news and developments

in the field of tax and development

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international tax compact

photo: Noham Tesfaye

Welcome to the Latest Edition of the ITC Newsletter

Dear Reader

With 2015's major decisions now enshrined in the Addis Ababa Action Agenda (AAAA) and the Sustainable Development Goals (SDGs), the international community has set the framework in which development cooperation will take place over the next decade. The principle of universality inherent to the 2030 Agenda for Sustainable Development makes it incumbent on all countries to focus more intensively on domestic resource mobilisation (DRM) to finance their social, economic and environmental development. Moreover, revitalising the Global Partnership is an explicit goal of the SDGs (No 17). It is in precisely this spirit that the Addis Tax Initiative (ATI), launched in Addis Ababa last year, will celebrate its first anniversary. Much has already been achieved in terms of generating support for domestic resource mobilisation, securing partner countries' commitments and establishing an ATI governance structure and monitoring framework. The anniversary will be marked by an ATI side event at this July's UN High-Level Political Forum on Sustainable Development in New York City. (see page 4 for more information)

The recent revelations of the so-called Panama Papers have made it clearer than ever that it will take joint global efforts to tackle harmful tax practices, especially at this time when domestic legislation remains unable to keep pace with the globally interlinked networks of shell companies engaging in these practices.

The following articles are 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 institutions 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!

The ITC Secretariat

The ITC website now features a calendar listing all DRM-related events, which can be accessed at: https://www.taxcompact.net/calendar.htm

We therefore strongly encourage all our readers to inform us about any forthcoming DRM-related events that are not yet listed in the calendar by emailing us at: secretariat@taxcompact.net

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strengthening
effective, fair and transparent
tax systems

News From the Addis Tax Initiative

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership of development partners and partner countries that aims to catalyse significant increases in domestic revenue and improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. It was launched at the UN's Third International Conference on Financing for Development, held in Addis Ababa, Ethiopia, in July 2015. By signing up to the ATI, development partners commit to collectively double technical cooperation in the area of domestic resource mobilisation (DRM) by 2020, whereas partner countries commit to step up DRM in order to stimulate development, in line with the ATI's key principles. All ATI signatories commit to ensure policy coherence for development. The ITC operates the ATI Secretariat and supports the ATI Steering Committee in implementing ATI activities and in monitoring progress made against meeting the ATI commitments.

Earlier this year, the ATI reached the very top of the international political agenda, with the Communiqué of the G20 Finance Ministers and Central Bank Governors Meeting in Shanghai referring to the ATI as a valuable initiative. More recently the Leader's Declaration of the Ise-Shima Summit confirmed the G7's commitment to the ATI principles.

Since the ATI's launch in July 2015 and the subsequent signing up of Georgia, Namibia, Paraguay, Rwanda and Slovakia, the Initiative has successfully expanded its membership to 34 signatory countries. Furthermore, the Asian Development Bank and the Centre of Excellence in Finance (CEF) have joined the ATI as supporting organisations. As Secretariat to the ATI, the ITC extends a very warm welcome to these new partners and looks forward to working with them over the coming years.

First Meeting of the Signatories of the Addis Tax Initiative, Held in Paris on 29 February 2016

The first ATI meeting was held earlier this year in Paris and provided an opportunity for ATI countries and supporting organisations to share their expectations and suggestions with regard to the Addis Tax Initiative as well as to discuss ways of further reaching out to partner countries. The results of this discussion have been incorporated in the new **ATI Factsheet** and **Q & A document**. Also at the meeting, the **framework for monitoring the ATI commitments** was officially adopted and ideas for possible ATI products were discussed, such as a database of current DRM support programmes or a catalogue listing the assistance available for DRM. These tools would be aimed at improving donor coordination and facilitating partner countries' access to support on DRM reform.

ATI Side Event to be Held in New York City on 18 July

The ATI side event to the UN High-Level Political Forum on 'Sustainable Development, Harnessing Domestic Resources: How Partner Countries Can Benefit from the Addis Tax Initiative', will take place from 18:15–19:30 on 18 July. The event marks the first anniversary of the ATI's launch and will celebrate the achievements made so far in terms of generating support for domestic resource mobilisation, securing partner countries' commitments and establishing an ATI governance structure and monitoring framework. Since the ATI is determined to further enlarge its membership and to be truly of service to all its partner countries, the side event will also provide the opportunity to discuss partner countries' needs in the area of domestic resource mobilisation and the role technical assistance can play to this regard.

For more information on the Addis Tax Initiative, contact the ITC Secretariat at: **secretariat@taxcompact.net**

New International Platform for Collaboration on Tax to Formalise Discussions Among the OECD, IMF, UN and World Bank

A new Platform for Collaboration on Tax will formalise regular discussions among the Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), United Nations (UN) and World Bank Group on the design and implementation of international tax standards. Building on the International Tax Dialogue, a process that completed at the end of 2015, the Platform will enhance support for capacity-building, deliver jointly developed guidance, and share information and knowledge. The initiative, which has been **welcomed by the G20 finance ministers,** will produce toolkits to help developing countries implement measures developed under the G20/OECD Base Erosion and Profit Shifting (BEPS) project. The **first of these toolkits focuses on tax incentives**. There will also be an important link to the new **BEPS implementation framework**. Platform members will consult widely with developing countries, regional tax organisations, banks, donors, business and civil society.

