such issues as are approved by the Committee at its annual sessions.

    In undertaking its work, the Subcommittee shall seek to engage with other organizations active in the field. The Subcommittee shall report on its work at each annual session.'

The Subcommittee decided that its mandate would best be achieved by developing (1) an overview note to address key issues for developing countries in the area of taxation of the extractive industries, including the links between them, and (2) more elaborate 'guidance notes' on policy and administrative issues that would 'hang off' that note and would be prepared over time in order of priority. The guidance notes would address specific issues, their relevance for developing countries, options in addressing them and their pros and cons, some examples of country practice in the area and a list of relevant materials for studying the issue further.

Issues raised, which were broadly deemed to be important and which should be addressed at some point by the Subcommittee, were (in no particular order of priority at this stage):

- Capital gains taxation of assets in the extractive industries, including the policy issue of whether to have such a tax, and (where such a tax was applied) the policy and administrative issues of indirect disposals of local interests through sales of foreign entities;
- Tax treatment of environmental reclamation and rehabilitation;
- Tax issues relating to pricing fluctuations;
- Valuation issues for commodities;
- VAT issues, including refund, exemption and similar mechanisms and their relationship to local content requirements;
- Double tax treaty issues;
- Tax incentives for extractive industries; and
- Knowledge gap issues for policy makers and administrations in this area.

Other issues raised but not yet discussed in any detail included negotiating or re-negotiating contracts, ring-fencing issues in separating profit making from loss-making undertakings, project-by-project reporting, windfall taxes, taxation of service providers to the extractive industries (e.g. exploration, drilling and engineering services), and activities related to base erosion and profit shifting in these industries – an issue touched upon in a number of the topics noted above. The issue of transfer pricing in the extractive industries was discussed and it was agreed that this was an issue for the *Subcommittee on Article 9 (Associated Enterprises)* of the UN Tax Committee, but that the Extractives Subcommittee could suggest issues to the Article 9 Subcommittee for consideration in accordance with its mandate.

Further comment is currently being sought from members before final decisions are taken on:

- which items to prioritise for the next phase of the work; and
- those drafting the notes for consideration by the Subcommittee.

The next meeting of the Subcommittee is expected to be held in Arusha on 5-7 August 2014.

For further information, please contact Michael Lennard, Chief, International Tax Cooperation Section Financing for Development Office, UN-DESA: **lennard@un.org**

'Tax Inspectors Without Borders' An innovative OECD approach to tackle tax avoidance and build tax audit capacity

Tax Inspectors Without Borders (TIWB), a new OECD initiative, offers developing countries assistance in facing globalization's new challenges in international taxation, including transfer pricing and tax transparency. TIWB aims to improve the quality and consistency of tax audits, create sustained improvements in tax auditors' skills, and improve voluntary compliance by enhancing taxpayer confidence in the local tax administration.

Professor Paul Collier, Director of the Centre for the Study of African Economies, supporting Tax Inspectors Without Borders during the Tax for Development session of the 2014 OECD Forum.

© OECD/Hervé Cortinat

TIWB provides tax audit experts to work directly with local officials in developing country tax administrations with a specific focus on audit and audit-related issues concerning international tax matters. This new type of direct assistance applies a real-time, 'learning by doing' approach to solve current audit issues and transfer knowledge and skills. To ensure confidentiality and address concerns over potential conflicts of interest, TIWB has developed a set of guidelines which allow foreign experts to work alongside local tax officials. The first pilot was launched in December 2013, and involved experts from the Netherlands working with local auditors in the Ghana Revenue Authority. The second pilot, launched in January 2014, provided an expert from the UK's tax administration to work with peers in the Rwandan Revenue Authority on risk review and case selection for tax issues concerning multi-national enterprises. At least five additional pilot projects will be launched by mid-2014.

TIWB was given a recent boost by Nigeria's Minister of Finance, Ngozi Okonjo-Iweala, and the Netherlands' Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen, at the first High Level Meeting of the Global Partnership for Effective Development Co-operation in Mexico in April 2014, where they called upon more countries to actively engage and support TIWB in order to strengthen domestic resource mobilization efforts in developing countries.

Contact the TIWB Secretariat to get involved during the trial operational phase in 2014, to contribute to the initiative, or to benefit from its experts and toolkit.

Visit us: **www.oecd.org/tax/taxinspectors.htm**
Contact us: **tax.inspectors@oecd.org**

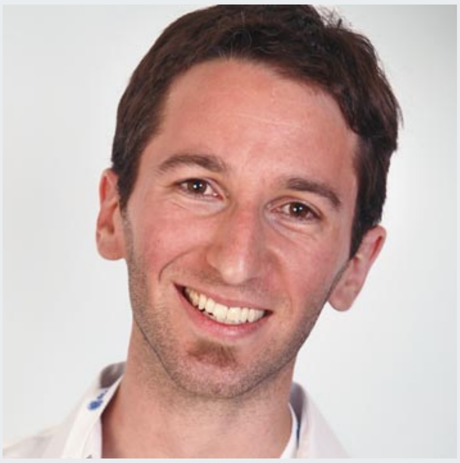
Automatic Information Exchange – an opportunity for developing countries

After the G20 endorsement of Automatic Information Exchange (AIE) as the new global standard for exchange of information, the OECD published the Common Reporting Standard to be implemented by jurisdictions willing to engage in multilateral AIE.

