Economic and Social Council
Special Meeting on International Cooperation in Tax Matters
ECOSOC Chamber- New York/Virtual, 8 April 2022

PROGRAMME (as of 6 April 2022)

Strengthening international tax cooperation for COVID-19 recovery and beyond: examining the future of corporate taxation and tackling tax-related illicit financial flows

The Covid-19 pandemic has exacerbated debt vulnerabilities and added pressure for countries to raise additional revenues. In Sub-Saharan Africa, for example, tax-to-GDP ratios are projected to fall from 13.2 to 12.3 per cent, while this ratio is projected to fall from 16.0 to 14.1 percent in developing Asia.[1] Moreover, while demand in some industries has completely collapsed during the pandemic, it has increased in others. Thus, whether the right amount of taxes is paid at the right places is a pressing issue now more than ever for developing countries. Additionally, developing countries have to balance this revenue mobilization priority with ensuring that taxpayers are cushioned against the pandemic's harsh economic and social impact. To this end, it is crucial that countries carefully consider and adapt their tax policy according to their specific circumstances for recovery, with a view also to strengthening the contribution of their tax systems and fiscal policies to their sustainable development efforts over the long term.

The Addis Ababa Action Agenda on Financing for Development calls for greater fairness, transparency, efficiency and effectiveness of tax systems, and commits to scaling up international tax cooperation. Stronger collaboration on improving not only tax policy but also tax administration is essential to ensure that challenges to tax collection and broadening of the tax base are systematically addressed. Stronger tax collection efforts will help generate much needed revenue to help finance the health needs of countries in the context of the COVID-19 pandemic. The Secretary-General's recent report on *Our Common Agenda* highlights the importance of advancing a more forward-looking international cooperation on tax matters – through pandemic recovery and beyond – to generate the domestic resources, build the trust and spur the transformation needed to achieve the Sustainable Development Goals. He calls for stronger international cooperation to tackle tax evasion and aggressive tax avoidance, money laundering, and illicit financial flows.

The ECOSOC Special Meeting on International Cooperation in Tax Matters provides a global platform for inclusive, evidence-based and action-oriented discussions on tax matters, both domestic and international. The meeting engages Member States with members of the UN Tax Committee, other experts and stakeholders from civil society and the private sector. Its objective is to identify concrete options and best practices for fiscal measures in support of more inclusive, resilient and sustainable economies and societies, as well as to advance progress toward a fair and effective international tax system.

This year's Special Meeting features two panel discussions to examine, in the context of the COVID-19 recovery: (i) the future of corporate taxation, including recent changes to the UN Model Taxation Convention and the G20-led initiative at the OECD-Inclusive Framework level on a two-pillar solution to address the tax challenges of the digitalized and globalized economy; and (ii) addressing the tax aspects of illicit financial flows. Moreover, the main challenges for developing countries in the discussions of such international tax reform efforts and effective ways to tackle tax-related illicit financial flows will be discussed.

Convened by the President of ECOSOC, the Special Meeting will encourage interactive discussion among panellists and participants, including also opening and closing sessions. Its outcome will be a Presidential Summary distilling key messages and recommendations for action.

[1] https://www.tax-platform.org/sites/pct/files/publications/PCT-Regional-MTRS-Workshops-Summary-Report.pdf

MORNING SESSION	
9:00 a.m. – 9:30 a.m.	**OPENING REMARKS** • **H.E. Mr. Collen Vixen Kelapile**, President of the Economic and Social Council (ECOSOC); Ambassador and Permanent Representative of Botswana to the United Nations • **Ms. Amina J. Mohammed**, Deputy-Secretary General, United Nations; Chair of the United Nations Sustainable Development Group • **Ms. Liselott Margareta Kana**, Co-Chairperson, UN Committee of Experts on International Cooperation in Tax Matters; Head of Department of International Taxation, Internal Revenue Service, Chile
9:30 a.m. – 11:00 a.m.	**PANEL 1: THE FUTURE OF CORPORATE TAXATION IN A DIGITALIZED AND GLOBALIZED WORLD** The increasingly digitalized and globalized economy continues to pose great challenges to the fairness and workability of tax systems – and public confidence in them. Responses have been diverse, including actual or proposed unilateral, bilateral, regional and multilateral actions. Taxation of profits earned by multinational enterprises in a country while having little or no physical presence there has been impeded by traditional treaty rules. Such traditional rules have unfairly favoured digital providers over companies, often small local enterprises, with a physical presence and employees in a country. Even when a multinational enterprise establishes a taxable subsidiary in a developing country, the entity's taxable profits often are reduced through payment for interest, royalties and services performed by affiliates within the multinational group. Multinational enterprises may also exploit complex structures that allow them to take advantage of low treaty withholding tax rates for such payments, which further restricts the taxing rights of developing countries. Recent draft treaty provisions by the UN Tax Committee in the [UN Model Taxation Convention] and other entities have tried to navigate these issues in a way that is fair to all stakeholders in tax systems, including the citizenry that particularly relies on government support during the COVID-19 pandemic and public investment in the Sustainable Development Goals. G20-led initiatives at the OECD-Inclusive Framework level, which focus on the largest multinational enterprises, have been endorsed by a large number of jurisdictions at the executive level, and a Multilateral Convention and model legislation are being developed for consideration by countries, with the view to be implemented from 2023. The ambitious agenda makes the discussions in the ECOSOC Special Meeting even more relevant and timely. Many developing countries have fairly limited tax treaty networks, with, at present, essentially unrestricted rights to tax foreign enterprises deriving income in their countries. Such countries therefore need to consider carefully the new restrictions on such taxing rights that would be encompassed within a Multilateral Convention. Discussions of international corporate tax reform should address the concerns of all countries, but particularly developing countries, which often derive a greater proportion of their revenues from corporate taxes than do developed countries.[2] For many developing countries, critical considerations include the following: - the reformed system should recognize and facilitate exercise of the taxation rights of markets where profits are made; - these market-based taxing rights should be responsive to current business models that are prevalent in developing countries and flexible enough to deal with future business models;

