

Address by Mr. Navid Hanif
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to the 2022 ATI General Assembly
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Distinguished ATI Members,
Distinguished Observers,
Colleagues,

Thank you for the opportunity to address this General Assembly of the Addis Tax Initiative (ATI). I am honoured. ATI aims to promote fair and effective domestic revenue mobilization (DRM), policy coherence and an effective social contract, through partnerships and knowledge building. The issues and topics before you are thus closely related to our work at the United Nations Department of Economic and Social Affairs.

I must commend the ATI for its commitment in fostering collective action to improve tax systems that could help to bridge gaps in development finance. By focusing on the needs of partner countries, the ATI has provided a valuable opportunity for its members to collaborate on DRM-related issues, engage in peer-learning, and exchange experience and good practices. They are all working toward the realization of the Sustainable Development Goals (SDGs).

The ATI Declaration 2025 represents a helpful contribution to tax and development, which will guide ATI members within the first half of the Decade of Action to support financing the SDGs through domestic revenues.

In my address, I wish to share with you reflections on the role of fair and effective tax systems in the current context of the COVID-19 response and recovery and some of the challenges faced by developing countries. In doing so, I would like to highlight three broad areas for action:

First, tackling tax evasion and aggressive tax avoidance, money laundering and illicit financial flows;

Second, taxing the digitalized and globalized economy; and

Third, strengthening support for capacity building with greater impact on country efforts toward the SDGs.

SDGs and Covid-19 effect

All of us gathered here know that well-planned, efficient, and equitable taxation helps to pursue economic growth, reduce inequalities, combat poverty, and provide social services. Tax4Dev is a big part of the plan for people, planet and prosperity set out in the 2030 Agenda for Sustainable Development.

Yet, as we meet, it is clear that we are not making enough progress toward realization of the SDGs. The Covid-19 pandemic has exacerbated debt vulnerabilities and added pressure for countries to raise additional revenues. As is widely acknowledged, the pandemic has, in the short run, resulted in increases in poverty and food insecurity, reduced access to healthcare, and interrupted educational attainment. Women and children have suffered disproportionately.

To build back better, developing countries should be able to invest in sustainable development, and domestic resource mobilization is critical to financing the SDGs. But other areas of action in the Addis Ababa Action Agenda (which lends ATI its name) are equally if not more important.

Balancing this revenue mobilization priority with ensuring that taxpayers are cushioned against the pandemic's harsh economic and social impact is a key challenge for developing countries. To this end, it is crucial that countries carefully consider and adapt their tax policy according to their specific circumstances for recovery. Such adaptation should also help to strengthen the contribution of their tax systems and fiscal policies to their sustainable development efforts over the long term. It is imperative that each jurisdiction seeks to tailor available solutions to its unique challenges and capacity.

Let me turn now to a critical challenge undermining domestic resource mobilization for sustainable development in all regions.

Tackling tax evasion and aggressive tax avoidance, money laundering and illicit financial flows.

Illicit financial flows undermine the integrity of, and confidence in, tax, financial and governance systems of countries, as noted by the FACTI Panel in its February 2021 report. IFFs drain resources from sustainable development and are a common concern for developed and developing countries. We should emphasize and leverage off that and other common interests.

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 Agenda makes explicit reference to the need to redouble global efforts towards reducing illicit financial flows in order to eliminate them by 2030.

Tax transparency also is key to tackling (tax related) IFFs. Developing countries need enhanced domestic capacity to effectively use internationally provided tax information as part of their enforcement regimes. This enforcement requires international support. Progress continues to be made on the implementation of tax transparency standards globally, but the poorest countries are still not benefiting.

Developing countries lag behind in receipt of information from the Automatic Exchange of Information (AEOI) system and the exchange of country-by-country reports covering the activities of multinational enterprises. While 46 developing jurisdictions are carrying out AEOI or are committed to doing so in the near future, no LDCs are currently receiving information via this initiative. As of October 2021, there were 3,000 exchange relationships for country-by-country

reporting information provided by multinational enterprises, but only 12 non-OECD/G20 developing countries or jurisdictions received this information and no LDCs.

