news and developments

in the field of tax and development

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Welcome to the Latest Edition of the ITC Newsletter

Dear Reader,

As 2015 draws to a close, we can see it has been a year of important gains, especially when it comes to domestic resource mobilisation (DRM), which has moved even further up the international agenda. The Third International Conference on Financing for Development, held on 13 to 16 July 2015, led to the production of the Addis Ababa Action Agenda, which emphasises the need to further strengthen countries' tax systems based on the principles of fairness, transparency, efficiency and effectiveness. The conference also saw the launch of the Addis Tax Initiative (ATI), under which donor signatories commit to double their support to DRM by 2020 and all participating partner countries restate their commitment to step up domestic resource mobilisation. The ITC is honoured to act as the secretariat for the Initiative. More information on the ATI and its newly established steering committee is provided below.

Improving DRM through capacity building is also considered to be a 'means of implementation' for the Sustainable Development Goals. Progress made in the area of DRM will be closely monitored under SDG 17.1 ('Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection').

In addition, G20 leaders endorsed the package of measures developed by the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project. With the final BEPS reports delivered, the focus now is on implementing their recommendations.

The following articles comprise short overviews of the latest developments in international tax cooperation. Please note that the perspectives and opinions expressed in this newsletter are entirely those of the contributing institution and do not necessarily reflect the views of the ITC. If you have any questions or suggestions regarding the newsletter, or if you would like to contribute an article for the next issue, please do not hesitate to contact us.

Happy reading!

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strengthening
effective, fair and transparent
tax systems

News From the Addis Tax Initiative

The headline feature of the Addis Tax Initiative (ATI) is donor countries' commitment to double their support for technical cooperation in the field of taxation/domestic revenue mobilisation (DRM). Partner countries, for their part, have committed to step up DRM and pursue necessary tax reforms, and all countries have committed to ensuring greater development policy coherence.

ATI members will also work together to tackle complex cross-border tax issues by enabling partner countries to take advantage of the progress made in tax regimes internationally, to improve the collection and management of revenue from natural resources, and to bring developing countries into discussions on global tax systems. South-south cooperation will also be facilitated.

In Addis Ababa, 37 countries and international organisations signed up to the Initiative and, following the summit, Rwanda also decided to come on board. Should other countries wish to join, the invitation remains open. The ministry of finance or revenue authority of the country wishing to sign up simply needs to email their request to the ATI Secretariat at **secretariat@taxcompact.net**. Any questions regarding the Initiative can be directed to this address.

Since launching in July, ATI has taken further shape. It featured in the agendas of the annual World Bank and IMF meetings in Lima and of the African Tax Administration Forum (ATAF) conference in Lomé, all of which took place in October.

At present, substantial efforts are being made to design an appropriate but undemanding monitoring system that will make it possible for anyone to monitor whether commitments are being met over the coming years.

ATI will publish an annual report on the progress made on the ATI commitments. Also, in November, the Paris meetings of the OECD Taskforce on Tax and Development saw the formation of a Steering Committee tasked with handling day-to-day issues on behalf of the group.

The ATI Secretariat is facilitated by the ITC which serves, amongst others, as the point of contact and maintains the ATI website where further information can be found at **www.addistaxinitiative.net**.

Steering Committee of the Addis Tax Initiative

The Committee comprises Canada, the European Commission, the Netherlands, Senegal, Tanzania and the United Kingdom. Other international organisations such as the ATAF, Inter-American Center of Tax Administrations (CIAT), IMF, OECD and World Bank have been invited to join as observers. The Committee will have a lean structure, its meetings will mainly be held virtually (i.e. online) and it will ensure to maintain communications with all members.

The Steering Committee members each provided the ITC with the following brief statements on their thinking on the mission of the ATI and their intentions for guiding and shaping the Initiative.

Canada

The ATI sets out clear commitments within a set time frame for both donor and partner countries. This singular focus makes it different from other fora addressing tax and development issues. The Initiative also provides a space for development practitioners and developing countries to engage directly, which complements the role of other organisations focused on bringing together tax officials. While much of the focus is on taxation, the ATI will take a broader view of DRM that includes non-tax revenue such as royalties collected from natural resource extraction.

Canada has been a strong supporter of international cooperation on taxation and, in particular, on ensuring that developing countries have the opportunity to improve their capacity in this important sector. It is for this reason that we supported the inclusion of DRM in the Sustainable Development Goals and within G20 priorities.

Even before joining the ATI, Canada's international assistance programmes were increasing their support for DRM capacity building. Taking a role on the Steering Committee is an expression of the importance that Canada places on this sector. During our time on the Steering Committee, we will work with our counterparts to establish a monitoring and reporting framework that is both credible and practical. As participating countries increase their efforts, it is important that they have a mechanism to report on their successes and share their lessons learned.

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The European Commission

The European Commission has a long-standing record of supporting developing countries in their work to secure stable domestic revenues, including by tackling tax avoidance, tax evasion and illicit financial flows. The Commission's 2010 communication Tax and Development set the policy base for EU assistance to developing countries on this topic. In 2015, in light of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development, the Commission presented a new approach for supporting domestic public finance in developing countries. The 'Collect More — Spend Better' approach details how the EU will support developing countries over the coming years in building fair, transparent and efficient tax systems. Furthermore, this approach includes the important area of public spending, as improved revenue collection alone does not necessarily provide the essential public goods and services needed for sustainable development. Good public expenditure management increases fiscal space in the same way as receiving additional resources.