For more information see the Platform's **Concept Note** or contact
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UN photo/Andrea Brizzi

Recent Work of the United Nations Tax Committee

The UN Committee of Experts on International Cooperation in Tax Matters (the Committee) conducts its day-to-day work through, at present, **nine subcommittees**. Three of these subcommittees met recently, as follows:

In April the Subcommittee on Article 9 (Associated Enterprises): Transfer Pricing met in Italy to consider new guidance for inclusion in the 2017 version of the **UN Practical Manual on Transfer Pricing for Developing Countries**. This update covers a number of key issues for developing countries, including: the determination and valuation of intangibles such as trademarks, intragroup services, cost contribution arrangements, corporate restructures, documentation, and commodity transaction issues including the use of the 'sixth method'.

Also in April, the Subcommittee on Extractive Industries Taxation Issues for Developing Countries met in Zambia. The Subcommittee presented drafts of, among other things, an overview note and various guidance notes on the following areas as they apply to extractives: capital gains and indirect transfers offshore to avoid domestic tax, the role of tax treaties in this area, the role of tax mechanisms in ensuring the safe and effective decommissioning of mines and oil and gas structures, value-added tax issues, tax matters related to the negotiation and renegotiation of extractive agreements, the nature and consequences of different types of tax 'take', and the issue of the 'permanent establishment' required to support host country taxation under tax treaties. These drafts are due to be completed and then compiled and published in book form in the first half of 2017.

The Committee has already agreed that the forthcoming 2017 version of the **UN Model Double Tax Convention between Developed and Developing Countries** will have an article on fees for technical services. This important new addition reflects developing country practices in that it allows services bought into a country to be taxed by that country through the levying of a withholding tax on the service purchaser. In this way the traditional geographical and time requirements of the 'permanent establishment' concept can be sidestepped. Meeting in Switzerland in May, the Subcommittee on Tax Treatment of Services made substantial progress in drafting the commentary to the new article, which provides guidance on options and interpretation.

Finally, it should be noted that the European Commission's Directorate General for International Cooperation and Development (DEVCO) has contributed substantially to the subcommittee work in 2016, particularly that related to developing country participation, which has helped to ensure the development of informed and responsive guidance.

For further information, contact Mr Michael Lennard at **lennard@un.org**

Knowledge Sharing Platform (KSP) Prototype Launched

Developed and currently administered by the Canada Revenue Agency, the Knowledge Sharing Platform (KSP) prototype is an integrated and global online tool designed to promote the sharing of tax knowledge and expertise and to connect up experts on all aspects of tax administration. The platform is available to all tax administrations and to all interested international and regional tax organisations.

The KSP consists of the following three components, which are designed to support, complement and optimise ongoing outreach and capacity-building programmes:

- **Training material – supporting self-study through the provision of e-learning and reference material.**
- **Event management – supporting the promotion and management of in-person training and learning events.**
- **Communities of practice – facilitating ongoing virtual, interactive and cost-effective training support and interaction among experts.**

Together, these components comprise an integrated suite of work tools that provides users with access to reference and training material, enables users to advertise, register for and manage training events, and offers a mechanism for securing ongoing expert support and for engaging in dialogue with tax officials from around the globe. To enhance the user experience, a 'briefcase' feature provides users with a personal space on the KSP to manage their documents, events, evaluations and surveys.

These components extend across a system of 'hubs' that can be created, branded, populated and managed by participating tax administrations and organisations. The KSP will also include survey, evaluation and reporting capacity to support the ongoing improvement of the system and assess its effectiveness over time.

Following a pilot phase, carried out in collaboration with the OECD Global Relations Programme (GRP) and the Inter-American Center of Tax Administrations (CIAT), the KSP prototype was publically launched on 13 May 2016 at the OECD Forum on Tax Administration's plenary meeting in Beijing, China. The Canada Revenue Agency is now beginning the next phase of the KSP's development, which will focus on creating additional hubs and growing content on the Platform.

We encourage the tax administration community to get involved and stay informed about developments as the prototype continues to evolve and mature.

For more information, please contact the KSP team at **info@ksp-ta.org**

Implementation of the International Survey on Revenue Administrations Gets the Green Light

On 16 April 2016, during the IMF and World Bank's Spring Meetings event in Washington DC, the CIAT, IMF, Intra-European Organisation of Tax Administrations (IOTA) and OECD signed a memorandum of understanding on the joint implementation of the International Survey on Revenue Administration (ISORA).

ISORA is a web-based survey conducted using the RA-FIT (Revenue Administration Fiscal Information Tool) data collection platform, which, as you may be aware, CIAT and IMF have been using to collect tax management data from CIAT member countries in Latin America and the Caribbean.

