

Statement by Mr. Navid Hanif
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22nd Session of the Committee of Experts on International Cooperation in Tax Matters
Informal Meeting of 19 April 2021

Co-Chairs,
Distinguished Members,
Distinguished Observers,

On behalf of the Secretariat, welcome to this 22nd session of the Committee of Experts on International Cooperation in Tax Matters. I will focus my remarks today on three aspects relevant to the Committee's work: your ambitious four-year work plan, the importance of this particular session, and a look ahead to the future of international taxation.

First, I must commend the Committee and its many Subcommittees for staying a challenging course over these past four years. You have shown not only strong focus but adaptability, especially during this pandemic: working long hours, reckoning with changing virtual platforms, different time zones and difficulties in providing interpretation. You have remained engaged, productive and maintained good spirit. Your dedication and sacrifice shine through in this final session of your tenure, as you fully deliver on your ambitious work plan.

In 2019, this Committee launched the revised United Nations Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. The Manual now serves also as the basis for the Toolkit on Tax Treaty Negotiations, recently launched by the Platform for Collaboration on Tax (the IMF, OECD, UN and World Bank). Last year, in October 2020, the Committee completed work on two more guidance products, each to be launched during this session.

The new chapter on Financial Transactions in the 2021 Update of the United Nations Practical Manual on Transfer Pricing for Developing Countries will be especially beneficial. Developing countries called for more UN guidance on these complex issues during our UNDESA capacity building events; the Committee has listened and delivered. Greater usability and practical relevance, updates and other improvements to existing text, including on Country Practices, will also make this Manual even more useful for transfer pricing practitioners in developing countries. This is critical as they work to counter profit shifting and tax base erosion, at a time when domestic resources to invest in public services and public goods are desperately needed.

The new Guidelines on the Tax Treatment of Government-to-Government Aid Projects come after years of international debate on this issue. They mark a practical response by the Committee to the more recent call in the Addis Ababa Action Agenda for governments to consider eliminating such exemptions. This would pave the way for more effective development cooperation and greater policy coherence for sustainable development. In the ECOSOC Forum on Financing for Development, held last week, the UN Secretary-General reiterated the need to reverse the fall in concessional financing, in order to ensure a sustainable and resilient response and recovery to the Covid-19 pandemic. Stressing that development assistance is needed more than ever, he urged donors and international institutions to step up their efforts. The Guidelines are thus extremely timely. We hope they will spur and facilitate the necessary discussion of tax issues between donors and recipients of government-to-government aid.

Second, I want to recognize the importance of this 22nd session in fulfilling the Committee's mandate and ambitious work plan. Let me highlight six items.

Article 12B: The Committee will conclude discussions on Article 12B (taxation of income from automated digital services), with a view to approving its inclusion in the United Nations Model Double Taxation Convention between Developed and Developing Countries. The Committee has worked hard to express the legitimate differences of views on this matter, while providing guidance to developing countries that is both innovative and practical, and without undermining efforts toward a more complex multilateral solution for participating countries. I recognize the great effort that the Subcommittee has put into coming up with a viable solution for developing countries, based on their experiences, realities and priorities, while respecting contrary views and making sure the ideas behind them are fairly expressed, side by side, within the UN Model. This honesty and transparency is a template for international tax norm discussion at the United Nations and beyond.

UN Model Update: Most of the Committee's work on the Model Update is completed; well done! During this session, the Committee will consider the inclusion of computer software payments in the definition of royalties. This issue has sparked a great deal of public interest, with submissions received from various organizations and parties. There are, again, legitimate differences of views. I expect the Committee to illuminate the issues and chart a way forward, even if no single solution is possible or even desirable at this stage.

Dispute avoidance and resolution: Given the complexity of tax laws and modern business structures, disputes about the interpretation and application of these laws are unavoidable. We need to minimize such disputes. Where this is not possible, we should ensure they are resolved fairly, consistently and effectively. The Committee's new Handbook on Dispute Avoidance and Resolution will benefit both taxpayers and tax administrations and help improve capacity development efforts for well-functioning tax systems that inspire the confidence of all stakeholders.

Environmental taxation: The Committee will discuss the last draft chapters of its new Handbook on Carbon Taxation. Your work on this comes to fruition as the effects of climate change are becoming a deadly reality for many countries and as the world seeks climate-smart solutions for a sustainable and resilient recovery. Informed by the Committee's work, the just concluded FfD Forum, in its outcome document notes, "Fiscal policies and instruments can help achieve the commitments of the Paris Agreement, while also generating co-benefits on growth, job creation, health and the environment, as well as strengthening the competitiveness of domestic industries."

Extractive industries taxation: This session opens against the backdrop of a series of regional and global Roundtables on extractive industries, organized at the highest level of the UN leadership. For many developing countries endowed with natural resources, the extractive industries sector can serve as an engine for economic recovery and foundation for a resilient and sustainable future. In this regard, the work done by the Committee in updating the United Nations Handbook on Taxation of the Extractive Industries – with new additions on tax incentives, financial transactions and audits – will serve as a key tool for policymakers and other stakeholders in the sector.

Capacity development: This Committee and its multi-stakeholder Subcommittees have been instrumental in our United Nations quest to help build the capacity of developing countries in identifying, analyzing and dealing with the tax issues of most importance to them. You have given strategic direction, identified priorities, held Subcommittee meetings back-to-back with capacity building events, and served as panelists and discussants in workshops and webinars. Just last month, the UN Webinars on Transfer Pricing attracted a total of over a thousand registrations, with more than 50 per cent of those from developing country Ministries of Finance and Revenue Authorities.

We also recognize, with deep gratitude, the support of the internationally renowned experts in International taxation who have given their time so generously, and without remuneration, to serve as panelists and experts in these virtual capacity building events. Your immense contribution to the UN work is greatly valued and appreciated.

Finally, what is the future outlook for international taxation? The global economy is still reeling from the effects of the COVID-19 pandemic. We need an equitable, sustainable and resilient response and a robust recovery. We must look to ways to improve tax collection and expand the tax base to raise revenues, without placing overly heavy tax burdens on businesses and individuals, including traditional bricks and mortar businesses vs. more highly digitized enterprises. The Committee's work on international cooperation in tax matters, both domestic and international, offers great value in the quest for domestic revenue mobilization for sustainable development. We hope to continue enhancing this work.

Let me close by thanking the countries that have so generously supported the UN tax work. You have made it possible to hold, and effectively support with professional teams, all the meetings of this Committee and its many Subcommittees, as well as the various capacity building events. Moreover, this support is making possible the speedy publication and translation of the Committee's guidance products, into languages such as French and Spanish – greatly increasing the accessibility of the UN guidance to tax administrations and taxpayers and other stakeholders globally. We thank India, the European Commission and in particular Norway for generous financial support in this and recent years.

Thank you for your attention. I wish you all a most successful session.

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