

Opening statement by Alexander Trepelkov
Director, Financing for Development Office, UN-DESA, at the
13th Session of the Committee of Experts on International Cooperation in Tax Matters
(New York, 5 December 2016)

Distinguished Members of the Committee,
Distinguished Observers,
Ladies and Gentlemen,

On behalf of the Department of Economic and Social Affairs of the United Nations Secretariat, I am pleased to welcome you to the 13th session of the Committee of Experts on International Cooperation in Tax Matters.

This session has a special significance. For the first time, this Committee is convening two times within one year; and for the first time its session is held in New York back-to-back with the Special Meeting of the Economic and Social Council (ECOSOC) on International Cooperation in Tax Matters.

These new elements represent the implementation of the mandates contained in the Addis Ababa Action Agenda (Addis Agenda) of the Third International Conference on Financing for Development. You will recall that, it was decided in Addis to increase the frequency of the meetings of the Committee to two sessions per year, with duration of four working days each.

Furthermore, Member States committed to increase the engagement of this Committee with ECOSOC through the Special Meeting of the Council, with a view to enhancing intergovernmental consideration of tax issues at the United Nations.

Due to the lengthy negotiations among Member States on these new modalities, this session is being held very close to the 12th session, which took place in Geneva last October. This put a great strain on the Committee and the Secretariat in having to intensify the preparatory work. Going forward, the spring and fall sessions of the Committee will be spread out in time, allowing for advance planning and best use of resources.

On Friday, you will all take part in the Special Meeting of ECOSOC on International Cooperation in Tax Matters, with the participation of national tax authorities. This meeting will be held in the form of interactive dialogue between the Committee Members and UN delegates. This modality aims to bridge the gap between the technical nature of your work and broader policy interests of Governments, particularly national tax authorities and relevant ministries.

Coordinators of several Subcommittees, which have completed their mandates, or are close to completion, will brief on their work. They will focus on how the work of the Committee contributes to the implementation of the 2030 Agenda for Sustainable Development and Addis Agenda through exploring ways and means of effectively mobilising revenues for sustainable development.

Let me now briefly outline some key items on the agenda for this session of the Committee, against the backdrop of its work under the current membership.

Overall, you should have every reason to be proud of the Committee's recent achievements. The legacy of this Membership will be rich in substance and impact. It will include the updates of the *United Nations Model Double Taxation Convention between Developed and Developing Countries* (UN Model), the *United Nations Practical Manual on Transfer Pricing for Developing Countries* (UN Transfer Pricing Manual), and the *United Nations Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries*, as well as a new *Handbook on Selected Issues in the Taxation of the Extractive Industries*.

This session represents a timely opportunity to further shape these important outputs, in order to provide a balanced, substantive guidance for Governments and taxpayers in support of robust and fair tax systems, taking into account the interests of all relevant stakeholders.

While the UN Transfer Pricing Manual is in its editing stage, the UN Model still requires some important policy and drafting decisions to be made at this session. Likewise, the *Handbook on Selected Issues in the Taxation of the Extractive Industries*, to be completed by the end of June 2017, has largely been approved, but some important parts are pending approval at this session.

In its effort to finalize the update of the UN Model, the Committee will consider and evaluate an important body of work on the G20/OECD project on base erosion and profit shifting (BEPS) and its implications for developing countries. The draft documents to be presented during the session will point out proposed changes to a number of Articles of the UN Model to address BEPS.

Specific BEPS items for discussion include: (i) a possible limitation on benefits clause or other options such as a principal purpose test, to prevent those not intended to be covered by tax treaties from obtaining their benefits; (ii) a draft proposal for the new commentary to Article 1 in regard to improper use of tax treaties; and (iii) possible changes related to permanent establishment (Article 5) to address the granting of treaty benefits in inappropriate circumstances.