ISORA is intended to serve as a single, comprehensive international survey on revenue administrations (tax and customs) and represents a milestone in the proper monitoring of tax management worldwide. It not only promotes greater coordination between the agencies involved, but also opens the way for better technical assistance programmes and for enhanced research and development capabilities. In addition, it will decrease the amount of administration that countries supplying the information are required to do and, at the same time, will ensure that data is comparable across the international tax community. Tax administrations can use ISORA data to measure, compare and benchmark their performance against core parameters. The findings of this process can then be used to inspire and shape improvements in their administration, processes and solutions.

On 16 May, just after the meeting of the Tax Administration Forum on 11–13 May in Beijing, China, ISORA began collecting data for the years 2014 and 2015.

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UN photo/Eskinder Debebe

Inaugural UN ECOSOC Financing for Development Follow-up Forum Held in New York on 18–20 April

Domestic public resources, including tax revenues, are essential for providing public goods and services, increasing equity and helping to manage macro-economic stability. It is a central component of financing across the Sustainable Development Goals (SDGs) and in the Addis Ababa Action Agenda's (AAAA) social compact. The importance of raising tax revenues, including through increased international tax cooperation, was an issue that featured prominently in the inaugural ECOSOC Financing for Development Follow-up Forum (FfD Forum), held from 18–20 April in New York City.

Highlighting the need to accelerate progress on achieving the ambitious sustainable development agenda, FfD Forum participants called for enhanced cooperation on the mobilisation of all financial resources, as well as on technological development and capacity-building. Delegates emphasised that domestic resource mobilisation lies at the heart of the AAAA mandate and stated the need to strengthen tax administration, implement policies that generate additional resources, and combat corruption and illicit financial flows. While many countries have made improvements to their tax administrations in recent years, establishing and maintaining a sustainable source of revenue to fund domestic expenditure remains a challenge for many developing countries.

A dedicated roundtable on Domestic and International Public Resources brought together a number of experts on tax matters from the United Nations, IMF, World Bank and other international development institutions, as well as ministers of finance and economic development and representatives of municipal agencies from member states. Speakers highlighted the importance of strengthening national tax policies and administrations, tackling tax avoidance and evasion, inserting anti-abuse provisions into bilateral tax treaties, and improving the transparency and exchange of information for tax purposes. The reinforcement of national regulations and international cooperation was mentioned as crucial for reducing and eventually eliminating illicit financial flows. Participants emphasised the need to support developing countries' national efforts through the provision of technical assistance and called for the reform of tax incentive regimes whose costs outweigh the benefits.

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Past, Present and Future of Tax Administration – the CIAT Celebrates its fiftieth Anniversary

On 25–28 April the international community met in Mexico City to celebrate the CIATs fiftieth anniversary. The event provided member countries with a great opportunity to reaffirm their commitment to achieving measurable results, to enhancing international tax systems, and to integrity, transparency and ethical practice.

Some 73 delegations from five continents attended the event: 31 from CIAT member countries and 42 from either invited countries or international organisations and institutions related to CIAT.

The event's theme was the Past, Present and Future of Tax Administration, which gave participants the opportunity to debate and analyse in depth where tax administrations currently are and where they are headed, and to determine what they need to do to (a) prevent and fight all forms of tax fraud, evasion and elusion and (b) facilitate voluntary compliance.

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CIAT / ITC / WBG Workshop on Ethics in Tax Administration

The Workshop on Ethics in Tax Administration took place in Mexico City on 29 April. It was organised by the Inter-American Center of Tax Administrations (CIAT) under the auspices of the ITC and World Bank Group and was delivered in concert with the Tax Administration Service of Mexico.

The event brought together over 50 participants from the tax administrations of 23 CIAT member countries from Latin America, the Caribbean and Europe, as well as professionals from Kenya and India. Also present were representatives from a number of international organisations, such as the African Tax Administration Forum (ATAF) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and from the organising institutions (i.e. the World Bank, CIAT and ITC).

The workshop sought to (a) create a space for discussion and the exchange of experiences and best practices in inculcating ethical practice and integrity in tax administrations and (b) explore ways of developing strategies and tools that enable countries to design and implement integrity programmes. One of its main outcomes is that the CIAT Ethics Committee will be restructured with the support of the Canadian Revenue Agency.

In his closing address, Marcio F. Verdi, CIAT Executive Secretary, thanked the ITC and World Bank for their sponsorship of the event and stressed the importance of ethics in the tax administration.

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UN-OECD Practical Workshop on the Negotiation of Tax Treaties, Vienna, Austria, 30 May-3 June 2016

UN-OECD Practical Workshop on the Negotiation of Tax Treaties

UN-DESA's Financing for Development Office (FfDO) organised, in cooperation with the OECD's Centre for Tax Policy and Administration, a five-day UN-OECD Practical Workshop on the Negotiation of Tax Treaties.

The event took place in Vienna from 30 May to 3 June and brought together 32 representatives from 24 developing countries in Africa, Asia, Latin America and the Caribbean. The participants, who were mainly tax officials involved in tax treaty negotiations within their respective administrations, benefited from structured coaching, gained first-hand experience of the negotiation of bilateral tax treaties, and learned about problems commonly encountered in interpreting and applying such treaties.