AIE may have a huge impact for developing countries, as it provides an essential tool for tackling capital flight and illicit financial flows stemming from tax evasion, corruption and other crimes. Unlike the current 'upon request' (UR) standard, which imposes a high cost per information request and prohibits 'fishing expeditions', AIE could provide competent authorities with valuable information, leading to new investigations (thus complementing UR). Even if authorities are not yet able to process all the information obtained, simply receiving it (for future analysis) already provides a 'deterrent effect' against tax dodgers.

However, for AIE to be attainable for developing countries, civil society organizations have been demanding special provisions including staged-reciprocity (the option of only receiving information during a transitional period), a multilateral agreement (instead of many bilateral arrangements) to operationalize global AIE, as well as a determined commitment to assist and fund developing countries' capacity building needs (training, IT infrastructure, etc.).

Additionally, Tax Justice Network (TJN) has identified several loopholes that need to be fixed for AIE to be effective. These relate to beneficial ownership information and its public registries, trusts and foundations, and many risky thresholds and exclusions that should be eliminated. Anti-avoidance measures (e.g. regarding residency changes) and lack of sanctions against recalcitrant tax havens are also addressed in TJN's paper, which has been reviewed by International Tax Review:
http://www.internationaltaxreview.com/pdfs/TJN2014_OECD-AIE-Report.pdf



TJN has conducted a survey of its own in order to help bridge existing information gaps on the views and interests of developing countries regarding the new standards. The results can be accessed here:
http://www.taxjustice.net/2014/06/24/new-report-developing-countries-want-automatic-information-exchange/

For further information, please contact Andres Knobel at **andres@taxjustice.net**

Interview with Mr Alexander Trepelkov, Director, Financing for Development Office, Department of Economic and Social Affairs, United Nations

ITC: How is work in tax matters carried out at the United Nations?

Trepelkov: Within the United Nations, the Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee) serves as a subsidiary body of the Economic and Social Council (ECOSOC). The Committee is responsible for keeping under review and update, as necessary, the United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model Convention) and the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. It also provides a framework for dialogue with a view to enhancing and promoting international tax cooperation among national tax authorities and assesses how new and emerging issues could affect this cooperation. The Committee is also responsible for making recommendations on capacity-building and the provision of technical assistance to developing countries. In all its activities, the Committee gives special attention to developing countries.

In addition, ECOSOC holds an annual special meeting on International Cooperation in Tax Matters with the participation of national tax authorities. This meeting provides an important opportunity to discuss the work of the UN Tax Committee with the members of ECOSOC, relevant international organizations, as well as representatives of national tax authorities.

ITC: How does the UN Tax Committee work?

Trepelkov: The UN Tax Committee is composed of 25 members, who are nominated by Governments and appointed by the Secretary-General of the United Nations for a term of four years. They act in their personal capacity and are selected to reflect an adequate equitable geographical distribution, representing different tax systems. The current membership of the Committee was appointed in June 2013 and includes 15 members from developing countries. The Committee meets annually for five working days in Geneva and submits its report to ECOSOC at its Coordination and Management Meeting. For most of its work, the Committee relies on ad hoc Subcommittees composed of its members and observers who work throughout the year, using both electronic communications and face-to-face meetings, and present the results of their work to the Committee for consideration or adoption at its annual session.

ITC: What have been main accomplishments of the UN Tax Committee lately?

Trepelkov: At its 2011 session, the UN Tax Committee adopted an updated version of the UN Model Convention, which aims at assisting developing countries in negotiating modern double-tax treaties, taking into consideration how new and emerging issues may affect international cooperation in tax matters and further clarifying and improving the operation of its provisions. At its 2012 session, the Committee adopted the United Nations Practical Manual on Transfer Pricing for Developing Countries (UN Transfer Pricing Manual), responding to the need, often expressed by developing countries, for clearer guidance on the policy and administrative aspects of applying transfer pricing analysis to cross-border transactions between related parties.

ITC: Why is the UN Model Convention important to developing countries?

Trepelkov: The UN Model Convention aims at assisting developing countries to enter double-tax treaties, consistent with their development goals. The UN Model Convention, as well as the OECD Model Tax Convention on Income and on Capital (OECD Model Convention), are generally used by countries as a basis for negotiations of their double-tax treaties. The similarities between these two models reflect the importance of achieving consistency wherever possible, while the divergences between them reflect the different membership and priorities of the two organizations. In general, the UN Model tends to preserve a greater share of taxing rights for the source country, which is the country where investment or other activity takes place.