In addition, as you may recall, during the 12th session in Geneva, the Committee welcomed a suggestion to hear a report from the OECD on possible changes to the *OECD Model Tax Convention on Income and on Capital* related to the operation of ships and aircrafts in international traffic. I welcome this contribution by the OECD and invite the session to examine the possibility of including such changes in the next update of the UN Model. Moreover, a colleague from the Swedish Government and one from the IMF, will elaborate on key environmental tax issues for developing countries.

Among many other important issues the Committee will address international tax dispute avoidance and resolution and extractive industries taxation. In particular, you will consider draft guidance on value-added tax, the government tax take and permanent establishment issues, in each case as they relate to extractive industries taxation.

Furthermore, the Committee will hear a progress report on the finalization of the UN Transfer Pricing Manual. The updates, including new chapters on taxation of intangibles, the provision of services within multinational enterprises, and profit shifting by sale of commodities through third-countries, will add value to this already widely respected product. The country perspectives provided in the updated Manual will also help inform countries and taxpayers of the major challenges in this area of tax cooperation, and illustrate that countries are meeting them in a surprisingly consistent way, despite practical difficulties.

Last but not least, the Capacity Development Unit will report to the Committee, including its Advisory Group on Capacity Development, on progress in the capacity-development work undertaken by the Financing for Development Office since the last session of the Committee. The highlights will include: (i) the UN Workshop on Transfer Pricing, held in Antananarivo, Madagascar, on 14-17 November 2016; (ii) the third country mission to Ecuador of last week, which completed the technical cooperation project aimed at strengthening the capacity of the Ecuadorian Revenue Service in the area of transfer pricing; and (iii) the finalization of the first UN online course on double tax treaties, which will be launched and made accessible to tax officials from developing countries early next year.

This agenda represents an ambitious work plan for the Committee's remaining two sessions. However, I am confident that this Committee, drawing upon the expertise and good will of many others, will once again be able to deliver.

The Platform for Collaboration on Tax

Before I pass the floor to the Secretary of the Committee, Michael Lennard, who will provide you with further details regarding the agenda and logistical arrangements for the session, let me update you on the progress in the work of the inter-agency Platform for Collaboration on Tax, which comprises the IMF, OECD, UN and World Bank Group.

On 17-18 October of this year, the Platform held a meeting in Paris on “Strengthening External Support for Building Tax Capacity in Developing Countries”. This meeting was organized in cooperation with the French Ministry of Economy and Finance and the French Ministry of Foreign Affairs. The meeting had a three-fold objective: (1) to present to major potential donor countries the work of the Platform aimed at strengthening tax capacity-building support to developing countries; (2) to discuss and build support for the recommendations contained in the report entitled “Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries”, which was prepared jointly by the Platform partners at the request of the G20 Finance Ministers; and (3) to share planned efforts to support revenue mobilization by the Platform partners, development partners and other stakeholders.

On 21 October, the Platform organized an event on the side-lines of the 71st session of the Second Committee of the UN General Assembly. This event aimed at introducing the Platform to UN delegates and featured a joint presentation by the four participating organizations on the guiding principles for cooperation, the objectives and the main activities to be implemented. In addition, the meeting discussed modalities to further support the participation of developing countries in global standard-setting on international taxation, and the recommendations of the Platform’s report to the G20 on mechanisms for effective technical assistance in support of tax reforms.

The Platform has also made significant progress in developing a number of toolkits to assist developing countries in implementing measures to address BEPS. In particular, under the leadership of the OECD and World Bank Group, a first draft of the toolkit on “Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analysis” has been prepared. To complement this toolkit, a preliminary study on “Addressing the Information Gaps of Minerals” has also been drafted. Moreover, work is advancing, under the lead of the IMF, on a report on indirect transfers of assets. Drafts of all these documents are currently being discussed and reviewed among Platform partners, and it is expected that they will be finalized and released early next year.

Finally, the Special Meeting of ECOSOC on International Cooperation in Tax Matters this coming Friday will also feature a panel discussion aimed at presenting and discussing the Platform work, including its report to the G20 on strengthening tax capacity in developing countries.

Thank you.