Participants were first divided into six teams, with three teams tasked with representing a fictitious developed country and three a fictitious developing country. These were then paired up to role-play the negotiations of all the provisions of a bilateral tax treaty. The negotiations were based on the descriptions of the tax legislation of the two countries and on fictitious treaty models drawn up for the countries that were based on both the *UN Model Double Taxation Convention between Developed and Developing Countries* and the *OECD Model Tax Convention on Income and on Capital.*

Each team had the option to seek technical advice from one of the six workshop facilitators, all renowned experts in the area of double tax treaty negotiation. The resulting negotiations were highly dynamic and interactive, reflecting the participants' diverse experience in negotiating, interpreting and administering bilateral tax treaties.

The simulated negotiations were also complemented by presentations on how to organise and conduct tax treaty negotiations, and on technically challenging issues concerning tax treaties.

Information on the event can be found at
http://www.un.org/esa/ffd/events/event/cd-2016-ntt-workshop-vienna.html

For more information, contact Harry Tonino at
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Conference on Tax Strategies to Tackle the Shadow Economy Held in St Petersburg, Russian Federation, on 27–29 June 2016

The Tax Administrators eXchange of Global Innovative Practices (TAXGIP) is a peer-learning network of tax administrators that provides opportunities for exchanging knowledge and good practices, and sharing experiences among tax professionals in the Eastern Europe and Central Asia (ECA) region. The network was set up in 2009 by the World Bank, with the financial support of the Russian Ministry of Finance, and has hosted several conferences since its inception:

- 2009, Istanbul – Risk management
- 2011, St Petersburg – Small business taxation
- 2014, Marseille – Compliance management
- 2015, Vienna – International taxation and transfer pricing

TAXGIP's most recent gathering took place on 27–29 June 2016 in St Petersburg, Russian Federation, and brought together senior tax administrators and tax policy officials from 21 countries throughout Europe and Central Asia as well as experts from the Eurasian Economic Commission, European Parliament, India, Norway, OECD and World Bank. At the event, tax administrations shared their experiences gained and lessons learned when adopting different tax policy and administration strategies to tackle the shadow economy. Discussions focused in particular on identifying practical measures to deal with the shadow economy and counter its impact.

Tax administrations expressed increasing levels of concern about the persistent problem of the shadow economy and, in particular, about the valuable tax revenues they are losing out on from non-compliant members of the shadow economy. On average, the weighted size of the shadow economy (as a percentage of 'official' GDP) in Europe and Central Asia (mostly transition countries) is 36.4%. As the TAXGIP participants acknowledged, the shadow economy affects all countries, developing as well as developed.

It was highlighted in the keynote speech that, if we are to successfully tackle the shadow economy, sound and effective governance is key. This requires not only finding technocratic solutions, but also looking at the issue from a governance perspective and, in particular, establishing incentives to bring informal operators into the tax net and highlighting linkages between revenue generation and public expenditure, transparency and accountability.

Country delegates highlighted a number of key issues to consider when tackling the shadow economy:

- There needs to be a **transparent link between taxes and public expenditures**. Trust in the government and its institutions is also a key factor.

- Focus on **educating taxpayers and young citizens**, as this plays a key role in ensuring better tax compliance. A number of countries discussed how they are employing education strategies in their programmes.

- **Simplifying procedures and ensuring transparency in the implementation of legislation** is a key driver of voluntary compliance.

- **Information technology** can play an instrumental role. However, having the capacity in place to analyse and process the huge quantities of data generated is a key issue.

- The untapped value of **information exchange and cooperation** can be better extracted through initiatives like the Automatic Exchange of Information (AEOI) standard.

- It is useful to take into account the issues of tax morale and behavioural aspects when planning measures to decrease the size of the shadow economy.

- We must acknowledge the weight of political will when pushing for reforms against the shadow economy.

The World Bank Group has been at the forefront of tax administration and domestic resource mobilisation reform for many years because these issues are central to the development agenda. Now, with the G20, the United Nations and its SDGs, and the OECD's BEPS initiative all focusing increasing attention on these issues, the World Bank plans to step up its engagement in these areas.

TAXGIP is helping client countries in the ECA region to build and share knowledge that can be practically applied. It has emerged as the pre-eminent forum for discussing cutting-edge topics that concern tax administrations and finance ministers.

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Voluntary Tax Compliance – Making it a Reality

Cooperative Compliance Workshop held at the University of Vienna on 14–15 April

It is widely acknowledged that the amount of resources expended by many tax authorities in chasing delinquent taxpayers could be saved through greater voluntary tax compliance. However, achieving this compliance remains a challenge for most countries and, in particular, for developing countries, which are most affected (as evidenced by their tax-to-GDP ratios that remain largely in the lower double digits).

The prevalence of poor tax-paying cultures, fuelled by issues of governance and integrity, weak fiscal/tax infrastructure and the prevalence of the informal sector, have all contributed to diminishing the tax revenues of these economies. As such, it will be a long time before the sought-after development of domestic revenue mobilisation will be realised.

At the international level, tax haemorrhage resulting from the practices of unscrupulous multinational enterprises (MNEs) continues to sap what little revenue developing economies can expect to achieve. And given that over 70% of many developing countries' tax revenues comes from the few MNEs domiciled in their jurisdictions, this fact is even more troubling. Indeed, any further revenue leakage caused by base-erosion-related issues is likely to have devastating impacts on these countries.

