

UNTC 31st Session

Stakeholder Input Template



Help inform the Committee's deliberations on their work programme for 2025-2029 by sharing your perspectives on challenges in tax policy and administration facing developing countries, emerging issues that need attention, and where there is a need for more or different guidance. Submissions should be made in one of the six (6) UN languages. All valid submissions will be published on the UN Tax Committee website in the language submitted.

Submission details: Deadline: **1 September 2025**, Email to: taxcommittee@un.org

Subject: Input for UN Tax Committee Work Programme (2025-2029)

INFORMATION

Contact Person: Aisha Aize ISA

Email: a.isa@ibfd.org

Type: International Organization

Organization (unless submission is in personal capacity): International Bureau for Fiscal Documentation (IBFD) - Centre for Studies in African Taxation (CSAT)

BACKGROUND (Maximum of 200 words) – Please respond on page 2.

Please provide a brief summary of your organization's mandate and areas of work unless this submission is in personal capacity, how they relate to international tax cooperation, domestic resource mobilization, sustainable development, or any other field. This will help us map and better contextualize your perspective and input.

WORK PROGRAMME PRIORITIES (Maximum of 2000 words inclusive of any footnotes) – Please respond on page 3.

What should be the Committee's priority issues for 2025-2029? Consider, in light of the Committee's mandate, both the provisional agenda topics and any additional areas you believe are important.

For each priority you recommend, please explain:

- a) Why is this issue important for developing countries?
- b) What specific guidance or tools should the Committee produce?
- c) How would this output be practical and valuable for countries?

SUPPORTING REFERENCES Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files. – Please respond on page 4.

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The International Bureau of Fiscal Documentation's, Centre for Studies in African Taxation (CSAT) is a think-tank dedicated to the study and development of sound tax policies for Africa. CSAT is housed within IBFD's Africa Knowledge Group. It is staffed by a team of specialists in the tax systems of all the countries of Africa and supported by an extensive network of local country experts.

CSAT's main objectives are as follows:

- to provide authoritative research on African tax policy issues;
- to provide practical policy solutions that work within an African context;
- to make a substantial contribution to capacity development for African governments; and
- to encourage research by Africans for Africa.

These objectives align with CSAT's mission to strengthen Africa's capacity to mobilize tax revenue for financing development programs, delivering essential services, and fostering sustainable economic growth.

WORK PROGRAMME PRIORITIES *(Maximum of 2000 words inclusive of any footnotes)*

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1. Taxation of the informal sector and the shadow economy

About 83% of employment in Africa is informal, rising to 85% in Sub-Saharan Africa and mainly involve women and young people. This sector accounts for a substantial portion of GDP, with estimates ranging from 25% to over 60% in some developing countries.

This significant sector of the economy should not be overlooked for effective domestic revenue mobilization. In 2024, African Tax Administration Forum (ATAF) and International Centre for Tax Development (ICTD) reported that presumptive taxes accounted for 0.04% of GDP and 0.51% of domestic revenues of countries that implemented these tax regimes in Africa. Additionally, several African countries such as Ethiopia, Kenya and Malawi have indicated in their current domestic revenue mobilization strategies, taxation of the informal sector as a priority.

The committee could produce a handbook to assist developing countries seeking to introduce taxes that tax the informal sector, including:

- policy design.
- incentives for formalization of businesses.
- strategies for tax administration.
- capacity development

The Handbook on tax policy and administration considerations on taxing the informal sector would be beneficial for developing countries as they would tap into the untapped taxes of the informal sector that represents a big part of the economy of most developing countries.

Taxing the informal sector can benefit countries by increasing domestic resource mobilization, boosting government revenue to fund development, expanding the tax base to support growth, and empowering the sector through integration into formal frameworks, which provides access to credit and social protections.