In this context, the European Commission fully subscribes to the Addis Tax Initiative. All countries subscribing to the initiative declare their commitment to enhance the mobilisation and effective use of domestic revenues by improving the fairness, transparency, efficiency and effectiveness of their tax systems in order to address inequalities. Moreover, participating development cooperation partners commit to collectively double their technical cooperation in the area of domestic revenue mobilisation by 2020. This underlines the European Commission's commitment to step up domestic revenue mobilisation as a key means of implementation for the Sustainable Development Goals and to support important areas that are laid out in the 'Collect More — Spend Better' approach.

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The Netherlands

The Addis Tax Initiative will need to assist countries, as and when required, with how they approach and engage with donors, and it needs to monitor that commitments are being met. It is important that we get a simple but good monitoring system in place so that commitments made can be monitored. We think that a good exchange of information on current and planned programmes will also help to further stimulate donor coordination.

Needless to say, coordination remains the prime responsibility of the recipient country. Increased DRM will help to fund countries' domestic development agendas, enabling them to attain the SDGs. The Initiative itself links directly with SDG target 17.1 to 'Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection'. So it will also play an important role in helping to realise the SDGs!

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Senegal

For developing countries, the ATI is an exceptional opportunity 'to declare their commitment to enhance the mobilisation and effective use of domestic resources and to improve the fairness, transparency, efficiency and effectiveness of their tax systems'. Indeed, as the proportion of official development assistance (ODA) continues to decline in relation to GDP and given the 'natural resources curse', domestic resource mobilisation/tax revenue constitutes a key means of implementation for attaining the SDGs and inclusive development. For Senegal, ATI will help enhance how DRM contributes to funding the Emerging Senegal Plan (Plan Sénégal Emergent), an ambitious economic and human development programme.

As participating international support providers will collectively double their technical cooperation in the area of DRM/taxation by 2020, Senegal is willing to work in partnership with both the international community and other developing countries to take advantage of this opportunity and substantially improve its tax revenue mobilisation. Technical cooperation should cover both tax administration and tax policy issues and tackle the challenges that developing countries currently face, ranging from BEPS issues to tax incentives for investment.

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Tanzania

For more than a decade, the Tanzania Revenue Authority (TRA) has been implementing a number of reforms with the objective of modernising its operations and boosting domestic resource mobilisation. TRA has received technical assistance on aspects of international taxation and on auditing specialised sectors such as mining, financial, construction and tourism. The Addis Tax Initiative complements existing efforts to enhance domestic resource mobilisation in Tanzania. The ATI has revitalised the agenda on domestic resource mobilisation, for example with regard to building local capacity, strengthening governance and institutions and fostering political will. As a member of ATI, Tanzania — and TRA in particular — look forward to working through this initiative to:

a) Increase domestic revenue collection as per the 4th Corporate Plan such that it contributes 70% to total TRA collections by 2018 in line with the stated vision.

b) Achieve the SDGs, particularly goal 17.1: 'Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.'

c) Increase domestic resource mobilisation to enable the Tanzanian Government to provide public goods and services and reduce donor dependency in the national budget.

d) Achieve our National Vision 2025 of becoming a middle income country.

TRA will be proactive in utilising ATI and achieving the set objectives as a member and as a committed partner for the development of Tanzania, the African continent and the world at large.

The United Kingdom

Supporting countries to improve their domestic revenue mobilisation and put themselves onto a path of fiscal self-sustainability is a top ministerial priority for the UK. We acknowledge the importance of an effective tax system to a country's development finance as well as to the investment climate and its state-building efforts.

The UK has long sought to play a key part in supporting the international tax and development agenda, and we fund an extensive range of bilateral and multilateral support on tax to developing countries, including peer-to-peer technical assistance from Her Majesty's Revenue and Customs. However, the Addis Tax Initiative represents a new and important step-change for donors, demonstrating their commitment to sustained support on tax. This support will, in effect, constitute a partnership with recipient countries that commit to implementing the often challenging reforms needed to improve their domestic revenue mobilisation. It is the first time we have seen this kind of collective commitment on tax.

The UK was one of the founders of the Initiative and the UK Secretary of State for International Development, Justine Greening, was delighted to be part of its launch at the International Conference on Financing for Development in Addis Ababa this year. We are pleased to see it has been a success, gaining an impressive number of signatories, and that it is now being implemented. We look forward to being part of this important partnership going forward.

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Katja Hujo, Research Coordinator in the Social Policy and Development Programme of UNRISD

Destination: Socially Sustainable Development. Will Addis Lead the Way?

At the Third International Conference on Financing for Development, the UN took another important step forward in the process to develop a new global sustainable development agenda: the Addis Ababa Action Agenda (AAAA). In the run-up to the conference, the United Nations Research Institute for Social Development (UNRISD) invited scholars, UN partners, civil society organisations and NGOs to contribute to a think-piece series, the Road to Addis and Beyond, setting out their ideas, expectations and demands for the conference and reflecting on its outcomes and ways forward.

