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**Committee of Experts on International  
Cooperation in Tax Matters  
Twenty-fifth session**

18-21 October 2022

Item 3 (l) of the provisional agenda

**Increasing Tax Transparency.**

**Co-Coordinator's Report**

***Summary***

This report is for information and discussion and indicates the efforts underway to develop the proposed plan of work of the Subcommittee on Increasing Tax Transparency.

## Background and Subcommittee Mandate

1. At the 23<sup>rd</sup> session of the Committee in October 2021, the secretariat provided a paper on Increasing Tax Transparency ([E/C.18/2021/CRP.31](#)). That paper examined the role that the Committee could play in promoting and supporting tax transparency initiatives in developing countries.

2. As noted in the [Report on the twenty-third session](#), after some discussion, the Committee established a Subcommittee on Increasing Tax Transparency, with Ms. Mensah and Mr. Troya as Co-Coordinator, and with the following mandate:

*“The Subcommittee is mandated:*

*(a) To address the issue of increasing tax transparency in developing countries by:*

*(i) Identifying gaps in existing work done in other forums as they relate to exchange of information in developing countries and identifying challenges faced in the implementation of international standards in exchange of information;*

*(ii) Proposing solutions to address the identified gaps and challenges, including possible new standards and domestic measures;*

*(iii) Advising on ways to provide technical support to developing countries to address those challenges;*

*(b) To report back to the Committee no later than the twenty-fourth session on its findings and recommendations, including a proposed plan of work.*

*In undertaking its work, the Subcommittee may wish to consult broadly and engage with others active in this area.”*

3. At the 23<sup>rd</sup> session of the committee in April 2022, the co-coordinators of the Subcommittee presented the Co-coordinator’s report [E/C.18/2022/CRP.12](#) This report outlined the working group’s plan of work to meet the mandate approved at the twenty-third session and sought the Committee’s views on the questionnaire developed to gather views from jurisdictions on the challenges they encountered in their efforts to increase tax transparency.

4. As noted in the [Report on the twenty-fourth session](#) the Committee approved the Subcommittee’s workplan and made several comments on the questionnaire shared.

## *Meetings of the Subcommittee*

5. The Subcommittee held two virtual meetings on 18-19 May 2022 and 8-9 September 2022 to discuss the feedback received from the twenty-fourth session as well as the feedback received from the questionnaire sent to countries participating in the UN work. This report reflects the outcome of those discussions.

## *Issues*

6. At the meetings, the Subcommittee discussed the questionnaire in light of the feedback received from the twenty-fourth session and members agreed that at present there was no need to anonymize the questionnaire as the questions did not require responses that would be deemed sensitive, but if need be this would be considered.

7. Some practical issues that the Subcommittee could consider looking into were flagged by participants. These were;

- Resolving the different interpretation of foreseeable relevant to ensure that requesting jurisdictions are not locked out because the interpretation of foreseeable relevant differed

from that of the jurisdiction receiving the request.

- Considering reviewing the limitation of years to call for Exchange of Information (EOI).
- The inexistence of international standard on EOI for non-tax purposes and also for obtaining information on global chains.
- The expanding of Country-by-Country-Reporting to allow it to be on request as well.

8. The results received from the survey sent out to fill the developed questionnaire were reviewed. It was observed that there were 22 responses through the link created while three jurisdictions sent their filled questionnaire in. This number was still relatively low, and it may be worth considering extending the period to receive responses. The results of the survey are attached to this report as **E/C.18/2022/CRP.32 (Annex 1)**

9. From the responses to the questionnaire, the gaps identified so far in the current standards on exchange of information and measures on tax transparency were:

- 2016 Terms of Reference require jurisdictions to make sure that adequate, accurate and up to date information is available, but the standards appear to be silent to qualify the terms adequate and up to date.
- OECD's standards appear to be silent on what level of hierarchy of legislation would constitute the legal framework under its standards.
- The current standards on Exchange of information need to be updated, because of the digitalization of the economy.
- Technology and Database Management System.
- The practical aspect for African countries to fully implement the standards.
- Assets including crypto assets are not contemplated.
- The wider use of treaty-exchanged information for non-tax purposes (fight against financial crimes such as money laundering and corruption) is not available with some jurisdictions due to their local legislation.
- Regarding requests for banking information, the rights and safeguards foreseen in the local legislation of some countries do not allow obtaining the information in a timely manner.
- Most agreements for the exchange of Customs information only enable the use of the documentation provided for Customs purposes and, therefore, it is not possible to use it for purposes related to tax transparency.
- Compliance with and enforcement of the standards. Some jurisdictions do not fully cooperate and seem to be more concerned about the interest of their residents. Responses are faster and better usually toward peer review season.
- Lack of alternative sources of beneficial ownership (B.O.) information. Currently only Business Registration Service has access of the B.O information
- Lack of funding for training and sensitization on B.O. information
- Composition of trusts and regulations governing such arrangements need to be updated to meet the standard.
- Local guides/standards on implementation of assistance in debt collection is not yet available
- One of the gaps identified is related to the standards that allow due diligence to be subjective and at the discretion of each jurisdiction, which affects tax transparency and makes it difficult to carry out subsequent controls with the information received.

10. On the currently available guidance for exchange on information, the gaps identified so far are:

- All countries are not at the same level of legislation and IT infrastructure, and this is not reflected in the guidance.
- Most EOI guidance is not available in other languages such as Spanish.
- A step-by-step process on how to switch from EOIR to AEOI in a developing country was not available.

11. Jurisdictions were also invited to identify the challenges faced in the implementation of international standards in exchange of information and the challenges identified include:

- Measuring of the impact.
- Availability of ownership information, accounting information and banking information pertaining to trusts/NGOs, partnership entities, may not be available in all cases.
- Recording of Beneficial Ownership information is going to be a challenging task due to lack of understanding of application of beneficial ownership concept.
- Responding to the EOIRs within the timeframe stipulated by the standards due to limited human resource available to EOI units.
- Strengthening capacity to appropriately and successfully implement the international standards, in particular to improve compliance with the foreseeable relevance of the exchanges of information upon request (EOIR).
- One of the challenges in connection with the automatic exchange of information (AEOI) is the verification and control of the information reported by financial entities to the tax administrations.
- The challenges faced by the Tax Administration are related to the modification of the internal legal framework and the application of specific actions related to control verification and application of sanctions.
- Availability of human and technological resources and technical training. There is a limited number of staff engaged in EOI.
- Lack of a specific EOI unit and investment on security safeguards.
- Availability of information within the country and challenges in obtaining it for AEOI purposes (e.g. from Financial Institutions or Multinational Enterprises Located in these Jurisdictions.)
- The required ICT infrastructure to ensure confidentiality.

12. There were requests from some jurisdictions to allow for anonymized responses to facilitate for freer sharing of their challenges. The subcommittee will consider an anonymized version of the current questionnaire to take care of this request at its next meeting.

### **Proposed work plan and the Sustainable Development Goals**

13. As noted in the [Report on the twenty-third session](#), held in October 2021, the Committee agreed:

- (a) To continue to discuss taxation and the Sustainable Development Goals regularly during sessions, as a permanent agenda item.
- (b) To request the secretariat to provide regular updates on taxation and the Sustainable Development Goals, at each session:
  - (i) To preserve the focus of the Committee's work in the area.
  - (ii) To identify any gaps in guidance.
  - (iii) To establish priorities for technical work to be carried out by the secretariat;

and

- (c) To have subcommittees reflect on the link between their work and the Goals.

14. In addressing paragraph (c) of that conclusion, the Subcommittee recognizes that tax transparency is vital in supporting domestic revenue mobilization to harness much needed

revenues by developing countries. Countering illicit financial flows, tax evasion and corruption is a way to ensure that a jurisdiction has more resources without the need to impose an additional tax burden on citizens and Small and Medium Enterprises. This contributes to domestic revenue mobilization as it assists countries grow their revenues and hence puts them on course to meet their SDGs.

*Next Steps*

15. The Subcommittee will continue to work with jurisdictions and international organizations to obtain the information necessary to meet its mandate. The subcommittee will reach out to more jurisdictions after anonymizing the questionnaire, as well as international organizations to collect further information to identify the gaps and challenges on which the Subcommittee should concentrate its work.

16. Further, the Subcommittee will commence discussions on elements a(ii) and a(iii) of its mandate.