2. Issues related to the United Nations Model Tax Convention: taxation of cross-border services

The introduction of Article 12B, and more recently Article 12AA, marks a positive development in addressing the erosion of developing countries' tax bases caused by the high importation of cross-border services and the challenges of taxing highly digitalized businesses. Nevertheless, with regards to Article 12B, there remains a considerable lack of clear guidance within the commentaries regarding complimentary and compatible domestic tax rules or legislation necessary to effectively implement these treaty provisions.

This lack of guidance may have contributed to the article's limited adoption. Since tax treaties do not themselves create taxing rights and given the ongoing debates regarding digital service taxes (DSTs) and similar domestic measures that fall outside the scope of such treaties, it is necessary to prioritize clarifying which domestic measures would be appropriate.

The second concern pertains to the scope of Article 12B, which is confined to income generated from payments for automated digital services. Nonetheless, it is evident that user participation and interactions are significant contributors to value creation and merit consideration for remuneration, yet the current provisions of Article 12B do not appear to encompass this aspect. Should this omission persist, there is apprehension that numerous developing nations may forgo substantial revenue opportunities.

In light of these considerations, the Committee may wish to formulate legislative guidance regarding the taxation framework applicable to income sourced from automated digital services, with a view to facilitating its integration into the domestic legislation of interested jurisdictions. On the matter of the second issue, the Committee could consider expanding the rules governing revenue sourcing in the digital economy in order to enhance the comprehensiveness of the tax base.

Such an output would be particularly beneficial for developing countries, which are primary importers of digital services, as it would address existing gaps in tax law. The increased prevalence of digital services and corresponding taxation measures would support robust domestic resource mobilization, thereby advancing progress towards achieving the Sustainable Development Goals (SDGs).

SUPPORTING REFERENCES Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files.

- <https://www.ilo.org/meetings-and-events/informal-economy-africa-which-way-forward-making-policy-responsive#:~:text=Which%20Way%20Forward?-.Making%20Policy%20Responsive%2C%20Inclusive%20and%20Sustainable,access%20to%20basic%20social%20protection>
- <https://www.elibrary.imf.org/downloadpdf/book/9781475574463/ch003.pdf>
- <https://www.elibrary.imf.org/downloadpdf/book/9781475574463/ch003.pdf>
- **ATAF (2021).** *The Efficient Taxation of the Informal Sector in Africa – Guide Book*, p. 8. Available at: <https://ataftax.org/library/guidebook-the-efficient-taxation-of-the-informal-sector-in-africa-3/> (accessed 24 August 2025).
- **ATAF–ICTD (2024).** *Policy Paper – Taxing Informal Economies: Practices, Challenges & Ways Forward*, p. 9. Available at: <https://www.ictd.ac/publication/taxing-informal-economies-practices-challenges-ways-forward/> (accessed 24 August 2025).
- **National Medium Term Revenue Strategy (2024), FY 2024/25 to FY 2027/28**, p. 32. Available at: https://www.mofed.gov.et/media/filer_public/9f/13/9f13f33f-afdc-41cc-88ae-b8914e96b7ab/nmtrs_final_2024_english_version.pdf (accessed 22 August 2025).
- **Medium Term Revenue Strategy (MTRS) 2024/25-2026/27 FY**, p. 28. Available at: <https://newsite.treasury.go.ke/sites/default/files/Strategies/Medium-Term-Revenue-Strategy-2023.pdf> (accessed 22 August 2025).
- **Domestic Revenue Mobilisation Strategy (2021-2026)**, p. 39. Available at: https://www.mra.mw/assets/upload/downloads/DOMESTIC_REVENUE_MOBILIZATION_STRATEGY_3_web_Revised_New.pdf (accessed 22 August 2025).
- **B. Andrade Rodríguez (2021).** “Developing Countries and the Proposed Article 12B of the UN Model: Some Known Unknowns”, *International Tax Studies*, Vol. 4, p. 6. Available at: <https://doi.org/10.59403/3ta5y25>.
- *Technical Review of the Draft Article 12B United Nations Model Tax Convention*. Available at: https://ataftax.org/wp-content/uploads/2023/01/12B-UNITED-NATIONS-MODEL-TAX-CONVENTION_preview.pdf