The OECD Model Convention, on the other hand, favours retention of a greater share of taxing rights by the residence country, which is the country of origin of the investor or trader. Therefore, the UN Model Convention would normally favour the specific interest of developing countries to retain a greater share of taxing rights over the income sourced in these countries, so that the proceeds can be used to meet development needs of these countries.

ITC: What role does the UN Transfer Pricing Manual play for developing countries?

Trepelkov: Developing countries face some specific challenges in dealing with transfer pricing issues. The application of transfer pricing methods is quite complex and relies to a great extent on the availability of data from comparable transactions between unrelated parties in a comparable market. However, in many developing countries, a market for such transactions may not exist or may not be properly documented. The Manual addresses such challenges faced by these countries and, while consistent with the OECD Transfer Pricing Guidelines, provides a novel and needs-based approach to explaining how those guidelines can be applied in a way that responds to the priorities and realities of developing countries.

ITC: What is the current work programme of the UN Tax Committee?

Trepelkov: The UN Tax Committee is currently working on a large number of issues, including through several Subcommittees which were established at its last session. These include: (1) *Subcommittee on Article 9 (Associated Enterprises): Transfer Pricing,* which is mandated to update the Commentary on Article 9 of the UN Model Convention, as well as the UN Transfer Pricing Manual; (2) *Subcommittee on Tax Treatment of Services,* which has a dual purpose of considering issues related to the taxation of services in general, and also presenting different drafting options for the text of a new Article on Technical Services to be included in the UN Model Convention; (3) *Subcommittee on Extractive Industries Taxation Issues for Developing Countries,* which is mandated to propose draft guidance on extractive industries taxation issues for these countries; (4) *Subcommittee on Base Erosion and Profit Shifting Issues for Developing Countries,* which is mandated to monitor developments on base erosion and profit shifting issues and communicate on such issues with officials in developing countries directly and through regional and inter-regional organizations; (5) *Subcommittee on Exchange of Information,* which is responsible for monitoring and reporting on international developments in this area, and for making recommendations on amending Article 26 of the UN Model Convention and relevant Commentary; (6) *Subcommittee on Negotiation of Tax Treaties — Practical Manual,* which is tasked with developing a new practical *Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries.* Several additional issues related to the next update of the UN Model Convention are also on the agenda of the UN Tax Committee.

ITC: How does the UN support developing countries in strengthening their capacity in the area of international tax cooperation?

Trepelkov: The Financing for Development Office (FfDO) of the United Nations Department of Economic and Social Affairs (UN-DESA) has been developing a capacity-development programme on international tax cooperation since 2012. Owing to the fact that FfDO provides secretariat support to the UN Tax Committee, this programme draws to a large extent on the products of the Committee, with a view to disseminating and operationalizing them as capacity-building tools for the benefit of developing countries. Accordingly, two early areas of focus of the programme have been: (1) double tax treaties based on the UN Model Convention; and (2) transfer pricing based on the UN Transfer Pricing Manual.

Work in the area of double-tax treaties is most advanced. The *UN Course on Double Tax Treaties* based on the UN Model Convention has been developed and was delivered, for the first time, in Panama City, Panama, on 10-14 March 2014, with the participation of 30 tax officials from Latin America and the Caribbean. The Inter-American Center of Tax Administrations (CIAT) provided assistance in organizing the event. As a next step, FfDO is foreseeing delivering this course in the Caribbean region and Asia.

In the area of administration of double tax treaties, FfDO concluded its joint project with the International Tax Compact (ITC), which resulted in the *United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries.* In follow up to this project, FfDO and ITC are organizing a 3-day capacity development workshop based on the Handbook, which will be held in Berlin, Germany, in 2015.

In the area of negotiation of double tax treaties, the Subcommittee on Negotiation of Tax Treaties is mandated to develop a new practical *Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries.* FfDO supported the development of five practical papers on negotiation of tax treaties, which were presented to the Committee during its last session as inputs to the new Manual and have recently been published in a publication entitled Papers on *Selected Topics in Negotiations of Tax Treaties for Developing Countries.* In addition, FfDO joined forces with the OECD in delivering their well-established programme on negotiation of tax treaties, and the first joint *UN-OECD Practical Workshop on Negotiation of Tax Treaties* was held in Vienna, Austria, in May 2014.

In the area of transfer pricing, FfDO is developing the *UN Course on Practical Issues in Transfer Pricing for Developing Countries,* based on the UN Transfer Pricing Manual, which is expected to be finalised by mid-2015.

In the area of tax administration, FfDO carried out a joint project with CIAT aimed at strengthening the capacity of national tax authorities in Latin America to measure Tax Transaction Costs (TTCs) in small and medium enterprises. A publication resulting from this project is currently being finalised and will be issued in both English and Spanish.