The new global financing framework for the 2030 agenda still has to prove that it will really contribute to substantive transformation that eliminates the structural barriers to more inclusive, democratic and sustainable development. An important outcome of the AAAA is the upfront commitment to a new social compact and a more visible emphasis on domestic resource mobilisation and taxation as the key instrument to finance this social compact and the 17 goals of the new SDG agenda.

This is first and foremost good news. UNRISD research has for many years highlighted the need to link debates on social policy with financing. There is also considerable research-based evidence on the multiple positive aspects of taxation such as revenue stability, redistribution and state accountability. However, if these positive effects are to be realised, more than a tax reform blueprint and improved tax administration are needed. In the end, it is the politics of tax reform at both the national and global levels that will be critical.

Financing for development is not only about resources and the trillions of dollars countries must mobilise to eradicate poverty and invest in socially sustainable development. It is also about who pays and who receives, about who holds the power to negotiate and influence decisions, and about the social, economic, political and human rights implications of different financing modalities. The way such questions are tackled in the future will determine whether the new development agenda will inspire trust, hope and commitment.

This is an abridgement of a longer article that can be accessed at **www.unrisd.org/road-to-addis-hujo**

For the full list of think pieces and research notes in the Addis series, visit **www.unrisd.org/road-to-addis**

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Conferences and Trainings

OECD Task Force on Tax and Development Held in Paris on 2 and 3 November

The OECD's Task Force on Tax and Development met on 2 and 3 November to review the progress made on tax and development in 2015, including in relation to the UN Sustainable Development Goals (SDGs), the Financing for Development Conference, the Addis Tax Initiative (ATI), and the OECD/G20 Base Erosion and Profit Shifting Project (BEPS). Over 200 participants from governments, international and regional organisations, civil society and business took stock of how the Task Force is helping developing countries to raise revenues efficiently and fairly in support of the SDGs.

The Task Force noted the strong recognition of the importance of domestic resource mobilisation (DRM) and taxation in both the SDGs and the recent outcomes of the Third International Conference on Financing for Development in Addis Ababa. The participants welcomed the commitments made by the signatories to the ATI and encouraged others to sign up, and they likewise recognised the commitment of official development assistance providers that will together double their support for tax matters by 2020. The meeting indicated the need to build on the OECD and International Tax Compact's work to record the positive impacts made by foreign assistance on taxation.

The seminar held at the event on state building, citizenship and taxation explored and discussed current thinking on the role taxation plays in building effective states through enhanced accountability. It provided concrete country examples on how to address the practicalities of building the social–fiscal contract in developing countries and of connecting up taxpayers' expectations with the delivery of public services. The meeting concluded with the official launch of the Source Book on Taxpayer Education, which is based around case studies that describe how a number of national governments have informed and engaged with their current and future taxpayers. Fostering a general 'culture of compliance' based on rights and responsibilities is fundamental. In this way, citizens see paying taxes as an integral aspect of their relationship with government.

Co-chaired by the Netherlands and South Africa, the Task Force is a multi-stakeholder advisory group set up to help improve the enabling environment for developing countries so they collect taxes fairly and effectively. More information, including presentations and documents, is available in the **Statement of Outcomes** and on the **Tax and Development website**.

For further information, please contact the Task Force Secretariat at **taxanddevelopment@oecd.org**

Eleventh Session of the UN Committee of Experts on International Cooperation in Tax Matters

The eleventh session of the UN Committee of Experts on International Cooperation in Tax Matters (the Committee) was marked by intensive discussions and breakthrough results. Held at the UN Office at Geneva in late October, it was attended by the Committee members and 156 observers, including country representatives and international and regional organisations.

The 25 members of the Committee are nominated by countries and chosen by the Secretary-General of the United Nations to act in their personal capacities. Committee members are selected not just on the basis of their individual expertise, but also to ensure adequate geographical distribution, the representation of different tax systems and the foregrounding of the special developing-country focus of the UN's tax work. The term of office is four years and the Committee's incumbent members will serve until the end of June 2017. The bulk of the Committee's work is performed through their sub-committee structure.

After three years of difficult negotiations, the Committee adopted a new article on the taxation of fees for technical services to be included in the next update of the UN Model Double Taxation Convention between Developed and Developing Countries (UN Model). Technical services are often used by multinational companies to strip profits from their subsidiaries, thus eroding the source country's tax base. The new article counters this tendency and allows for taxation at source without physical presence. The accompanying commentary will note the advantages and disadvantages of adopting such an article and will provide interpretative guidance.

The Committee members also decided to establish two new sub-committees: (1) a Sub-committee on Royalties, mandated to propose an update of Article 12 of the UN Model and its commentary, particularly on the tax treatment of industrial, commercial and scientific equipment and software-related payments; and (2) a Sub-committee on Mutual Agreement Procedures — Dispute Avoidance and Resolution, which will study the topic, provide guidance and propose any necessary updates to the UN Model in that respect.

The Sub-committee on the Negotiation of Tax Treaties presented a new Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries, which was subsequently adopted by the Committee. A draft code of conduct that aims to provide countries with guidance on how best to cooperate on combating international tax evasion through enhanced transparency and the exchange of information was also discussed and suggestions were made on how to improve it.

