

From: KPMG International

By email

Dear Chair of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation,

Thank you for the opportunity to respond to your call for input from member states and stakeholders in drafting the Terms of Reference for a United Nations Framework Convention on International Tax Cooperation.

As you would appreciate this is a particularly important and complex area covering a wide range of issues and one in which there is the potential for unintended consequences, but also benefits, for all parties involved.

As a firm who advises many businesses and governments, KPMG International is very pleased to be involved in this process.

With brevity in mind, we would like to make five over-riding points.

1. **Consensus approach will maximise success.** Broad consensus, which may not involve unanimity, is most likely to give rise to the greatest level of:
 - Legitimacy
 - Stability
 - Understanding of the issues and circumstances of jurisdictions
 - Meaningful co-operation; and
 - Beneficial ultimate outcomes.

The alternative is likely to be outcomes with limited application. This should be recognised as a fundamental reality.

2. **Deep and extensive consultation is required.** As we are all aware, tax is a highly complex area and one not conducive to short deadlines and inadequate consideration of the issues. Consultation of all relevant stakeholders is required. It is particularly important to create a clear understanding of what issues are being addressed as different parties may view the same issue from a different perspective. Clarity should facilitate discussion about solutions and whether they are effective. This consultation process should involve each draft proposal with sufficient detail to understand its practical impacts. This consultation should take into account likely behavioural responses, economic analysis and indirect impacts. It should involve all stakeholders including taxpayers.

KPMG appreciates the global importance of the subject matter and the long term benefits of tax cooperation for sustainable development goals and the welfare of society as a whole. We would be pleased to assist in each stage of consultation.

3. **Increased certainty is critical.** Diminished certainty is costly to jurisdictions and businesses and does not add to valuable economic growth. Promoting greater certainty extends from the clarity of proposals to truncated dispute resolution

mechanisms.

4. **A gap analysis should be undertaken on current rules and institutions** dealing with those rules as an early consideration in the consultation process. In particular this should take into account the needs of low and low middle income countries. Focusing on areas where there is duplication and have minimal impact on low and low-middle income jurisdictions is a missed opportunity for assisting those jurisdictions in greatest need.
5. **Topics of focus.** In our view, if the priority was to be given to those areas
 - (i) of greatest benefit to low and low-middle income jurisdictions;
 - (ii) where there is not significant coverage by current institutions; and
 - (iii) where there is the greatest secondary benefit to other non-tax domains,then precedence should be given to:
 - (a) Illegal financial flows including tax evasion;
 - (b) Tax corruption; and
 - (c) Best practice in bringing the informal economy into the formal sector.

We would be very pleased to participate further in your deliberations. Please do not hesitate to contact us.

Yours sincerely,

Grant Wardell-Johnson on behalf of the
KPMG Global Tax Policy Leadership Group

-