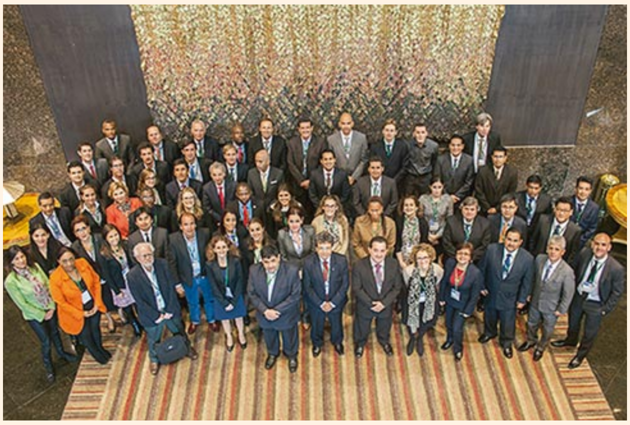
Finally, a more recent area of work focuses on protecting and broadening the tax base of developing countries. In this regard, a new project was recently launched at the *Workshop on Tax Base Protection for Developing Countries,* held in New York, on 4 June 2014, in cooperation with the OECD. This project will draw upon the work carried out in this area by the UN Tax Committee and the work of the OECD project on BEPS, with a view to complementing that work from a capacity development angle for the benefit of developing countries.

ITC: Mr Trepelkov, we thank you for this interview.

Alexander Trepelkov is currently Director of the Financing for Development Office of the UN-DESA, which is responsible for providing support to the intergovernmental follow-up process to the 2002 Monterrey Consensus and the 2008 Doha Declaration, aimed at promoting policy coherence, coordination and cooperation at all levels in substantive areas of domestic resource mobilization, private capital flows, international trade, official development assistance, external debt and global financial architecture. At present, he is leading the preparatory work for the third International Conference on Financing for Development, to be held on 13-16 July 2015 in Addis Ababa, Ethiopia, with a view to providing a global financing strategy for sustainable development in the context of the post-2015 UN development agenda. His previous assignments at UN Headquarters were in the areas of Financing for Development and Macroeconomics and Development Policy.

Prior to joining the UN Secretariat, he was a career diplomat in the Foreign Service of the former Soviet Union. Mr Trepelkov holds MA and Ph.D. degrees in International Economics from MGIMO-University and authored several expert publications.

CIAT organises first Regional Consultation for Latin America and the Caribbean on the fight against Tax Base Erosion and Profit Shifting (BEPS)



On 27 and 28 February 2014, CIAT, together with the OECD and the Colombian Tax and Customs Directorate (DIAN), organised the first high level regional consultation meeting on BEPS for Latin America and the Caribbean.

The main objective of this meeting was to inform developing countries about the general and specific aspects of the BEPS action plan, and to involve the countries of the region in the respective tasks. The meeting also provided an opportunity to explore the CIAT member countries' perspectives on the project.

The event brought together participants from 15 countries of Latin America and the Caribbean; representatives from 10 regional and international organizations including the OECD, the OECD in Korea, the OECD Global Forum on Transparency and Exchange of Tax Information, IMF, CIAT, G20 , USAID, ITC, IDB, COSEFIN, GIZ and the Commonwealth of Nations; representatives from the private sector, for instance from the Business and Industry Advisory Committee to the OECD (BIAC), regional and Colombian partners such as Repsol, Unilever and the National Business Association of Colombia (ANDI), as well as representatives from civil society such as TUAC, TJN, BEPS Monitoring Group, Global Alliance for Tax Justice and Latindadd.

For further information, please contact Mr. Gonzalo Arias, CIAT's Director of Cooperation and International Taxation at **garias@ciat.org**

EAC
Tax Harmonization Agenda

Economic integration in the East African Community (EAC) is progressing at a fast pace with achievement of an established Customs Union and a Common Market.

GIZ has been supporting the EAC Secretariat in its endeavour to harmonise taxes across the Partner States since 2008. In 2009, GIZ's project supporting the EAC integration process prepared a comprehensive study on the scope for tax harmonization that served to inform the EAC's tax reform agenda. The main areas identified by GIZ for supporting EAC tax harmonization were:

- Value Added Tax (VAT) harmonization;
- Income tax harmonization;
- Excise duty harmonization;
- Double taxation avoidance (DTA) agreements and a Model EAC DTA;
- Transparency and Information Exchange.

Support towards tax harmonization has been widespread, with a range of activities aimed at information and consensus-building, capacity development and consultation with stakeholders.

In June 2013, a snapshop report on the state of tax harmonization in EAC Partner States was commissioned. The study sought to collect the views of tax practitioners on the current state of tax harmonization. The report concluded that the EAC's progress in tax harmonization has been remarkable. However, while the legal framework such as the Common Market Protocol and the EAC DTA are largely in place, implementation across the EAC is uneven and tends to lag behind.

There are different interpretations of tax harmonization across EAC Partner States and variations regarding priorities, needs and benefits of tax harmonization. Given these challenges, the EAC embarked on tax harmonization policies for income tax, VAT and excise duty. The EAC Treaty and Common Market protocol mention the requirement to harmonize tax policies of the Partner States; the policies will define the strategic direction for harmonization.