Both aspects of transparency need to be addressed in concert. Transparency of tax administration and practices is important, but so too is information provision to governments and the ability to analyse. These would help tax systems to operate as intended. So they can contribute to the realization of the SDGs.

In his recent report, *Our Common Agenda*, the UN Secretary-General gives great prominence to strengthening international cooperation to tackle tax evasion and aggressive tax avoidance, money laundering and illicit financial flows as a key plank in building back better from COVID-19 – and getting back on track with the SDGs and climate action. Moreover, he calls for advancing concrete progress toward a fair and effective international tax system.

This brings us to the challenges, among others, of taxing the digitalized and globalized economy.

Challenges of taxing the digitalized and globalized economy

The increasingly digitalized and globalized economy continues to pose great challenges to the fairness and workability of tax systems both domestic and international as well as public confidence in them.

Responses have been diverse, including actual or proposed unilateral, bilateral, regional and multilateral actions. Current initiatives, including in the UN Tax Committee, to examine how tax systems can better deal with these complexities represent difficult but important discussions.

The UN Tax Committee's guidance on the taxation of automated digital services responds to the needs of developing countries in the ongoing global efforts at finding solutions for taxing the digitalised economy. The pros and cons of such a response are dealt with in Article 12B of the United Nations Model Double Taxation Convention between Developed and Developing Countries and its Commentary. This is based on the abiding principle that the guidance helps countries make the best decisions for their situations and priorities, rather than tells them what they should do.

We will look at this alternative as well as the proposals being developed through the G20/OECD Inclusive Framework on BEPs in the upcoming ECOSOC Special Meeting on International Cooperation in Tax Matters, with a panel scouting the future of corporate taxation. The debate should help point the way forward for international corporate tax reform that ensures developing countries increase their fiscal space and are not left behind in the reform process.

Capacity building

Last, but not least, is capacity building. Progress toward fair and effective tax systems – domestic and international – requires enhanced capacity building, and with greater impact for country efforts to achieve the SDGs.

The UN DESA capacity development programme in tax and DRM is strongly connected to the work of the UN Tax Committee, especially its guidance products. Through its activities, the UN DESA has enabled greater accessibility and impact of the UN Tax 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 ECOSOC and the UN Tax Committee remains demand-driven and up to date, with practical relevance and real value addition for developing countries.

The dissemination of the UN guidance products through streamlined capacity building initiatives of UN DESA and our partners will continue to assist the efforts of developing countries to further mobilize domestic resources to finance sustainable development and help in the recovery process. We welcome ATI members to join in these efforts – as you have with the UN guidance on tax exemptions on government to government aid – and also to share with us feedback and lessons learned in the uptake and effective use of the guidance.

Distinguished participants,

UN DESA is now a supporting organization in the work of the ATI, as an observer. This is a recent and welcome development. We look forward to gaining insights from our ATI participation and to strengthening our collaboration with ATI Members in financing for sustainable development.

We welcome collaboration with ATI in the areas identified in this address in the context of SDGs: improving the structure and effectiveness of tax systems aligned with SDG financing for the COVID-19 recovery and beyond; strengthening international cooperation to combat tax abuse, aggressive tax avoidance, money laundering and IFFs; addressing the challenges of taxing the digitalized and globalized economy; and boosting support for capacity building with greater impact for country efforts to achieve the SDGs.

Specifically, we welcome shared efforts in obtaining feedback from developing countries on the areas of great relevance for them to inform continued work toward achievement of the SDGs, as well as dissemination of UN policy and practical guidance to ATI members.

The UN Tax Committee's work is designed to ensure that SDGs and key messages around their achievement, are reflected in the guidance products created by the Committee. To this end, the Committee's work on environmental taxation, wealth taxes, health taxes, extractive industries taxation (specifically with the transition from fossil fuels to renewable energy sources) presents opportunities for developing countries to be involved in the process from an early stage.

We also welcome and hope to see all ATI members actively engaged in the upcoming ECOSOC Special Meeting on Tax, Financing for Development Forum and other processes.

Thank you once more, for inviting me to address this ATI General Assembly. I wish you a very successful and productive meeting.

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