While the finger of blame is pointed at the MNEs, the fiscal architecture of some of these countries also serves to exacerbate the problem. Poor treaty networks, outdated tax treaty provisions, 'beggar-thy-neighbour' policies and a general lack of capacity among tax officials have all served to discourage any fruitful engagement between tax administrations and taxpayers. The consequence has been widespread suspicion between the two parties that often results in a very antagonistic relationship.

The Cooperative Compliance (CC) workshop hosted by the Commonwealth Association of Tax Administrators (CATA) and held at the University of Vienna undertook to explore how this model, which has proved hugely successful in developed economies, can be adopted in the context of developing countries. The outcome of the workshop was an agreement to pilot Cooperative Compliance in a number of tax administrations to gauge the viability of the model before putting it forward for replication in other similar jurisdictions.

For more information, contact Duncan Onduru at **d.onduru@commonwealth.int**

EMT students listening to Prof Cisse's presentation. (Photo: GIZ/ATAF)

Disentangling Illicit Financial Flows – what Can Tax Administrations Do?

Participants of the Francophone Executive Master's in Taxation (EMT) programme discuss the role that African tax administrations can play to address illicit financial flows (IFFs)

According to a **report** by the United Nations Economic Commission for Africa (UNECA), illicit financial flows (IFFs) worth at least 50 billion US dollars – an absolutely astonishing figure – leave Africa annually. Since the report was published, the topic of IFFs and the staggering figures involved have prompted intense and often controversial discussions. Where do IFFs come from? Are the figures exaggerated? Who needs to act to address this issue?

The complexity of the issue can be compared to an 'entanglement of entanglements'. According to the report of the UNECA High Level Panel on IFFs, a lot of the IFFs are linked to the mis-invoicing of commercial activities or the abuse of transfer prices between entities forming part of the same group. The impact of IFFs on the capacity of African countries to mobilise taxes appears to be particularly devastating. This is why the organisers of the Francophone EMT programme, the École Nationale d'Administration du Sénégal (ENA), the Alioune Diop University of Bambey (UADB) and the African Tax Administration Forum (ATAF) joined forces with GIZ to organise a seminar in Dakar entitled 'Illicit financial flows – What is the role for Francophone African tax administrations?' Attended by EMT tax practitioners from nine French-speaking African countries, the seminar's objective was to develop a better understanding of the challenges presented by IFFs and of their relevance to Francophone Africa and the practitioners' lines of work. GIZ's Good Financial Governance in Africa Programme (GFG) in cooperation with the ENA, UADB and the Polifund project on Combating Illicit Financial Flows brought in international and Senegalese experts to work with participants, helping them to understand the different levels involved in addressing IFFs and to draw up initial ideas for possible courses of action in their home countries.

One of the Senegalese presenters, Professor Abdullah Cisse, set the scene for the seminar by emphasising the need to reduce the complexity of IFFs and thus went on to break the issue down into subthemes. The cohort was then divided into four groups to focus on the themes relevant to tax authorities: (1) transfer pricing, (2) trade mis-invoicing in the extractive industries sector, (3) exchange of information and (4) base erosion and profit shifting (BEPS) and tax incentives. The groups then identified the main problems for each topic and discussed approaches for addressing them. Following the event, the participants were tasked with writing up the findings of the group sessions in the form of themed papers that will be distributed among ATAF members.

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Article by Tassilo von Droste – **Tassilo.Droste@giz.de**

Policy Research Center's Summer Course on Tax & Development to be Held in Bohinj Lake, Slovenia, on 15–19 August 2016

The Summer Course 2016 on Taxation and Development is intended for professionals working in national and international development agencies and NGOs, journalists, policy advisers, advisers to ministers and members of parliament, policy-makers, and researchers active in research and development.

The Summer Course programme aims to provide in-depth analyses of current taxation issues relevant to the development agendas of different countries and continents. The programme will review a number of key tax and development topics in detail, providing a space for in-depth discussions between course leaders and participants. The topics are:

- the mobilisation of domestic resources;
- local and property taxation;
- extractive industry taxation;
- international taxation including updates on the BEPS project, the United Nations Committee of Experts, and EU tax developments;
- transparency initiatives including the public country-by-country reporting (CbCR) initiative.

To ensure the programme is both broad-ranging and suitably deep, course sessions are delivered in diverse ways: mornings comprise high-level overview sessions, while afternoons offer an array of in-depth seminars, workshops and panel discussions for participants to choose from.

The Summer Course will take place in the Slovenian mountain resort of Bohinj Lake. If the weather is bad, delegates can make the best of their free time by engaging in discussions and brainstorming sessions with fellow participants, reviewing the additional reading materials and/or completing the course assignments during the generous lunch break. If the weather is good, however, Bohinj Lake's pristine waters are great for a lunchtime swim and the surrounding landscape is perfect for early morning or evening hiking.