For further information, please contact Alexis Nzitonda: **alexis.nzitonda@giz.de** or
Hadija Murangwa: **hadija.murangwa@giz.de**

CIAT-UN Course on Double Tax Treaties

CIAT and UN-DESA held a basic course to present the main principles and provisions described in the revised version of the UN's 2011 Model Double Taxation Convention in Panama City from 10 to 14 March 2014. The event highlighted the similarities and differences between this model and the OECD's Model Tax Convention on Income and on Capital. The course was attended by officials from Ministries of Economy and Finance and tax administrations of 16 countries in Latin America and the Caribbean, such as Argentina, Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, and Uruguay. It generated requests for assistance and training.

For further information on this event, please visit:
http://www.ciat.org/index.php/en/news/archived-news/news/3193-curso-sobre-convenios-para-evitar-la-doble-imposicion.html

Global Fiscal Justice discussed at Fair Tax Strategy Meeting in Accra

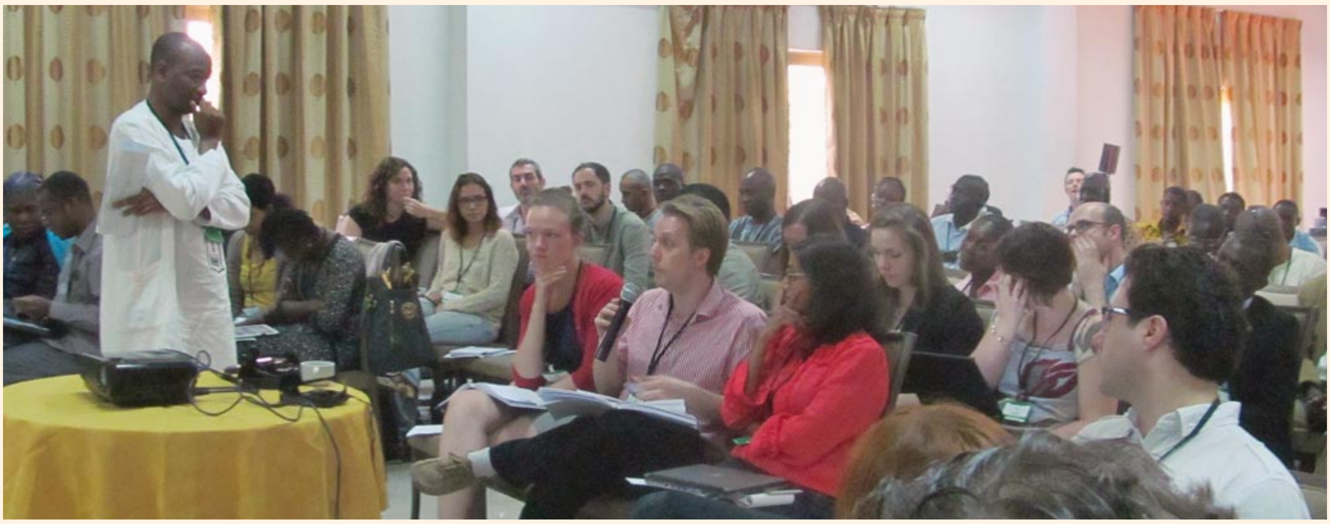
In early February this year, a global fiscal justice conference was organised in Accra, Ghana, within the framework of the ITC/GIZ co-funded CRAFT project. CRAFT stands for Capacity for Research and Advocacy for Fair Taxation, a project being implemented by Oxfam Novib and Tax Justice Network Africa together with partners in Mali, Senegal, Ghana, Nigeria, Uganda, Egypt and Bangladesh to achieve accountable, fair and pro-poor tax systems. This was the sixth global meeting since the start of the project in 2012.

During the conference in Accra, more than 100 participants from 21 countries shared ideas and exchanged experience on efficient tax mobilization, public services and inequality in developing countries. The conference had speakers from government, civil society and academia. Among the topics discussed by the participants were fiscal justice and the social contract, and possible engagement with the OECD Base Erosion and Profit Shifting initiative. In addition, case studies were presented on successful mobilization of citizens to pay tax and on provision of public services to citizens (e.g. in Nigeria's Lagos State). The meeting received substantial media attention in Ghana. Its core message, namely that taxation is the most sustainable way of financing development and ending aid dependency and that everyone (both citizens and companies) should pay their fair share of taxes, was picked up by both TV and print media.

The conference was part of a five-day event which also discussed the strategic direction of the CRAFT project in general. During the event special attention was also devoted to building greater connectedness between the work in the seven CRAFT core countries and establishing how to link this to Oxfam's overall campaign work on tax justice and inequality.

The Accra meeting is being followed up at the national level by research, training, civic education, policy advocacy and alliance building. In June 2014, this all was fed into the next CRAFT strategy meeting in Naivasha, Kenya.

