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

New York, 27-30 March 2023

Item 3(l) of the provisional agenda

Increasing Tax Transparency.

Co-Coordination Report

Summary

This report is presented for *information and discussion* at the meeting of the Committee to be held in New York on 27-30 March 2023. It outlines the work carried out by the Subcommittee on Increasing Tax Transparency in fulfilling its mandate and proposed workplan seeks the Committee's guidance on the focus of the Subcommittee's work going forward.

Background and Subcommittee Mandate

1. At the Twenty-third 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 Twenty-fourth Session of the Committee in April 2022, the Co-Coordinator of the Subcommittee presented the Co-Coordinator’s report [E/C.18/2022/CRP.12](#). This report outlined the Subcommittee’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 comments on the questionnaire shared.

5. As outlined in the [Report on the Twenty-fifth Session](#), the Committee highlighted the need for simpler processes that would allow every country to have easier and more effective access to the exchange of information, adding that this would be especially useful for developing countries.

6. The Committee further noted that guidance on the use of data received from the exchange of information was a key issue that needed to be addressed. It was noted that this contributed to assessing the impact of the investment required by countries to comply with the standards, with higher domestic revenue obtained from the increase in tax transparency being the goal. Furthermore, members observed that timing issues needed to be addressed to ensure that information requested by jurisdictions was received on time.

7. The Committee also observed that there existed scope for the Subcommittee’s collaboration with other bodies, most notably the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), to enhance support for developing countries.

Meetings of the Subcommittee

8. The Subcommittee held three virtual meetings on 10 -11 January, 25 January and 16-17 February 2023 to discuss the feedback received from the Twenty-fifth Session, as well as to deliberate on how to take the work forward.

Issues

9. In the Subcommittee meetings, participants opined that the part of the mandate that involved 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, had been fulfilled and that focus could now be turned to the next part of the mandate relating to proposing solutions for the challenges and gaps identified.

10. To ensure effectiveness in the Subcommittee work, the Subcommittee determined that it would need to identify areas of priority in addressing the challenges and gaps faced. Towards this end, the Subcommittee would prioritize the following eight issues (which are not listed in any hierarchy of priority).

- Considering how to update the standards in line with developments in the digitalized economy. This will include aspects relating to Technology and Database Management Systems.
- Addressing the challenges posed by illicit financial flows by, among other methods, looking into the wider use of treaty-exchanged information for non-tax purposes (fight against financial crimes such as money laundering and corruption).
- Addressing issues raised regarding beneficial ownership, such as building capacity in this area as well as addressing sources of beneficial ownership information.
- Developing guidance on implementation of assistance in collection.
- Making exchange of information (EOI) guidance available in languages other than English.
- Strengthening capacity to implement the international standards appropriately and successfully, to improve compliance with the foreseeable relevance of the exchanges of information upon request (EOIR).
- Addressing the practical aspect for developing countries of fully implementing the standards. This will include but is not limited to a step-by-step process on how to implement EOIR and AEOI in a developing country.
- Data safeguards for confidentiality purposes.

11. In some cases, changes to the information exchange provisions of tax treaties may be necessary to address the issues identified in paragraph 10. Therefore, the Subcommittee proposes to review Article 26 of the UN Model Double Taxation Convention between Developed and Developing Countries to identify ways in which the standard can be updated and will liaise with the Subcommittee on the Update of the United Nations Model Double Taxation Convention between Developed and Developing Countries to address these challenges.

12. The Subcommittee discussed bringing in officials from other organizations and regional tax bodies on board to participate in its work, noting that there was already broad interest in the same.

13. The Subcommittee also organized an exchange with the Global Forum. As a result of the meeting, the Global Forum will share its various guidance, tools and learning materials on tax transparency with the Subcommittee for a discussion on areas that still required to be addressed in the implementation of the standards and in the exchange of information between jurisdictions.

14. Further, the following were identified as the areas of potential worthwhile collaboration that could be explored.

- Bridging the information gap. It was observed that there were challenges identified by countries that could be attributed to a gap in information. There were countries that were members of the United Nations but were not member countries of the Global Forum and were hence unaware of some of the available guidance in exchange of information. The Subcommittee indicated that it would work on proposing solutions to bridge this gap in information without necessarily duplicating efforts by other bodies in this area.
- Development by the Tax Committee of a guide on increasing tax transparency. The Subcommittee noted that it would be helpful to develop a guide to address the issues relating to increasing tax transparency, in line with the identified priority areas and proposed to seek the Committee's guidance in developing the guide to discharge its mandate.
- Identifying ways in which the above-mentioned information gap can be closed, and awareness raising as to all the guidance and tools available to assist in exchange of information and other issues pertaining to tax transparency, including identifying and proposing areas for capacity development.

Proposed work plan and the Sustainable Development Goals

15. 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.

16. 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 in growing their revenues and aligning their fiscal policies to support achievement of the SDGs.

Next Steps

17. The Subcommittee, having fulfilled part a(i) of its mandate wishes to inform the Committee and seeks its guidance on the contemplated course of action for parts a(ii) and a(iii), as laid out above.

18. The Subcommittee will also reach out to officials from the international organizations that have informally expressed interest in its work, and Co-Coordination will apprise the Committee of any proposed additional participants.