[2] OECD – *Corporate tax remains a key revenue source, despite falling rates worldwide*, OECD 2019, available at https://www.oecd.org/tax/corporate-tax-remains-a-key-revenue-source-despite-falling-rates-worldwide.htm

	- the system must be as simple to administer as the subject allows, in order to ensure that developing countries can implement the system; and - all countries should have reliable information necessary to consider the effect of the reform on their domestic resources, particularly considering the potential for asymmetrical impacts on countries at different levels of development. This session will focus on the alternative approaches taken by the UN Tax Committee and Pillars 1 and 2 of the Inclusive Framework approach. It will aim to illuminate a way forward for international corporate tax reform ensuring that developing countries increase fiscal space to safeguard and secure greater investments in people, planet and prosperity and strengthen their capability to manage current and future risks, building resilience for the long term. *Focus questions* 1. What business models present particular tax challenges to developing countries, and are they being adequately addressed in the current discussions on international tax reform? 2. Many developing countries rely on withholding taxes as the primary means of taxing foreign multinationals, while developed countries generally prefer taxation on a net basis. Is there a workable middle ground between these approaches? What are the possible ramifications to developing countries of the approaches taken in the G20/OECD-led process? 3. What changes can be made to ensure that developing countries have an effective voice in international taxation reform? How to make changes that go beyond giving a seat at the table?
	Panel discussion Chair: **H.E. Mr. Collen Vixen Kelapile**, President of the Economic and Social Council (ECOSOC); Ambassador and Permanent Representative of Botswana to the United Nations Moderator: **Ms. Belema Obuoforibo**, Director, Knowledge Centre and Chair, Centre for Studies in African Taxation (CSAT), International Bureau of Fiscal Documentation (IBFD) Panellists: • **Mr. Mathew Gbonjubola**, Co-Chairperson, UN Committee of Experts on International Cooperation in Tax Matters; Director, Tax Policy and Advisory Department, Federal Inland Revenue Service, Nigeria • **Ms. Yan Xiong,** Member, UN Committee of Experts on International Cooperation in Tax Matters; Deputy Director General, International Taxation Department, State Taxation Administration, China • **Mr. Stephen Coakley-Wells,** Commissioner, Financial Services Commission, Belize • **Ms. Marilou Uy**, Director of the Secretariat, Group of 24 • **Ms. Grace Perez-Navarro,** Deputy Director, Centre for Tax Policy and Administration, OECD
	Interactive Dialogue Respondents: • **Ms. Allison Christians**, H. Heward Stikeman Chair in Tax Law, McGill University Faculty of Law • **Ms. Lee Sheppard**, Tax Commentator and Contributing Editor, Tax Analysts • **Ms. Mary Baine,** Director, Tax Programmes, African Tax Administration Forum (ATAF)
	BREAK AND RESUME AT 3:00 PM

