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**Committee of Experts on International  
Cooperation in Tax Matters  
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Item 5(p) of the provisional agenda

**Issues related to Capacity building**

**Capacity Building for Tax and Domestic Resource Mobilization**

***Summary***

This note was prepared by the United Nations Secretariat as background for the United Nations Committee of Experts on International Cooperation in Tax Matters (the Committee) on the Committee's mandate to make recommendations on capacity building and the provision of technical assistance to developing countries and countries with economies in transition. Capacity building plays a central role in assisting developing countries, including least-developed countries (LDCs), land-locked developing countries (LLDCs) and small-island developing States (SIDS), to mobilize domestic resources through taxation, thus helping these countries achieve the Sustainable Development Goals (SDGs). The value addition of the Tax Committee in the context of its mandate and future guidance to the United Nations' capacity development programme in tax and domestic resource mobilization is highlighted.

## **I. Background**

### ***International tax cooperation and capacity-building***

1. The Committee of Experts on International Cooperation in Tax Matters is comprised of high-level experts from both developing and developed countries who contribute in their personal capacity to advance the debate in international tax, notably bilateral tax treaties, transfer pricing, dispute avoidance and resolution, taxation of extractive industries, environmental taxation, among others. As part of its mandate (ECOSOC Resolution 2004/69),<sup>1</sup> the Committee makes recommendations on capacity-building and the provision of technical assistance to developing countries and countries with economies in transition.

2. The United Nations Department of Economic and Social Affairs and its Financing for Sustainable Development Office (UNDESA/FSDO) provides support to the UN Tax Committee. UNDESA also implements the capacity development programme on international tax cooperation, on behalf of the UN Secretariat, aimed at strengthening the capacity of Ministries of Finance (MoFs) and National Tax Administrations (NTAs) in developing countries to devise and implement more efficient and effective tax systems. The progress made by UNDESA in this regard has been recognized by ECOSOC in its resolutions 2012/33, 2013/24 and 2017/2.

3. The capacity development programme of the United Nations is strongly connected to the work of the Tax Committee and the guidance products that it produces. The programme responds to an intergovernmental mandate expressed by General Assembly resolution 68/204 of 20 December 2013 on Financing for Development in which the Assembly recalls the commitment of Member States to “*enhance and strengthen domestic resource mobilization and fiscal space, including, where appropriate, through modernized tax systems, more efficient tax collection, the broadening of the tax base and the effective combating of tax evasion and capital flight and reiterates that, while each country is responsible for its tax system, it is important to support national efforts in these areas by strengthening technical assistance and enhancing international cooperation and participation in addressing international tax matters.*”<sup>2</sup>

4. Through its activities, the UN tax capacity development programme has enabled greater accessibility and impact of the Committee’s work and outputs at the global, regional and national level; it has addressed context-specific gaps, needs and priorities of developing countries in the area of tax and domestic resource mobilization; and it has helped ensure that the work of the Committee remains demand-driven, whether producing new guidance or updating existing guidance. One example is the 2021 United Nations Practical Manual on Transfer Pricing for Developing Countries, which responds to demands from developing countries which called for more United Nations guidance on complex issues such as ‘intragroup financial transactions’ during capacity-building events. Country practices, also part of the Manual, are anticipated to have greater usability in the work of transfer pricing practitioners in developing countries. Moreover, the programme builds not only on the guidance produced by the Committee but also on specific

5. Contents of the Committee’s publications have been overall used for the development of courses, workshops and trainings (in-person and virtual) at the global, regional and national level, self-paced online courses on specific thematic areas, and technical cooperation projects — all tailored to the needs of developing countries — in most cases in consultation with and drawing upon contributions by representatives of these countries, members of the UN Tax Committee, as well as representatives from relevant regional and other international organizations.

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<sup>1</sup> ECOSOC Resolution 2004/69. Available at: <https://www.un.org/en/ecosoc/docs/2004/resolution%202004-69.pdf>

<sup>2</sup> A/RES/ 68/204, para 11.

