

Statement by Mr. Navid Hanif
Director, Financing for Sustainable Development Office,
UN Department of Economic and Social Affairs
20th Session of the Committee of Experts on International Cooperation in Tax Matters
Informal Meeting of 22 June 2020

Co-Chairs,
Distinguished Members

On behalf of the United Nations Department of Economic and Social Affairs, I have the honour to welcome you to this 20th Session of the Committee of Experts on International Cooperation in Tax Matters, the first virtual session in its history.

The United Nations Secretary-General urges all to recognize that this Covid-19 pandemic is not a health crisis but a human crisis; a jobs crisis; a humanitarian crisis and a development crisis, of unprecedented scale and dimension, and it demands unprecedented responses. He has called for a large-scale, coordinated and comprehensive multilateral response amounting to at least 10 per cent of global GDP. And he has launched a USD\$2 billion global humanitarian response plan for the most vulnerable countries.

As the Secretary-General has further noted, the needed response package must have, as a key element, fiscal and monetary measures that provide resources directly to workers and households, targeting both formal and informal sectors; scaling up social protection and access to health care; and helping businesses prevent bankruptcies and massive job losses. The tax system must inevitably bear the cost of most such measures, and the citizenry will rightly demand this.

Our two major recent meetings – the High-level Event on Financing for Development in the Era of COVID-19 and Beyond held on 28 May and the virtual meeting of the Financing for Development Forum held earlier this month on Financing and Policy Solutions to respond to COVID-19 – recognized the need to address tax abuses as being as important as ever.

The ongoing deliberations on financing the Covid-19 recovery underscore the centrality of tax policy and administration to sustainable development. Tax plays a critical role in avoiding and responding to crisis and its human and developmental costs. You did not need such a reminder, but others benefit from it.

During this unprecedented pandemic, however, this attention to tax systems also bears a more specific aide-mémoire: on the heightened need to scope the unexpected, its tax consequences, and the possibilities of tax systems to help avoid crisis, soften its blow, and contribute to recovery, in a way that also responds to inequalities, within and between countries.

This is a process, familiar to tax experts, of identifying and managing risks and building resilience. I am confident that you will continue to take in this Committee such a truly, sustainable development-focused way of working.

* * *

I now turn to the landscape of the Committee's ambitious work programme and this third-to-last session for this membership.

Despite the pandemic, you are on track. Thanks to your work, and that of the multi-stakeholder subcommittees, you have many hundreds of pages before you of valuable guidance, for consideration or approval. Let me highlight a few examples.

You have effectively now the whole draft Update to the Transfer Pricing Manual. Combatting international profit shifting remains one of the most important and challenging issues for developing countries. This clear and well thought out guidance, with examples specially selected for relevance to developing countries, fills the gaps in other guidance; facilitates robust but fair approaches to such cases; and gives a UN Tax Committee stamp of approval to many common positions between developed and developing countries.

You have a wealth of important, closely considered text for the next version of the UN Model Tax Convention. This will assist countries, developing and developed, in tax negotiations, and help set negotiating positions that address their realities and priorities. More, the clarifications proposed for the UN model would assist with some of the permanent establishment issues raised by lock-down, quarantines and travel restrictions, now and in the future.

The pandemic also forces us also to confront the speed of unilateral measures versus the sustainability and stability of the multilateral approach. Both are particularly important characteristics in the Covid-19 response and recovery, so can they be reconciled? This is a very topical issue in your examining taxation of an increasingly digitalized economy.

During this session, you will advance work on avoidance and resolution of tax disputes and on taxation of ODA-financed projects. The drafts before you show the Committee's willingness to tackle issues where there are strongly held views and to generate advice that respects that reality yet still offers practical guidance.

When your children's children ask you, *What did you do to fight climate change?*, you will have an answer. You have stepped out of any comfort zone to become the first Committee membership to address environmental taxation in detail. This week, you will review well advanced, practical guidance for developing countries on carbon taxation. With the emphasis on climate-smart approaches to COVID-19 recovery, your work on this front could not be better focused or more timely.

Finally, we continue to strengthen the dynamic interaction between the policy work pursued by the Committee and our capacity building, for stronger impact on the ground. Your input on the broader area of Tax and SDGs, as well as our capacity development program, will help shape the work in these challenging times. We are re-configuring work for a virtual environment, to more efficiently and extensively reach out to developing countries, including the least developed. That will be an advantage even when travel and vital face-to-face interaction become possible once again.

* * *

In the coming months and years, encouraging tax systems that are fair to business and sufficiently support financing for sustainable development will be more important than ever.

I must note that, for the UN to play its distinctive role in meeting the demand and taking the opportunities implicit in these unusual times, we need the financial and other support of Member States.

We thank those who, recognizing the systemic importance of the UN's role in international tax cooperation, have generously given financial support in the last year, particularly Norway. We urge those in discussions about assistance to follow through. And we remind all in a position to contribute of the value we can offer, for relatively small investment, in furthering tax systems that are fair to all stakeholders and promote sustainable development.

I close by thanking the Committee for its continued commitment to deliver advice and advance norms. I wish you all a highly successful session – virtual and scaled back by necessity, but with actual, concrete results, accessible to all, that will stand the test of time.

* * * * *