The Committee also approved, subject to editorial work, three guidance notes produced by the Sub-committee on Extractive Industries Taxation Issues for Developing

Countries — namely, an overview note, a note on tax treaty issues in the extractive industries and a note on capital gains taxation including indirect sales. The Subcommittee will continue to produce practical guidelines for developing countries in this area, including on the tax treatment of decommissioning, VAT and the renegotiation of extractive contracts.

The Committee welcomed the capacity-building work of the Financing for Development Office of the UN Department for Economic and Social Affairs, including its Handbook on Selected Issues in Protecting the Tax Base of Developing Countries and its workshops and other activities delivered in participation with developing countries and in collaboration with international and regional organisations. The ITC has played an important role in some areas of this work.

The Committee's meeting comes three months after the above-mentioned Third International Conference on Financing for Development in Addis Ababa, which fomented a high level of recognition that tax is central to development. During the negotiations, the institutional arrangements of international tax cooperation were the single most controversial issue. There are divisions over whether or not the Committee should be upgraded to an intergovernmental body; divisions which, it must be said, run broadly along developed and developing country lines. According to the Addis Ababa Action Agenda, future decisions on the membership of the Committee are to be made by the UN Secretary General in consultation with Member States.

Furthermore, Member States decided that the Committee will be strengthened by, among other things, increasing the frequency of its sessions to twice a year and intensifying its engagement with the UN Economic and Social Council. At this stage, however, it stopped short of upgrading the Committee to an intergovernmental body.

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TAXGIP Conference Held in Vienna

From 7 to 9 July 2015, senior tax administrators and tax policy officials from 26 European and Central Asian countries as well as experts from the Vienna University of Economics and Business (WU University) and the World Bank met in the Austrian capital to share their experiences and lessons learned from the emerging challenges that tax policymakers and administrations face in the area of international taxation and transfer pricing. This was the fourth conference organised under the aegis of the Tax Administrators Exchange of Global Innovative Practices (TAXGIP), a peer learning forum for tax administrators. The purpose of the conference is to bring together these practitioners to establish a forum for future cooperation.

Tax administration and domestic resource mobilisation are central to the development agenda. Demands on public services continue to grow as countries strengthen their efforts to eliminate poverty and boost shared prosperity. Increasing pressures on public spending in the context of slowing growth has put pressure on tax administrations to achieve revenue targets. However, domestic resource mobilisation is about more than simply raising money. In his remarks, James Brumby, Director of Public Service and Performance, Governance Global Practice at the World Bank, stressed the link between taxation and good governance, stating that 'participation in the process of domestic revenue collection that involves citizens and the state interacting — i.e. participation in state building — is essential for development and inclusion.'

Jeffrey Owens, former head of the OECD's Centre for Tax Policy and Administration, and now with WU University, described the landscape of the international tax environment. The international taxation environment is continuously changing. In a globalised world there is an urgent need for the harmonisation and coordination of tax policies; however, too often these global/regional instruments are lacking. Ilya Trunin, Director of Tax and Customs Policy of the Russian Federation, pointed out that countries in the region are increasingly worried about tax evasion, not only by multinational groups, but also by domestic companies. In line with these concerns, recent global initiatives are pushing for a more transparent international tax environment (BEPS, AEOI). The conference discussed how tax administrations can better equip themselves to become more transparent and how they can deal with the increased data flows and information that will result from the new arrangements.

The World Bank Group has been at the forefront of tax administration and domestic resource mobilisation reform for many years. Now, with the G20 focusing more heavily on this agenda, the United Nations and its forthcoming Sustainable Development Goals and the OECD's BEPS initiative, the World Bank plans to step up its engagement in this area. Forums like TAXGIP that facilitate the discussion of issues and sharing of best practices in taxation will continue to play a useful role. Their participants commit to continuing dialogue among tax administrators and tax policy experts with the goal of sharing best practices that can strengthen the region's tax systems and thereby improve the efficiency of tax administration and reduce compliance costs for the private sector. Participants will work to garner the support and secure the commitment of their governments and policymakers to ensure the success of the initiatives discussed.

More material to this regard can be found at **bit.ly/1Q0PIKI**

For further information, please contact Mariela Sánchez Martiarena at **msanchezmartiare@worldbank.org**

Inter-American Center of Tax Administrations (CIAT) Technical Conference 2015

The 2015 CIAT Technical Conference, sponsored by Italy's Guardia de Finanza (financial and customs police), ran from 28 September to 1 October in the Italian capital, Rome, and focused on the topic of the tax administration's examination function.

In all, 58 delegations from five continents attended the function: 34 from CIAT member countries and 24 either from invited countries or international organisations and institutions related to CIAT. During the event, participants were able to share their experiences and discuss the examination function, sometimes referred as 'control'. This is a vital element of all tax administrations to ensure that tax-liable entities properly comply with tax laws.

All materials from the 2015 CIAT Technical Conference are available online at **bit.ly/1Xt8IS9**

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Workshop on Access to Sources of Information to Improve Compliance and Prevent Tax Fraud

On 2 October in Rome, Italy, the CIAT, the World Bank Group, Italy's Guardia di Finanza and the ITC organised a workshop on the topic of Access to Sources of Information to Improve Compliance and Prevent Tax Fraud.