For further information, please contact Ilse Balstra: **ilse.balstra@oxfamnovib.nl**



Mr Brian McCauley, Assistant Commissioner/Canada Revenue Agency (CRA); Ms Yolanda Álvarez de la Torre, Head of the National Tax Administration Office/Cuba (ONAT); Mr Peter Veld, Commissioner, Tax and Customs Administrations/the Netherlands; Mr Marcio Verdi, CIAT's Executive Secretary

Mr Socorro Velazquez, CIAT's Planning and Institutional Development Director; Mr Rajul Awasthi, Senior Tax Specialist, World Bank-IFC; Mr Marcio Verdi, CIAT's Executive Secretary; Mr Roland von Frankenhorst, Head of ITC Secretariat; Mr Santiago Menendez, Director General/Spain (AEAT); Mr Luis Cremades, Head of CIAT's Spanish Mission

CIAT General Assembly 2014

The 48th CIAT General Assembly was celebrated in Rio de Janeiro from 5 to 8 May 2014. The main topic of this year's assembly was the use of information technology in tax administration in an age of digitization and new information and communication technologies (ICT), which have certainly brought numerous advantages for both tax administrations and taxpayers in obtaining and submitting tax data. The Assembly focused on these issues within a range of contexts and from different points of view. The event was attended by participants from 102 countries and organizations who discussed advances in the field of technology as applied to tax administrations.

For further information, please contact Mr. Gonzalo Arias, CIAT's Director of Cooperation and International Taxation at **garias@ciat.org**
or visit the following link:
http://www.ciat.org/index.php/en/news/archived-news/news/3255-48-asamblea-general-del-ciat.html

Workshop on Improving Taxpayer Relations sponsored by ITC-CIAT-World Bank/IFC

On 9 May 2014, Rio de Janeiro was also the venue for the one-day workshop organized by CIAT with the collaboration of ITC and the World Bank/IFC. The workshop was held back to back with the 48th CIAT General Assembly, the main issue of the discussions being the relationship between tax administrations, taxpayers and tax intermediaries. The one-day workshop addressed several tax-related topics revolving around what both tax administration and the taxpaying public can do to enhance a good, viable constructive relationship in order to better facilitate taxpayer compliance with tax law and at the same time improve the tax administration's ability to provide better services and enhance its efficiency and effectiveness.

For further information, please visit:
http://www.ciat.org/index.php/en/news/archived-news/news/3276-itc-banco-mundial-ifc-y-el-ciat-patrocinan-taller-sobre-el-mejoramiento-de-las-relaciones-de-los-contribuyentes.html

ATAF members meet to discuss base erosion and profit shifting

What are the new rules? How is the international tax debate developing? How does this affect Africa? These are some of the questions ATAF members posed to one another during two days of intense deliberations. The ATAF council hosted the 'ATAF Conference on New Rules of the Global Tax Agenda', attended by ATAF members along with other African non-member countries, in Johannesburg, South Africa, from 18 to 19 March 2014.

Representatives from 27 African countries met to analyse the various BEPS action plans and discuss automatic exchange of information and a number of other tax types viable for African countries. Discussions focused on the role ATAF would play in advancing the voice of African countries through the OECD process.

The conference benefited from the dual role of both tax administrators and senior ministry of finance/treasury officials responding to the challenges African countries may face. Noting this, the conference outcomes document stated:

'It is imperative that all African countries should be involved in the BEPS process and ATAF should ensure African participation in the Global Tax Agenda. ATAF will therefore put in place structures to enable on-going dialogue both on the continent and internationally. (…) Countries must consider the 15 Action Points of BEPS and identify those areas that are of most relevance and importance to them. Given the limited amount of time, it is crucial that African countries identify with the BEPS Action Plan and ensure that their greatest concerns are captured in their understanding and implementation of the tax reforms. (…) (ATAF) will thus develop an African work plan on the Global Tax Agenda (GTA), and establish a GTA-BEPS working group to guide on an African BEPS approach and give input into the OECD BEPS process.' Following the Consultative Conference, the ATAF Secretariat was mandated by members to form a BEPS Technical Working Group that would focus on specific Action Points for African countries. The Technical Meeting on BEPS took place from 18 to 20 June 2014, when 10 ATAF member countries committed themselves to commence work on transfer pricing aspects of BEPS, automatic exchange of information, the digital economy and tax incentives, and many other issues.

The meeting also took developments in the various OECD Working Parties into consideration and immediately sought to analyse the impacts of specific actions for African countries. The ATAF Secretariat will work closely with the Working Group to ensure that a rapid turnaround time is met, as some of the action points are due immediately. ATAF remains committed to providing African countries with up-to-date technical information about BEPS and providing an African voice on global tax matters.