For more detailed information on the event and its workshops, please visit **www.policyresearchcenter.org**

d·i·e

Deutsches Institut für Entwicklungspolitik

German Development Institute

German Development Institute's fifth International Workshop on Domestic Revenue Mobilisation in Developing Countries to be Held in Bonn, Germany, on 13 and 14 September

This September, with the support of the German Federal Ministry for Economic Cooperation and Development (BMZ), the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE) is hosting its fifth annual international workshop on Mobilising Domestic Revenue in Developing Countries.

The Bonn event builds on the success of DIE's previous four workshops that brought together renowned scholars, government officials and other experts to discuss ongoing research on specific issues in the area of tax and development and to assess its policy implications.

In line with DIE's current research activities, and in light of the debates around the SDG Agenda, this year's workshop will focus on Implementing the 2030 Agenda – the Role of Subnational Taxation.

Key issues to be discussed at the workshop include the political economy of tax decentralisation and the political drivers of subnational tax collection. We will also discuss local taxation with reference to recent trends in urbanisation and with regard to state fragility – a topic the workshop is seeking to raise awareness of prior to the upcoming **Third United Nations Conference on Housing and Sustainable Urban Development (Habitat III)** to be held in Quito on 17–20 October 2016 (participation by invite only).

For more information, contact Armin von Schiller at **armin.schiller@die-gdi.de**

Academic Papers Contributing to the Peruvian Electoral Debate

GIZ and the Consortium for Economic and Social Research (an institution representing the Peruvian academic sector) are keen to generate ideas and proposals that will help to ensure better tax policy during the 2016–21 governance period. Therefore, as part of the 2016 Elections in Peru: Balancing the Electoral Debate project, they appointed the Inter-American Center of Tax Administrations (CIAT) to draft a tax policy document.

The document assesses the current taxation situation in Peru, looking at how tax revenues are performing, making comparisons with international best practices and reflecting on the roles played by various global tax policy initiatives. It discusses the costs and benefits of policy options that could be implemented during the 2016–21 period, considering Peru's domestic and international engagements, and the country's macro-economic prospects for the years to come. The purpose of the tax reform is primarily redistributive, which is perfectly compatible with the delivery of the Strategic National Development Plan (also known as the Bicentennial Plan) and, at the international level, with the new sustainable development agenda approved by the UN after the Third International Conference on Financing for Development in Addis Ababa.

Peru's interest in applying for OECD membership in 2021 should not be forgotten either, as this serves as confirmation to the rest of the world that the country is implementing policies that will enable it to become a developed economy in the medium term. Securing membership will require closing the gaps in today's policies that prevent Peru's admission as a full member, which, in the taxation field, means working to develop taxes that will help to improve wealth distribution. For this, it will be necessary to continue to expand the tax base and to combat tax evasion and domestic and international tax avoidance (in line with a number of global initiatives on taxation promoted mainly by G20 and OECD countries). It will also be necessary to reduce (a) any economic tax distortion that may have a harmful effect on society, mainly that associated with the proliferation of benefits and tax incentives, and (b) the impact of negative externalities resulting from the consumption of certain goods. The recent agreement reached at the UN Conference on Climate Change (COP21) demands, for example, that environmental taxation be taken more seriously.

The tax policy document suggests 15 specific actions for gradually and sustainably increasing the collection of permanent (stable) taxes by an amount equivalent to 2% of GDP during the five years of the 2016–21 governance period.

For more information, contact Miguel Pecho at **mpecho@ciat.org**

Taxing Uganda's high-net-worth Individuals (HNWI)

For over a decade Uganda's tax-to-GDP ratio has hovered between 12% and 13%, despite various amendments to tax laws and reforms in tax administration. Part of this low revenue situation can be attributed to factors external to the Uganda Revenue Authority (URA), such as the large size of the informal sector and the ubiquity of cash transactions. Another explanation is factors internal to the URA, such as its enforcement efforts that concentrate on taxing corporate entities rather than individuals. With the exception of employees, very few individuals comply with their tax obligations outside those incurred at points of importation. Specifically – and as evidenced by a recent study carried out by the URA with the support of International Centre for Tax and Development (ICTD) – many wealthy individuals either do not pay taxes or grossly under-declare their incomes. The consequence is that very little personal income tax is being collected. For example, only four per cent of the total tax collected and one per cent of domestic tax revenue were attributed to individuals (URA 2014). Part of the solution to the tax ratio problem therefore lies in managing the compliance of individuals in general and of wealthy individuals in particular.

While Uganda's rich derive their wealth from all sectors of the economy, they tend to invest the lion's share of their earnings in property. So, instead of depositing money in bank accounts or investing in instruments like shares and bonds, most individuals invest in real estate like land and buildings.

The good news for the URA is that robust legal frameworks are already in place for dealing with the tax compliance of HNWIs. That said, it is one thing to have a strong legal framework and quite another to ensure that the provisions of the law are carried out in practice. Therefore, as part of the URA's 2016–20 Corporate Plan, the Authority is working on the gaps existing in its administrative frameworks with regard to HNWI taxation.