6. The various capacity building tools developed under the programme have helped address gaps in developing countries and contribute to build the capacities of their tax officials, in particular with respect to double taxation, tax treaty negotiations, transfer pricing, mutual agreement procedure and more recently taxation in a digitalized economy, and environmental taxation with emphasis on carbon taxation. In all these areas, the programme has focused on assisting tax officials to increase their knowledge and understanding of the issues at stake; develop their expertise that will help them identify and implement suitable policy and administration tax measures; disseminate knowledge among peers and through South-South and triangular cooperation; and finally, to be more involved and engaged in policy discussions at the international fora. This capacity building is undertaken not merely to help countries implement international norms, but also to enable them to play their proper role in setting the norms they will then implement, imbuing those norms with their experience, realities and priorities and making sure the norms are practically administrable. Capacity building programmes will increasingly be examined and judged through that lens.

### ***Recommendations by the UN Tax Committee on capacity-building***

7. The Tax Committee has played a significant role in communicating to the UN Secretariat about existing capacity-building gaps and what members of the Committee and the various Member State observers and other observers participating in its work deemed necessary with respect to capacity-building priorities of developing countries in international tax. Recommendations have been expressed in the previous cycle through the [Advisory Group on Capacity Development](#) established by the Tax Committee. The Group has engaged with the the UN Secretariat and exchanged on the needs for relevant capacity development tools in developing countries; and made recommendations on capacity-building and the provision of technical assistance in international cooperation in tax matters. Moreover, the Group proposed tools to be developed aiming at tackling such needs and fill in existing gaps. In some instances, the meetings of the Advisory Group were convened to discuss and identify suitable modalities for the development and implementation of tools aimed at sharing and/or providing practical knowledge of tax treaty negotiations, for example, and challenges encountered by developing countries in this area. For the last several Committee sessions in 2020 and 2021, briefings were provided for the full membership of the Committee and all observers participating, resulting in useful exchanges on strengthening the linkages between the tax norm- and policy-shaping and capacity building work and feedback about areas where capacity building could make a difference for and benefit developing countries.

8. At the 20<sup>th</sup> Session of the UN Tax Committee held from 22 June to 31 July 2020, the Secretariat briefed the Committee on the United Nations' capacity-building efforts to encourage domestic resource mobilization and how activities planned were adapted given the COVID-19 pandemic.<sup>3</sup> Examples of events conducted during the period, including technical cooperation workshops on tax treaties, in partnership with

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<sup>3</sup> For additional details see [https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2020-06/Capacity-building\\_24JUNE2020.pdf](https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2020-06/Capacity-building_24JUNE2020.pdf)

international and regional organizations were mentioned. Several members of the Committee acknowledged the Secretariat's efforts to adapt work modalities to the new circumstances at that time. They also noted the likely impact of the health crisis on capacity building activities in developing countries, and the need for a continuing dialogue among relevant stakeholders. At this and other sessions, some Member States Observers also emphasized the capacity building benefits of their participation alongside top-tier tax experts in the Committee sessions and multi-stakeholder, sometimes multi-disciplinary Subcommittees, underscoring the benefits of the Committee's inclusive working methods, as well as its special focus on developing countries.

9. At the 21<sup>st</sup> Session of the Tax Committee held from 20 to 29 October 2020,<sup>4</sup> members of the Committee suggested training on transfer pricing following the modalities used in the DESA/FSDO workshop held in 2019; a "train the trainers" event and training on tax treatment of services where they identified there was a need for capacity building; and an online course on the topic of attribution of profits to a permanent establishment. Members also stressed that dispute avoidance and resolution, for example, could be of great use and value for developing countries, and courses on the mutual agreement procedure process and implementation of mutual agreements were also noted to be in increasing demand from developing countries.

10. At the 22<sup>nd</sup> Session of the Committee convened from 19 to 28 April 2021<sup>5</sup>, the Secretariat informed that it continued to disseminate guidance by the UN Tax Committee to developing countries through the DESA/FSDO capacity development programme, which included workshops and webinars at the global, regional and national levels. Committee members commended DESA/FSDO for expanding and deepening its offerings, while noting that the work should keep a strong focus on helping developing countries mobilize domestic resources. They suggested the Secretariat to expand communications and outreach of updated and new publications of the Committee. Comprehensive courses on specific topics of the publications could be beneficial and of value for these countries were also recommended.

