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

4-7 April and 11-12 April 2022

Item 3 (n) of the provisional agenda

**Indirect Taxation**

**Co- Coordinators' Report**

***Summary***

Following the mandate given by the United Nations Committee of Experts on International Cooperation in Tax Matters at its twenty-third session to Subcommittee on Indirect taxation, the Subcommittee seeks *decision* from the Committee on identified priority areas where guidance may most usefully assist, in particular, developing countries in differing situations, on taxation issues related to Indirect Taxation with a focus on VAT/ GST.

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## **Co- Coordinators' Report on Subcommittee on Indirect Taxation**

1. The United Nations Committee of Experts on International Cooperation in Tax Matters (the Committee) agreed, in its twenty-third session in October 2021, to establish a Subcommittee on Indirect Taxation, with Committee Members Ms. Kapembwa Elizabeth Namuyemba-Sikombe and Mr. Wazona Ligomeka as Co-Coordiators. The mandate of the Subcommittee is to:
  - Identify priority issues where guidance from the Committee may most usefully assist, in particular, developing countries in differing situations, on taxation issues related to indirect taxation, with an initial focus on VAT/ GST issues; and
  - Initially report to the Committee on such issues at its Twenty-fourth Session in 2022, with recommendations for consideration and a proposed plan of work.
2. On 10 & 11 February 2022, the Subcommittee held its first meeting virtually. During the first day, experts from international and regional organizations as well as academia and representatives from tax administrations participated in a brainstorming session to debate issues in VAT<sup>1</sup> area that are relevant to developing countries.
3. During the second day, the Subcommittee members discussed issues on VAT/ GST where guidance from the Committee would be most useful for developing countries and is most urgent.
4. It was concluded that the Subcommittee will propose to the Committee to develop good practices series in the design, compliance, and administration issues for developing countries related to VAT/GST.
5. It is proposed that the series will include the following priority issues:

### **1. VAT design:**

- Good VAT design:
  - Simplified schemes / Registration thresholds/ Small and Medium size businesses/ etc.
- VAT & Government entities, charities, and donor-funded projects
- Interaction between VAT & other taxes:
  - VAT & Excises/VAT & TP<sup>2</sup>/etc.
- Advantages and disadvantages of collection mechanisms:
  - Reverse charge mechanisms/Withholding/Advance collection systems

### **2. Compliance and administration issues:**

- How to promote compliance for small and medium size businesses?
- How to manage efficiently VAT refunds?
- How to design and achieve adequate infrastructure to manage an IT system that takes into account developing countries constraints?
- What are the steps to achieve effective electronic invoicing?
- How to promote electronic payments/e-invoices (B2B or B2C)/digitalization of reporting and “big data” analysis
- Tackling VAT - fraud and evasion

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<sup>1</sup> It worth mentioning, when referring to VAT it includes GST.

<sup>2</sup> In liaison with the transfer pricing Subcommittee.

**3. VAT in special sectors**

- Construction
- Tourism
- Agriculture
- Finance

6. Matters for Decision and Next Steps.

- The Subcommittee proposes, subject to Committee views, to commence work on the identified priority areas after this 24<sup>th</sup> Session of the Committee, and report further at the 25<sup>th</sup> Session of the Committee and each succeeding session on the work done.

The Subcommittee seeks *the Committee's views on the issues raised in this report and its approval* of the proposed course of action.