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CIAT, GIZ, IDB and SAT Launch a new Manual on Tax Collection and Recovery for Subnational Administrations

CIAT recently launched the Spanish-language version of its Manual on Tax Collection and Recovery, which was produced with the support of CIAT member countries, GIZ and the Inter-American Development Bank (IDB). The Manual was presented in Buenos Aires on 7 April to Argentina's subnational treasuries during a workshop on Tax Matters at the Subnational Level, sponsored by the Centre for the Subnational Tax Administrations of Argentina (CEATS).

During the event, Gonzalo Arias, CIAT Director of Cooperation and International Taxation, Carlos Rubinstein, Specialist in Recovery, and Maria Eugenia Torres, Collection Specialist, described the methodology used to develop the manual. They also presented its contents, the main Latin American experiences related to collection and recovery processes, and the experience gained by European countries with regard to international assistance in the scope of notification of actions, implementation of precautionary measures and procedures for enforced collection.

The Manual was developed by CIAT's Executive Secretariat, with the support of experts in tax collection and/or recovery from Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Nicaragua, Peru, Portugal, Spain and Uruguay. CIAT's goals for the Manual were to compile good practices in this area, to provide general guidelines on the structure and elements of collection and recovery processes, to develop a useful

tool for making decisions on the reform of these processes, and to make available a useful resource for academic purposes.

The Manual is divided into two main sections: one on the collection process and one on friendly and enforced recovery processes. Each section presents an overview of the processes and sub-processes involved, and of the experiences gained when applying them in Latin American and European countries. It also includes an annex that lists the contributions of 13 tax administrations and answers 134 questions about the above-mentioned processes.

CIAT would like to thank everyone involved in the development of this new product, especially those who contributed financial resources (GIZ and IDB) and Mexico's Tax Administration Service (SAT), which provided the facilities for the working group and took on the work of editing and printing copies of the Manual.

An English-language version of the Manual will be available in the next few months. In the meantime, for more information contact Gonzalo Arias at
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Bangladesh's in-house Efforts to Disseminate Knowledge on International Tax Matters

Bangladesh is faced with a major skills gap with regard to cross-border tax issues like the negotiation and administration of tax treaties, base erosion and profit shifting, etc. Bangladesh lacks not only the theoretical and practical knowledge required to cope with the day-to-day changes and evolving demands in these areas, but also local staff with the expertise required to train its officials properly in how to deal with these issues. As such, the country is largely dependent on foreign training in this arena. However, inadequate resources and obstacles to accessing training opportunities make it very difficult to send relevant officials abroad for specialised training. Looking at ways to overcome these hurdles, Bangladesh has devised a bespoke system that enables those who have managed to access training abroad to share their learning with their colleagues.

This approach has shown itself to be a very powerful way to share knowledge about diverse international tax issues among relevant tax officials.

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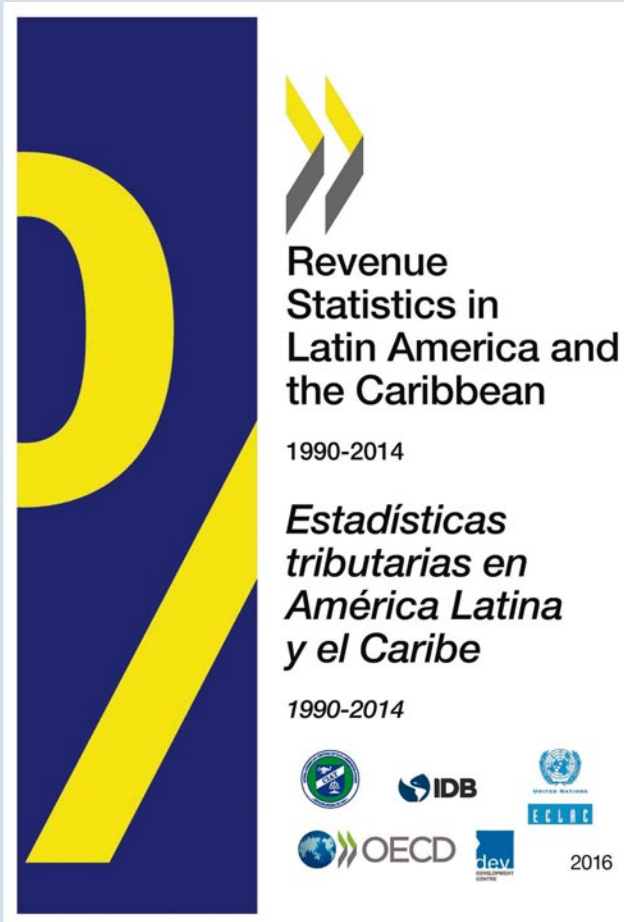
This system works as follows:

1. **Officers who are able to access international learning events are instructed to prepare detailed reports on their experience.**
2. **Upon their return they must submit their report to the National Board of Revenue.**
3. **The National Board of Revenue then convenes a seminar based on the paper for all officers working on international taxation matters.**
4. **A précis of the paper is provided to all participants giving them a comprehensive overview of the key information on the topic in question.**
5. **The discussion is followed by a brief question-and-answer session to enable participants to clarify their understanding.**
6. **All attendees must then submit a paper their respective department heads describing their understanding of the topic presented at the seminar.**
7. **Important papers are posted on the website of the National Board of Revenue and the Bangladesh Civil Service (Taxation Academy).**

Latin America and the Caribbean: Tax Revenues Rise Slightly but Remain well below OECD Levels

Despite a continuing slowdown in economic growth, new data from the annual **Revenue Statistics in Latin America and the Caribbean** publication shows that tax revenues as a proportion of national income in Latin American and Caribbean (LAC) countries rose slightly in 2014. The average tax-to-GDP ratio for LAC countries rose from 21.5% in 2013 to 21.7% in 2014, compared with 20.8% in 2011 and 21.4% in 2012.