Representatives from the co-sponsoring institutions and 35 tax administrations from different continents participated in the workshop. Its main objective was to discuss methodologies for accessing information sources and designing relevant structures, with the aim of achieving higher levels of tax compliance and preventing tax evasion and tax fraud.

The event concluded with participating tax administrations expressing (a) their interest in using the most effective techniques for accessing information, primarily from non-traditional sources, and (b) the need to implement more efficient techniques for information processing that avoid the retention of unused files and thus the compliance and administration costs that this incurs.

Material from the workshop is available at **bit.ly/1OilYIX**

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Eighth Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) now has 129 members, all engaged on an equal footing, and it is the premier international body for ensuring the implementation of internationally agreed standards on tax transparency and the exchange of tax-related information. The Global Forum employs an in-depth monitoring and peer review process to ascertain whether its members are fully implementing the standards on transparency and exchange of information that they have committed to deliver. An increasingly important area of the Forum's work is delivering capacity-building support to its developing-country members so that they can benefit from the new age of tax transparency.

On 29 and 30 October 2015, over 250 delegates from 88 jurisdictions and 11 international organisations and regional groups came together in Bridgetown, Barbados, for their eighth plenary meeting. The members reaffirmed their resolve to deliver on their mandate for effective tax transparency and the exchange of information (whether provided upon request or automatically), took stock of progress made so far and agreed on the steps to take going forward.

The Global Forum is making significant progress on its three main work streams. For its standard on the exchange of information upon request, the Global Forum has now completed 215 peer reviews and assigned **compliance ratings** to 86 jurisdictions. It has completed the framework for a new round of reviews to be launched in 2016 with enhanced terms of reference, which includes the requirement to maintain and exchange beneficial ownership information.

Major advances have also been achieved on the new standard on the automatic exchange of information (AEOI), with 96 jurisdictions now committed to exchanging information automatically from either 2017 or 2018. All major financial centres are now part of these efforts to enhance international tax cooperation. The Global Forum will continue to monitor the implementation of AEOI to ensure that commitments are met according to the agreed timelines and that the jurisdictions get all the support they need in this regard.

In recent years, the Global Forum has stepped up its commitment to support and encourage the participation of developing countries in these new and advanced approaches to tax transparency. Through its **Africa Initiative,** the Global Forum focuses on greater engagement with African countries. It has also enhanced its work with other developing countries to build capacity for improving cross-border taxation through the effective use of exchange-of-information tools.

For more information on the Global Forum, please contact Monica Bhatia at **monica.bhatia@oecd.org** and Jeremy Maddison at **jeremy.maddison@oecd.org** or visit **http://www.oecd.org/tax/transparency/**

Fourth International Workshop on Mobilising Domestic Revenue in Developing Countries: the Politics of Fighting Tax Avoidance and Tax Evasion

On 23 and 24 June 2014 in Bonn, the German Development Institute (GDI) organised its Fourth International Workshop on Mobilising Domestic Revenue in Developing Countries. This year's workshop was delivered in close cooperation with the OECD and focused on the theme of the politics of fighting tax avoidance and tax evasion. The timing of the event was perfect for discussing and sharing impressions of the preceding G7 Summit (held on 7 and 8 June at Elmau Castle, Germany) prior to the Third International Conference on Financing for Development that took place in Addis Ababa on 13 to 16 July.

Dirk Messner, Director of the GDI, Ingrid Gabriela Hoven, Director General for Global Issues at BMZ, and Ben Dickinson, Head of the OECD's Tax and Development Programme opened the workshop. In their presentations they emphasised the relevance of strengthening cooperation in tax matters and addressing regulatory deficiencies at the international level.

The subsequent panel discussions and presentations focused on measuring and fighting tax avoidance and tax evasion in developing countries, combining academic perspectives with policy-oriented approaches. In terms of measuring the scale of evasion and avoidance, difficulties associated with the lack of reliable data arose as a key topic. Nevertheless, the presenters agreed that, by any measure, the damage caused by tax evasion and avoidance to developing countries is severe and is probably increasing over time. The discussion on strategies to fight tax avoidance and evasion highlighted several technical and administrative aspects that can have a major impact on improving tax collection, such as the monitoring function of tax and customs administrations. As several of the presentations emphasised, major political challenges remain with regard to the implementation of measures. One recurrent theme was the need to approach tax avoidance and tax evasion as a common challenge for both developed and developing countries. This was also a salient message in both the OECD's and European Commission's presentations of strategies to tackle these issues.

The detailed agenda, together with most of the presentations, can be downloaded from the GDI website at **http://www.die-gdi.de/veranstaltungen/the-politics-of-fighting-tax-avoidance-and-tax-evasion/**

The German Development Institute, with the support of the BMZ, plans to continue this workshop series. The focus for next year's event will be local taxation and fiscal decentralisation in developing countries.