Afternoon Session	
03:00 p.m. – 03:15 p.m.	Chair: **H.E. Mr. Collen Vixen Kelapile**, President of the Economic and Social Council (ECOSOC); Ambassador and Permanent Representative of Botswana to the United Nations **KEYNOTE ADDRESS** • **Dr. Ibrahim Assane Mayaki**, Chief Executive Officer, African Union Development Agency – New Partnership for Africa's Development (AUDA-NEPAD)
3:15 p.m. – 4:50 p.m.	**PANEL 2: TACKLING TAX ASPECTS OF ILLICIT FINANCIAL FLOWS FOR SUSTAINABLE DEVELOPMENT** At the international level, focus on illicit financial flows has become increasingly prominent in discussions around the challenges of financing the SDGs through the COVID-19 recovery and beyond. The global commitment under target 16.4 of the SDGs is to significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets, and combat all forms of organized crime by 2030. The Addis Ababa Action Agenda on Financing for Development, which provides a global framework for financing sustainable development, makes explicit reference to the need to redouble global efforts toward reducing illicit financial flows in order to eliminate them by 2030. Illicit financial flows undermine the integrity of, and confidence in, tax, financial and governance systems of countries. As such, illicit financial flows are a concern for developed and developing countries. As noted by the High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel) in its February 2021 report, illicit financial flows drain resources from sustainable development.[3] The report also highlighted that tax avoidance and evasion remain widespread and they adversely impact transparency, integrity and accountability, as well as resources that could be invested in public health, education and social protection. Developing countries dependent on extractive industries are especially vulnerable to illicit financial flows.[4] The report recommends the following, among other actions: - ending information sharing asymmetries in relation to information shared for tax purposes, so that all countries can receive information; - ensuring international organizations provide timely advice related to illicit financial flows, so that procedures, norms and policies can be updated regularly; and - improving tax transparency by requiring multinational entities to publish accounting and financial information on a country-by-country basis. Among other yardsticks, the report recommends that information should be universally accessible by all countries. International tax initiatives, such as the adoption of transfer pricing rules, the introduction of anti-abuse rules in the UN Model Double Taxation Convention, the UN Handbook on Selected Issues for Taxation of the Extractive Industries and the UN Guidelines on the Tax Treatment of Government-to-Government Aid Projects tend to focus on specific and distinct elements of illicit financial flows and tax transparency. This means there may be some gaps and overlaps between the various response elements. Additionally, exchange of information mechanisms may help bridge the information asymmetry gaps, but they tend to focus more on the fiscal aspects of tax systems. It is crucial that such mechanisms are relevant and adaptable to the specific case of tackling illicit financial flows.

[3] The report may be downloaded here: https://www.factipanel.org/

[4] As observed by the AU-ECA High Level Panel on Illicit Financial Flows from Africa (the Mbeki Panel), cited in the FACTI Panel report, ibid at p.7.

	Tax-related challenges that include commercial tax avoidance and evasion, trade mis-invoicing and abusive transfer pricing can be addressed through appropriate fiscal policy measures, such as those advocated in the guidance mentioned above. Yet, given the multi-dimensional and transnational character of tax-related and other illicit financial flows, piecemeal responses are not adequate. An appropriately structured and integrated approach is crucial to address the challenges. This session examines opportunities to consolidate international, regional and national efforts to curb tax-related illicit financial flows, contributing to more inclusive, resilient and sustainable economies and societies, as well as advancing progress toward a fair and effective international tax system. *Focus questions* 1. What are the key considerations for an integrated approach to tackling tax-related illicit financial flows? What are the main substantive and structural fiscal measures in this regard? 2. What specific challenges do developing countries face concerning tax-related illicit financial flows in the extractives sector? How can these challenges be mitigated to mobilize revenue to finance sustainable development? 3. Are developing and developed countries directing their fair share of efforts to collectively curb the scourge of illicit financial flows? 4. How can the international community maximize policy coherence and other response frameworks, such as exchange of information mechanisms, to tackle tax-related illicit financial flows?
	Panel discussion Chair: **H.E. Mr. Collen Vixen Kelapile**, President of the Economic and Social Council; Ambassador and Permanent Representative of Botswana to the United Nations Moderator: **Dr. Muhammad Ashfaq Ahmed**, Member of UN Committee of Experts on International Cooperation in Tax Matters; Chairman, Federal Board of Revenue, Pakistan Panellists: • **Ms. Bjørg Sandkjær,** State Secretary for International Sustainable Development, Norway • **Ms. Tarja Valsi,** Deputy Director**,** Anti-Shadow Economy Division - Customer Relations Unit, Finnish Tax Administration • **Mr. Márcio Verdi,** Executive Secretary, Inter-American Centre for Tax Administration (CIAT) • **Ms. Irene Ovonji-Odida**, Member, FACTI Panel and Office of the Special Adviser on Africa (OSAA) Knowledge Network; Independent Commissioner at the Independent Commission for the Reform of International Corporate Taxation (ICRICT)
	Interactive Dialogue **Respondents:** • **Ms. Rola Dashti,** Executive Secretary, United Nations Economic and Social Commission for Western Asia (ESCWA) • **Mr. Alex Cobham,** Chief Executive, Tax Justice Network

4:50 p.m. – 5:00 p.m.	**CLOSING REMARKS** ▪ **Mr. LIU Zhenmin**, Under-Secretary-General for Economic and Social Affairs, UNDESA ▪ **H.E. Mr. Collen Vixen Kelapile**, President of the Economic and Social Council (ECOSOC); Ambassador and Permanent Representative of Botswana to the United Nations