The report, produced jointly by the CIAT, Economic Commission for Latin America and the Caribbean (ECLAC), IDB, OECD and OECD's Development Centre, compiles comparable tax revenue statistics for 22 Latin American and Caribbean economies, the majority of which are not OECD member countries. The model is the OECD's Revenue Statistics database, which is a core reference tool for OECD member countries and is supported by a well-established methodology. Extending the OECD methodology to Latin American and Caribbean countries makes it possible to consistently compare tax levels and tax structures, both against each other and against the OECD and other OECD economies.

The report was launched in March 2016 during the XXVIII Regional Seminar on Fiscal Policy, held at ECLAC's headquarters in Santiago, Chile.

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Rationalising Tax Expenditure: the Leading Example of the West African Economic and Monetary Union

To date, tax incentive management strategies have – almost always – been designed at the national level. However, states should not neglect the regional aspects of their tax policies, particularly those that aim to attract more investment. At the same time, the regional tax and customs harmonisation underway within integrated economic and monetary zones, such as the West African Economic and Monetary Union (WAEMU) and Economic Community of Central African States (ECCAS), is aiming to curb fiscal dumping[1] and the erosion of national resources. Regional organisations therefore have a key role to play for at least three reasons: they can harmonise methodologies, can provide a supranational legal basis to mitigate national contingencies, and can facilitate the exchange of good practices and comparability between countries.

For this reason, the Pôle de Dakar[2] worked with the WAEMU Commission to design a regional strategy for the rationalisation of tax expenditure, which resulted in common legislation adopted on 2 July 2015. With its publication and incorporation in the Finance Acts, this legislation (a) harmonises the notion of tax expenditure and the tax systems in question, (b) sets out the evaluation methodology, (c) defines a common format for the evaluation of tax expenditure reports and (d) makes annual reporting to the WAEMU Commission mandatory. An action plan was developed on providing technical support to those assessing and training national experts. Senegal successfully conducted its first WAEMU assessment in 2015, which revealed that tax incentives cost the country 427 million euros or 3.9% of its GDP.

On the back of these initial results, the Pôle de Dakar will replicate the WAEMU process in the ECCAS because, to date, no tax expenditure evaluations have been carried out in the Central Africa region. Broadly speaking, the rationalisation of tax expenditure has proved to be cost effective, as well as a great addition to other domestic resource mobilisation activities such as capacity-building and the BEPS action plan.

The Pôle de Dakar, a joint initiative of the French Republic and the UNDP, is a technical programme and knowledge hub on public financial management and development strategy issues in Western and Central Africa.

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[1] Fiscal dumping refers to a national tax incentive policy designed to attract more capital.

[2] Pôle de Dakar Development Strategies and Public Finance is a joint initiative of the UNDP and the French Republic. It is a technical programme and knowledge-sharing centre that supports state efforts to build public finance management into long-term development strategies.

What's new in the International Tax Compact

The ITC Secretariat is currently revising its strategic focus, redefining its objectives and reflecting on its distinguishing features and principles of engagement. One of its new and already operational lines of work is seeking to bring together the regional tax networks in order to enhance cooperation and coordination among their secretariats and to promote the exchange of experiences, knowledge, information, activities and good practices. Thematically, the ITC will work with different stakeholders over the next few months on information and communication technology in tax administrations, building on its 2015 study **Information Technology in Tax Administration in Developing Countries**.

Preparations are also under way in the ITC Secretariat for installing a new governance structure and forging new strategic partnerships. Following on from the memorandum of understanding signed with the Netherlands in 2015, the ITC is now preparing a cofinancing agreement with the European Commission that will extend the reach of the ITC and supplement its existing funding from the German Federal Ministry for Economic Cooperation and Development (BMZ).

Finally, since the beginning of 2016 the Secretariat team has undergone major changes with the arrival of three new colleagues:

- In January, Jasmin Froehling succeeded Heidi Wagner as ITC Coordinator. Jasmin is a trained economist and has a previously worked with GIZ on local taxes in Serbia and as an advisor to the German Federal Ministry for Economic Cooperation and Development (BMZ) on tax and development.

- In April, Sarah Adelberger joined the team as an advisor. Sarah holds a postgraduate law degree and is trained as a specialist lawyer in labour law and tax law. She has previously worked as a senior tax advisor in Luxembourg, specialising in the fields of the strategic structuring of international transactions and business reorganisations, international corporate tax structuring with a focus on holding and financing structures, and corporate tax compliance.

- Lucia Wienand completes the team as the new office manager. Lucia has worked as a coordinator on a number of human resource development projects in Africa and Southeast Asia for GIZ.