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Regional Meetings: From Solutions to Implementation

From 21 to 23 October 2015, the Ministry of Finance and the Revenue Service of Georgia hosted a regional consultation for the Eastern Europe and Central Asia region in partnership with the Intra-European Organisation of Tax Administrations (IOTA) and OECD. Organised in Tbilisi and opened by Minister Nodar Khaduri, the meeting gathered 65 participants from tax administrations, business and NGOs and was the first in a series of sessions to discuss the implementation of new measures to counter Base Erosion and Profit Shifting (BEPS).

During the event, participants welcomed the final BEPS reports published in October 2015. With the new measures providing answers to BEPS concerns in their countries, delegates expressed the urgent need to implement them in their tax systems. They expressed strong interest in working together during the implementation phase, which will be crucial if the measures are to be adapted to developing countries' specific needs and if participants are to learn from each other's experiences. The discussions arising in this meeting and in those of other regions will feed into the design of an inclusive framework for implementation. This framework will be established by early 2016, as requested by the G20 Finance Ministers.

One of the work streams within this framework, which is now operational, is an ad hoc group for the elaboration of a multilateral instrument to implement the tax-treaty-related measures agreed in the course of the BEPS Project. Of the 94 countries participating, 62 are developing countries that are not OECD members. The regional meetings also discussed the need for practical training and the development of tools for tax officials operating in the field. The work on toolkits, which aims to address issues that are of particular importance for developing countries (such as tax incentives, the lack of comparable data for transfer pricing purposes, and indirect transfers of assets), will help low-income countries address the BEPS challenges that they have identified as high-priority issues.

For further information, please contact Maikel Evers at **maikel.evers@oecd.org** and Julien Jarrige at **julien.jarrige@oecd.org** or visit **http://www.oecd.org/tax/developing-countries-and-beps.htm**

Working Group on Collection and Recovery — Drafting a First Manual

The CIAT Working Group on Collection and Recovery met in Mexico City on 16 to 18 June with the purpose of establishing a network of experts on these topics, exchanging knowledge and best practices, and defining content for the first draft of a manual on collection and recovery. The event was hosted by Mexico's Tax Administration Service as part of the cooperation agreement in place between CIAT and Germany's GIZ.

The Working Group comprised representatives and experts from the sponsoring organisations and delegates from the collection and recovery functions of the tax administrations of Bolivia, Brazil, Costa Rica, Ecuador, Honduras, Nicaragua, Peru, Portugal, Spain and Uruguay. As a result, more than 10 aspects that require further analysis at the Ibero-American level were identified, as were over 60 best practices implemented by the tax administrations of the countries attending. The CIAT Executive Secretariat plans to publish the manual by the end of this year.

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UN-ITC Workshop on Administration of Tax Treaties and Addressing Base-Eroding Payments, Berlin, 1–3 December 2015

The Financing for Development Office (FfDO) of UN-DESA has organised in cooperation with the ITC, a 3-day workshop on 'Administration of Tax Treaties and Addressing Base-Eroding Payments' with the participation of representatives from developing countries in Africa, Asia, Eastern Europe and Latin America.

Based on the positive feedback on the 'UN Handbook on Selected Issues in Administration of Double Taxation Treaties for Developing Countries', which is available in **English**, **Spanish** and **French**, the workshop had the objective to further disseminate the content of the UN Handbook.

During the first two days, participants were provided with an overview of the general issues covered by the handbook, such as persons entitled to treaty benefits, application of treaties to residents and non-residents, treaty abuse and tools for applying tax treaties. The third day focused on selected chapters of the UN Handbook which are of particular interest to developing countries. This part of the workshop featured presentations of UN Practical Portfolios on the Taxation of Income from Services and on the Base-Eroding Payments of Interest. Both Practical Portfolios provide a framework for the analysis of the provisions of a country's domestic law and tax treaties dealing with base-eroding payments. In addition to examining the relevant risks of base erosion, they identify the various options for changes in domestic legislation and tax treaty policy to counter base-eroding payments.

The workshop included practical case studies, country experiences as well as good practices. The discussions were led by world-renowned experts in the field of double tax treaties.

Information on capacity development activities of FfDO can be found at **http://www.un.org/esa/ffd/topics/capacity-development.html**

Information on the event can be found at **http://www.tax-compact.net/activities-events/2015/UN-ITC-Workshop-Berlin_Dec.html**

For further information, please contact Harry Tonino at **tonino@un.org**

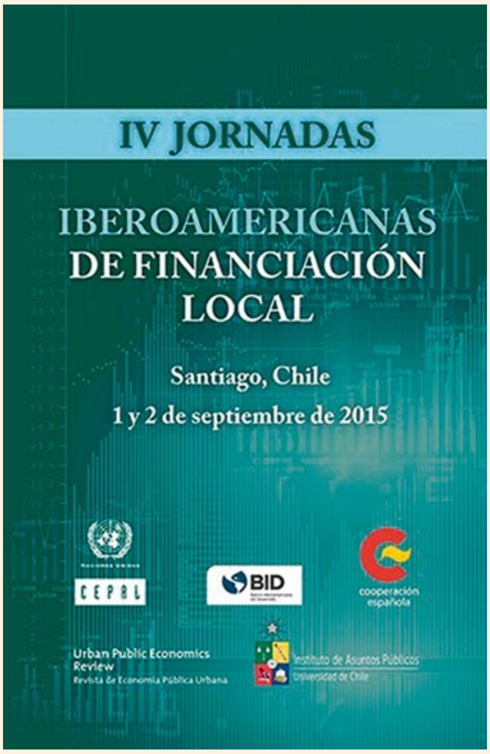
Experts Address the Challenges of Local Financing in Ibero-American Countries

A variety of authorities, experts and academics from several Ibero-American countries met on the 1 and 2 September at the headquarters of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago, Chile. The sessions focused on the challenges of local financing at the different levels of government in the region and on its subsequent impact on economic development, equality, and social and territorial cohesion.