For further information, please contact: Thulani Shongwe, Multilateral Cooperation at **tshongwe@ataftax.org**

*The Commissioners General:
Mr Rashid Bade (TRA);
Mr Kiren Holmes (OBR);
Mr Richard Tushabe (RRA);
Mr John Njiraini (KRA) and
Mr Richard Kamajugo (URA)*

36th EARACG meeting held on 30 May 2014 in Kigali, Rwanda

The East African Revenue Authorities Commissioners General met once again on 30 May 2014 to deliberate tax administration issues in the EAC region. This meeting was hosted by the Rwanda Revenue Authority in Kigali, Rwanda.

The East African Revenue Authorities Commissioners General (EARACG) is a forum that involves the heads of the regional revenue bodies and their technocrats who share information on tax administration performance and research on tax-related matters and challenges with a view to improving tax administration. The EARACG is supported by the East African Revenue Authorities Technical Committee (EARATC), which is a working group of technocrats from the Revenue Authorities for the five East African Countries.

At its 36th meeting, the EARACG shared studies carried out by the EARATC on the extractive industry taxation in the region. This study included the challenges experienced by the respective bodies and possible practical ways of addressing these challenges. A guide for staff on taxation of the telecommunications sector was also commissioned. The EARACG produces an annual ‘Comparative Revenue Analysis Publication’. This publication includes a comparative overview of all the five East African Revenue Authorities, revenue performance by tax head, factors that have affected revenue performance such as the performance of the economy, performance of tax administration indicators and a pictorial of activities in a year. The 2013/14 publication, the third in the series was launched at this meeting.

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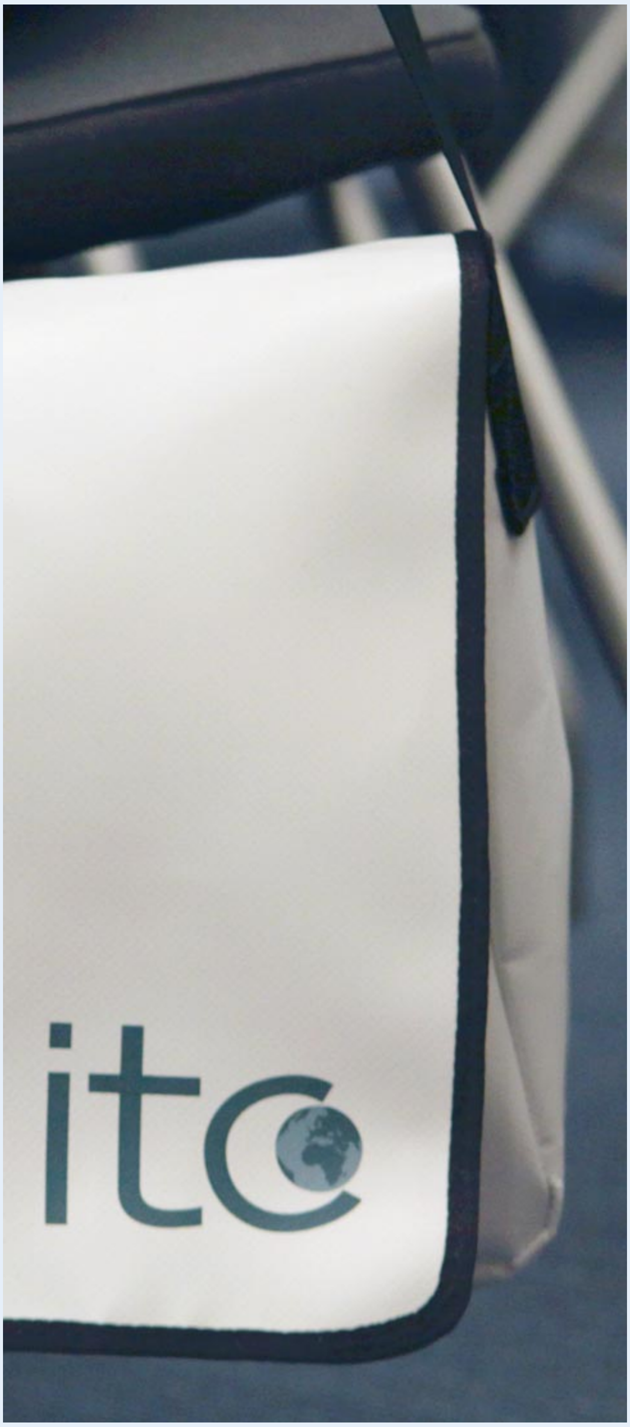
The EARATC Chairperson (2013/14) Ms Agnes Bagaya handing over the ‘Comparative Revenue Analysis Publication 2013/14’ to the Chairman of the 36th EARACG meeting, Mr Richard Tushabe, the Rwanda Revenue Authority Commissioner General

Analytical Work & Studies

German Development Institute presents study on the decentralization of property tax in Indonesia

Indonesia has recently decentralised its property tax to the local level, but has this led to better use of the tax potential from this source? A research team from the German Development Institute visited the country from February to April 2014 in order to explore this issue. The project was implemented in cooperation with the Indonesian Ministry of Finance. The team visited a total of seven cities and districts and conducted interviews with a broad range of governmental and non-governmental actors. Back in Europe, findings were presented at a workshop on ‘The implementation of tax reforms in developing countries’ organised by the European Commission (DEVCO) in Brussels on 16 May. Preliminary evidence suggests that those local governments that took over responsibility for the tax in 2013 or before have in fact succeeded in collecting more taxes from this source. Their revenue growth rates are higher than before, and higher than those of cities and districts with central government tax collection. It should be noted, however, that the majority of local governments only started local tax collection in 2014. It is too early to say whether this group will benefit from decentralization.



