

Statement by Mr. Navid Hanif
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21st Session of the Committee of Experts on International Cooperation in Tax Matters
Informal Meeting of 20 October 2020

Co-Chairs,
Distinguished Members,
Distinguished Observers,

On behalf of the Secretariat, welcome to this 21st session of the Committee of Experts on International Cooperation in Tax Matters, your second session held online! This is the first time we have the honor to welcome observers to a virtual session – your insights and experience will surely add extra value.

Today, I will focus my remarks on four aspects of the Committee’s work.

First, the importance of this session in fulfilling the Committee’s mandate and work plan.

The eyes of the world are, quite rightly, on the role of taxation in combatting and responding to the COVID-19 pandemic, as well as building resilience against such shocks in future.

This is the penultimate session for this Committee membership. I commend the Committee and Subcommittees for keeping an ambitious work programme on track, when the pandemic has been halted or slowed so much else. I urge you to stay this challenging course and successfully conclude an extremely productive 4 years.

Second, and in the meantime, there is both increasing focus on the Committee’s work and other UN processes that have a tax element. These processes will continue to bear on the Committee’s work and provide insights and inputs.

The UN convened on 29 September the High-level meeting on financing the 2030 Agenda for Sustainable Development in the era of COVID-19 and Beyond. The Secretary-General and many others underscored the need to i) address plummeting tax revenues while funding the pandemic response and recovery, ii) combat tax avoidance and evasion, and iii) develop fair and effective tax systems that provide domestic resource mobilization for sustainable development.

In another example, the High-Level Panel on International Financial Accountability, Transparency and Integrity (FACTI Panel) published an interim report last month, which analyzes the gaps, vulnerabilities and impediments in the current international systems related to financial accountability, transparency and integrity. The interim report underlines the urgency of fighting tax abuses to help shift the world towards a more sustainable and resilient path. A final report is

expected in February.

Third, as these processes show, the work of the Committee is of growing importance in advancing SDG implementation, ensuring international tax cooperation, and providing guidance on tax policy and administration for sustainable development.

Since the Committee last met, the multi-faceted COVID-19 crisis has continued almost unabated – changing the way we work, learn, live and consume. It has revealed and deepened inequalities between and within countries, as well as between stakeholders in tax systems. Progress toward the SDGs has stalled, and in some cases, reversed. To build forward better, short-term pandemic response measures must be geared to support medium- and long-term sustainable development. Both domestic efforts and multilateral action will be necessary, and the most vulnerable countries will need international support.

We cannot and should not go back to the pre-pandemic ways of running our societies. Directing fiscal policy towards protecting the vulnerable and building progressive tax systems is essential, and in one way or other the Tax Committee will play its part in articulating the problem and helping find and promote the solutions.

The issues you are working will all remain important. However, to ensure a better recovery, policymakers have to consider similarly ambitious or even more ambitious norms and standards regarding the relationship of taxation to the environment, gender equity and social progress, together with political support and concrete practical action.

Fourth, I turn now to the specifics of your work, this week and next.

You all know how ambitious the work programme is and the agenda for this session. Time is precious, especially in these virtual meetings. So let me highlight expectations for this session around just some of the major guidance products under speedy but careful construction.

In the update of the UN Model Double Tax Convention, the Committee provides an innovative proposal on taxation of capital gains on indirect transfers, and addresses taxation of collective investment vehicles, pension funds and real estate development funds. The Committee will be refreshing and updating a Model that incorporates best practice, especially from developing countries, while also helping to share and shape it

How to tax highly digitized business, especially on the sale of advertising directed at a market, remains a pressing question with diverse country positions and many complex facets. A multilateral agreement is being sought. Yet, developing countries, in particular least developed countries, continue to face challenges in terms of fairness, robustness and simplicity of administration of a multilateral instrument.

The Committee will consider, from the perspective of international tax treaties, a proposed

new article 12B in the UN Model. Whether and, if so, how to advance such proposal involves contentious issues and views will differ. I expect the Committee, in its distinctive tradition, is fully capable of discussing these issues robustly and constructively, in a collegial fashion. I am sure you will reach concrete and balanced outcomes, as you have on difficult issues in the past.

We see the Committee's work on taxation of the digital economy, whatever its outcome at this session, as an important expression of the Committee's unique mandate and role, complementing the important work being done at OECD/ Inclusive Framework level and at regional level, in particular.

On the update of the UN Transfer Pricing Manual, the Committee will discuss, among other issues, the guidance on the relationship between transfer pricing and intra-group financial transactions, and on centralized sales functions. Committee approval is thus being sought for updating and expanding key areas of content to make the third edition of the Manual even more practical, relevant and responsive to learnings from our capacity development work.

Other important documents to be discussed in this session include new chapters to the Handbook on Carbon Taxation, the Handbook on Dispute Avoidance and Resolution and the Handbook on the Taxation of Extractive Industries, as well as the tax treatment of Government-to-Government Aid Projects. In a turbulent world, this Committee guidance is a port in the storm for all participants in tax systems.

Capacity development to assist countries to play their proper part in proposing, negotiating and implementing international tax norms is an important part of current and future work, as indicated by a very successful event on taxation in the digitalized economy. Our move to integrate more closely capacity development and our policy work better meets the needs of our clients and improves our own understanding.

Fourth and finally, the UN work would not be possible without the generous financial support of Member States received in the last year, particularly from Norway. The recent very successful and topical capacity-building workshop on taxation of the digitalized economy shows the fruits of such investment. To continue our important work in supporting countries to achieve the SDGs despite the pandemic, we kindly ask Member States that are currently in discussions about assistance to follow through and urge all others able to contribute to do so. For a relatively small investment, the work of the UN provides a valuable contribution to building fairer and resilient tax systems that benefit all stakeholders.

I close by thanking the Committee and its Subcommittees for their continued commitment to deliver its ambitions and impressive work plan. I urge you to keep your sharp focus, sustain your productivity and pace for the last two Committee sessions of this membership and leave a remarkable legacy, of great practical value now and into the future.

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