From over 50 papers submitted, 14 were selected for presentation, covering a diverse range of issues relating to fiscal and financial relations between government and sub-national financing. Topics included: local spending, territorial equity, reforms to the system of intergovernmental relations in Latin America and Spain, and the provision of public goods, services and financing in Latin America.

This was the fourth meeting in a series, following on from sessions in Toledo, Spain, in 2011; La Plata, Argentina, in 2013; and São Paulo, Brazil, in 2014. ECLAC, the University of Chile and the Inter-American Development Bank (IDB) organised the meeting, which was opened by Antonio Prado, Deputy Executive Secretary of ECLAC; Leonardo Letelier, Director of Graduate Studies at the University of Chile; and Koldo Echebarría, IDB's representative in Chile.

The conference concluded that territorial inequalities are the main cause of the region's problems. For example, the GDP of Spain's richest areas is twice that of its poorest, whereas in Argentina, Brazil, Colombia, Guatemala and Mexico the richest areas are five times wealthier than the poorest. Furthermore, vertical asymmetry in the region is substantial: Argentina and Brazil receive sub-national tax revenues of up to 15% of total tax revenue,



whereas Mexico and Central American countries charge less than 4%. Considering the basis of this disparity, the papers presented at the conference were related to intergovernmental transfers, the allocation of revenue from the exploitation of non-renewable natural resources, systems of equalisation in the distribution of fiscal resources, tax effort, and the evaluation of sub-national spending and its subsequent territorial impact.

The results of these studies reflect the potential to expand fiscal efforts in the region, to streamline sub-national spending and to balance the fiscal capacity of all levels of government.

For further information, please contact Juan Pablo Jiménez at **juanpablo.jimenez@cepal.org**

The conference presentations, videos and audio files can be downloaded at **http://conferencias.cepal.org/jornadas_financiacion/**

Sindh Revenue Board Workshop on Sub-National Taxation

The Sindh Revenue Board (SRB) is the largest sub-national sales-tax agency in Pakistan and aims to create an efficient provincial resource mobilisation system able to fund the economic prosperity of the province. As part of its work to deliver this vision, SRB hosted the Sindh Revenue Board Workshop on Sub-National Taxation on 5 to 7 October 2015 in Karachi, Pakistan.

The three-day workshop included remarks from the Chief Minister of Sindh, Mr Syed Qaim Ali Shah; the Senior Minister of Finance of Sindh, Mr Syed Murad Ali Shah; and the World Bank Country Director, Mr Patchamuthu Illangovan. In addition to the formal contributions of senior ministers from Sindh and Punjab, the workshop contained presentations by former tax administration officials from Canada and the US and by experts from the World Bank, the private sector and academia.

The purpose of the workshop was to discuss critical topics related to domestic resource mobilisation at the provincial level. Country cases from Australia, Canada and India were explored in depth, but there was a particular emphasis on issues related to Pakistan. The SRB presented its achievements in increasing service sales tax collection, introducing an e-payment system and establishing a tax training academy. Additionally, the participants identified the key limitations of Pakistan's provincial tax system: the high number of taxes with low productivity, low tax compliance, the narrow tax base, the fragmentation of provincial tax administrations, tax audit challenges, and the complexity of the tax system when separating sales taxes for goods (federal level) and services (provincial level). The workshop also prompted lively debate, specifically around whether Pakistan should pursue goods and services tax as a single-stage sales tax or should fully implement a nationally integrated value-added tax.

Overall, the event accomplished its goal to provide a forum for knowledge exchange and for generating relevant and timely insights on the design, development and implementation of cutting-edge solutions for the challenges that sub-national tax administrations face.

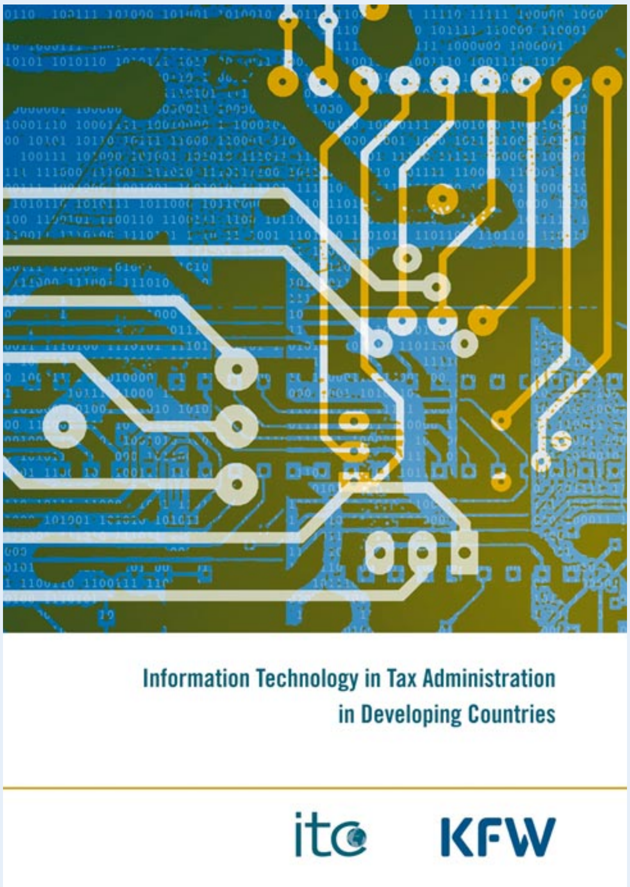
For further information, please contact Ella Humphry at **ehumphry@worldbank.org**