11. The Secretariat is thus working to expand capacity building trainings and technical cooperation on specific aspects of the following: (i) transfer pricing (e.g. comparability analysis, tax treatment of intra-group loans); (ii) taxation in extractive industries and impact on revenue generation and the SDGs; (iii) environmental taxation (e.g. design and implementation of a carbon tax); (iv) taxation and the SDGs (e.g. tax and gender, health taxes, taxation and inequalities); and (v) the topic of taxation in a digitalized and globalized economy and its impact on revenue generation and domestic resource mobilization (which may impact on other areas such as transfer pricing and treaties).

12. Regional and other international organizations, including the partners in the Platform for Collaboration on Tax (PCT)<sup>6</sup>, have played a critical role in the implementation of the United Nations' capacity development programme. These organizations help ensure that activities on the ground are delivered efficiently, in a timely manner, and that they contribute to enhancing synergies and complementarities among different activities they implement, allowing different perspectives while

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<sup>4</sup> Additional information can be found at

[https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2020-10/Capacity-Building\\_TaxComm21\\_201028.pdf](https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2020-10/Capacity-Building_TaxComm21_201028.pdf)

<sup>5</sup> See [https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2021-04/Capacity-Building\\_TaxComm\\_04232021.pdf](https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2021-04/Capacity-Building_TaxComm_04232021.pdf)

<sup>6</sup> The Platform for Collaboration on Tax (PCT) was established by the International Monetary Fund, OECD, the United Nations and the World Bank Group in April 2016 with a view to strengthening collaboration on domestic resource mobilization and providing developing countries with guidance and practical tools that would help them address a number of pressing and emergent tax issues.

avoiding unnecessary duplication of efforts. Regional organizations can be instrumental in assisting with the identification of the appropriate beneficiaries of technical cooperation and/or technical assistance within a particular region; they can also pave the way for facilitating an initial dialogue with tax officials and other relevant government officials in developing countries and help obtain the necessary political buy-in. At the international level, efforts at secretariat level through the PCT have proven to be a good example of how to reinforce collaboration and cooperation in international tax and domestic resource mobilization. Among other initiatives, the UN has worked collaboratively with PCT partners to (i) develop a range of [toolkits](#) on issues such as tax treaty negotiation, transfer pricing documentation and the taxation of offshore indirect transfers, and disseminated them through capacity development workshops; (ii) support developing countries in developing Medium-Term Revenue Strategies (MTRS) through regional workshops; and (iii) raise awareness on the role of tax in achieving the SDGs, for example by delivering a workshop on [The Role of Taxation in Achieving Gender Equality](#) and by starting a workstream on taxation and the environment.

### **Final Observations**

13. The UN Tax Committee has played and can continue to play a pivotal role in terms of generating recommendations and suggestions on capacity building and technical assistance on tax and domestic resource mobilization that are relevant for developing countries. The outputs and practical guidance produced by the Committee have been translated into capacity development activities and disseminated worldwide, while the capacity building work has informed the Committee's own agenda and contributed to the quality and practical relevance of its guidance products. Capacity development to help developing countries to play their role in proposing, negotiating and implementing international tax norms is an important element of current and future work, as well as this integrated approach to tax-norm and policy-shaping and capacity building which has the potential to better meet the needs of these countries.

14. In light of what has been described above, the UN Secretariat will seek continuous open dialogue with Committee Members and multi-stakeholders, topic by topic, regularly. Information on actions taken by the UN Secretariat aimed to crystalized the suggestions resulted from that dialogue will be shared during the biannual Committee sessions. The actions reported will comprise the UN Secretariat capacity development activities and communication and outreach strategies in place to disseminate the Tax Committee products particularly in developing countries. In each Committee session, the Secretariat will seek out advice from members in this regard. Committee Members are encouraged to engage and exchange information on emerging tax topics that might be relevant for developing countries, including LDCs, LLDCs and SIDS, and on specific capacity building tools that could be either designed or refined by the Secretariat.