A closer look at the seven case studies reveals that local governments are still far from tapping the full potential of the property tax. Most of them are struggling with deficient data and low public acceptance of the tax. Moreover, the central government has transferred huge sums of uncollected tax liabilities, amounting in some cases to six to eight times the average yearly tax collection. More importantly, however, local governments shy away from the political costs associated with more active revenue mobilization, relying on central government transfers instead.

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Study tour to Schleswig Holstein – A delegation of Zambia Revenue Authority visited the Ministry of Finance and the Tax Administration of Schleswig Holstein

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is implementing a programme on behalf of the German Government to promote Good Financial Governance in Zambia. GIZ has been supporting the Zambian Ministry of Finance since 2005 and the revenue authority since 2011. One of the areas of support is strengthening the revenue administration´s capacities, especially the capacities for the taxation of small and medium taxpayers/enterprises. In order to learn from the German experiences in taxing small and medium taxpayers/enterprises, 10 representatives of the Zambia Revenue Authority visited the Ministry of Finance and the tax administration of the federal state of Schleswig-Holstein in Germany from 2 to 6 December 2013.

On the first day (Monday), the delegation gained an overview of tax legislation, organization of the tax administration, electronic administration and controlling. On Tuesday, the delegation obtained an insight into German practice regarding taxation and audit of small and medium enterprises and the administration of VAT. On Wednesday the delegation visited the tax office Kiel-South and its service centre. Topics addressed included assessment of businesses, tax collection and enforcement. The delegation and the German tax officers intensively discussed questions such as: What are the success factors of German tax administration? What measures result in increased tax compliance? What would be the impacts of automated communication between the tax administration and the taxpayers in Germany? On Thursday, Schleswig-Holstein´s concept for the training of tax officers was presented, interrupted by the winter storm 'Xaver'. On Friday, the Zambia Revenue Authority presented its work to interested civil servants from the Ministry of Finance and the tax authority of Schleswig-Holstein. The week ended with a meeting with the State Secretary during which both sides expressed their interest in continuing the exchange and exploring the possibilities for cooperation.

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African-European Master's Degree for future leaders in taxation about to take off

In October 2014 the first cohort will begin its Executive Master's in Taxation studies at the Berlin School of Economics and Law (BSEL). The EMT program was developed within the framework of the GIZ project Good Financial Governance in Africa together with the African Tax Administration Forum (ATAF), and the Berlin School of Economics and Law. The program is directed primarily at employees in the public finance sector in Africa.

As trans-border economic activities as well as the global movement of labour and capital increase, the topic of international taxation is gaining importance. On the African continent the taxation of raw materials, the structure of fair and efficient fiscal systems for small and medium-sized enterprises, the establishment of regional economic communities and thus issues of effective utilization of tax incentives are topics that require effective legislation and efficient administrative action.

Finance ministries and tax administrations, particularly on the African continent, are confronted with increasingly complex tasks that can only be addressed successfully by well-trained executives and managers who also have the necessary technical and academic expertise in the area of (international) tax policy and tax administration.

Therefore, ATAF, GIZ and BSEL have designed a degree course based explicitly on the needs of public finance institutions in the African context. A combination of relevant knowledge on the topics of international tax policy and tax administration with governance and leadership from the different fields of economic theory, law and administrative sciences has been shaped into a 15-month programme, after which successful candidates will be awarded the internationally accredited degree of 'Master of Arts in Tax Policy and Tax Administration'.

A cooperation arrangement between the Berlin School of Economics and Law and the University of the Witwatersrand in Johannesburg and insights into international institutions, such as the European Commission, aim to guarantee the program's international focus with an exchange of African and European students and lecturers.

To prepare for high office in tax administration and ministries of finance, EMT students will also have to master an implementation-oriented transfer project for their institutions, intended to improve work processes within them.

Over the course of the next few years the programme is expected to become a well-established education opportunity for government employees from both the European and African continents seeking high level offices in public finance institutions.

For additional information, please visit the EMT's webpage: **www.emtaxation.org**

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You can also visit the following link on the website of the Germany Embassy in South Africa:
http://www.southafrica.diplo.de/Vertretung/suedafrika/de/__pr/Botschaft/2014/2__Q/04-Master-Taxation.html?archive=3122776