The Tax Justice Network's 2015 Financial Secrecy Index: A Research Tool for Tax Authorities

This month the Tax Justice Network (TJN) published the fourth edition of its Financial Secrecy Index (FSI), which is the world's most comprehensive survey of financial market secrecy, covering more than 100 jurisdictions. This unique index combines a secrecy score (based on 15 key indicators) with a weighting of each jurisdiction's market share in global financial services for non-residents. The index reveals that the world's most important providers of financial secrecy are not the traditional small, palm-fringed islands, but some of the world's biggest and wealthiest countries.

Switzerland is still at the top of the ranking — though it, like most major financial centres, has made some improvements since 2013. However, the country that is currently the greatest cause of concern is the United States, which has moved up to third place in the ranking. Beyond the ranking, the FSI contains a series of political, historical and economic narrative reports on the world's top tax havens, as well as more than 100 detailed technical reports for each jurisdiction, available online free of charge. The technical reports provide verifiable sources and descriptions of: the legal frameworks relating to banking secrecy; beneficial ownership information of companies, trusts, foundations and partnerships; compliance with the Financial Action Task Force's anti-money laundering recommendations; exchange of information; and much more. Tax authorities, law enforcement, financial intelligence units and banking supervisors around the world use the FSI for their risk assessments and as a source of valuable information — such as on how to access online corporate information from each jurisdiction.

For more information on how to access and use the FSI's detailed reports and ranking, visit **www.financialsecrecy-index.com** or contact Andres Knobel at **andres@taxjustice.net**



ITC and KfW Study on Information Technology in Tax Administration in Developing Countries

Information technology (IT) holds great potential for improving revenue collection by automating processes, providing better services to taxpayers and increasing compliance. However, experiences of implementing IT solutions in tax administrations in both developed and developing countries are mixed. The Information Technology in Tax Administration in Developing Countries study explores the factors for successful tax administration modernisation programmes and compares the most important integrated software solutions for tax administration. The study also offers an overview of (a) the experiences of 13 diverse developing countries gained when implementing IT-based tax reforms and (b) the activities of major donors active in this area. Finally, a set of key recommendations covering strategic, economic and technological dimensions can help tax administrations to assess their own institution's readiness, to avoid frequent mistakes in planning and delivering such programmes, and to take the necessary steps before, during and after IT implementation.

KfW and ITC members commissioned the study, and the CIAT and IMF in particular provided valuable input.

The study can be downloaded at **http://www.taxcompact.net/documents/IT-Tax-Administration-Study.pdf**

If you have any questions about the study, please contact Isolde Bielek at **isolde.bielek@kfw.de**

The Tax Justice Network's Monitoring of the OECD's Common Reporting Standard for the Automatic Exchange of Information

In September the Tax Justice Network (TJN) published a critical technical **analysis of the OECD's handbook** for the implementation of the Common Reporting Standard (CRS) for the Automatic Exchange of Information (AEOI). This report updates TJN's comprehensive **technical report** published in November 2014, which described the loopholes in the CRSs and the obstacles that prevent the inclusion of developing countries.

The analysis of the handbook describes existing loopholes that are being exploited, such as sham residency certificates issued by tax havens that allow individuals to divert reporting away from their genuine home jurisdiction. It also sheds light on new loopholes involving insurance companies and pension funds. In response to the CRS provisions for optimal implementation in national laws, the report recommends better choices with respect to the treatment of trusts, thresholds for reporting, and cut-off dates, among other things.

TJN has also launched an initiative on AEOI statistics that aims to get major financial centres to publish aggregate financial information about deposits and investments with their financial institutions, according to the jurisdiction of residence. In this way, developing countries not yet participating in AEOI would be able to find out how much money their residents have in each financial centre. Publishing these figures in aggregate would not compromise any confidentiality and would make it possible to monitor the effectiveness of the CRS by helping to identify avoidance schemes and cases of non-compliance. Moreover, preparing these statistics would come at almost no extra cost, since this information is already made available to authorities. This initiative has already been shared with the European Union's Expert Group on AEOI and with tax authorities around the world. TJN hopes more countries — especially developing countries — will join the initiative and push financial centres to publish AEOI statistics as soon the CRS comes into force.

For more information on the CRS loopholes and to see the template for AEOI statistics, please contact Andres Knobel at **andres@taxjustice.net**