

Distr.: General  
7 October 2025

Original: English

---

**Committee of Experts on International  
Cooperation in Tax Matters  
Thirty-first session**

Geneva, 21-24 October 2025

Item 5(e) of the provisional agenda

**Other areas for Committee consideration and guidance as part of its work program**

**Secretariat Note on Value Added Tax (VAT) / Goods and Services Tax (GST)**

***Summary***

This note provides the Committee with options for a possible workstream on Value Added Tax (VAT) / Goods and Services Tax (GST) to address implementation gaps for developing countries. Building on the four-paper series approved in 2025, outputs would be delivered as modular guidance. Under the comprehensive option, papers would be consolidated into a *United Nations Handbook Series on VAT/GST Issues*.

VAT/GST constitutes a major source of government revenue in most countries and remains particularly significant for developing economies. Addressing the guidance gaps is therefore urgent for domestic resource mobilization and efforts toward the Sustainable Development Goals.

The note presents four options to assist Committee prioritization: (A) comprehensive phased workstream covering all major gaps; (B) phase 1 topics only (cross-border disputes, construction, digital platforms); (C) suspended work topics only (construction, interaction with other taxes, government entities/charities/donors); or (D) no new workstream.

Questions for Committee:

- Should the Committee establish this workstream?
- Which option does it prefer?
- Should a Subcommittee be established to undertake the work, and what guidance on its composition should be provided?

## I. Brief description

1. Value Added Tax (VAT) constitutes a major source of government revenue in most countries and remains particularly significant for developing economies. It has become a major source of revenue for the more than 160 countries that impose it, raising, on average, over 30 percent of their total tax take.<sup>1</sup> In Latin America and the Caribbean, VAT represents the largest single source of tax revenue, accounting for 27.7 per cent of total tax revenues in 2019.<sup>2</sup> In the Asia-Pacific region, VAT is also a principal component of domestic tax systems, contributing over one-fifth of total tax revenues on average, with its share ranging from 16.2 per cent in East Asia to 31.3 per cent in Central and West Asia in 2019.<sup>3</sup> Similarly, in Africa, VAT continues to play a central role in domestic resource mobilization, with 2020 data indicating an average contribution of 27.8 per cent of total tax revenues, and country-level shares ranging from 10.1 to 45.5 per cent across the continent.<sup>4</sup>

2. This note presents options for a proposed workstream to develop guidance on Value Added Tax (VAT) / Goods and Services Tax (GST) implementation issues for developing countries. The proposal responds to the Committee's decision at its Twenty-eighth Session to suspend work on several VAT/GST topics and recommend that the 2025-2029 membership consider revisiting them, as well as to additional priorities identified by members and observers at the Thirtieth Session.

3. The note presents four options for Committee consideration: (A) a comprehensive phased workstream addressing all major identified gaps; (B) Phase 1 topics only (cross-border disputes, construction, digital platforms); (C) topics on which the previous Committee suspended work only (construction, interaction with other taxes, government entities/charities/donors); or (D) no new workstream. If the Committee adopts Option A, outputs would be structured as modular papers consolidated into a United Nations Handbook Series on VAT/GST, building on the four-paper series approved in 2025. Options B and C would produce modular papers on selected topics without consolidation into a formal series.

4. The note provides information to assist the Committee in prioritizing based on demonstrated demand, revenue urgency, readiness for resolution, available expertise, and linkages with other possible workstreams. The Committee is asked to decide whether to establish this workstream, which option it prefers, and whether a Subcommittee should be established to undertake the work and what guidance on its composition should be provided.

## II. Source of proposal/demand

5. Demand for continued UN guidance on VAT/GST arises from the Committee's own work and member country priorities.

### *Recommendations from 2021-2025 Committee membership*

6. The Subcommittee on Indirect Tax Issues (2021-2025) identified priority topics in its initial workplan but recommended some of them for deferral due to time and resource constraints. At its Twenty-eighth Session (March 2024), the Committee decided to suspend work on: sector-specific

<sup>1</sup> [https://www.imf.org/en/Publications/fandd/issues/2022/03/b2b-value-added-tax-continues-to-expand?utm\\_source=chatgpt.com](https://www.imf.org/en/Publications/fandd/issues/2022/03/b2b-value-added-tax-continues-to-expand?utm_source=chatgpt.com)

<sup>2</sup> <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/consumption-taxes/vat-digital-toolkit-for-latin-america-and-the-caribbean.pdf>

<sup>3</sup> <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/consumption-taxes/vat-digital-toolkit-for-asia-pacific.pdf>

<sup>4</sup> <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/consumption-taxes/vat-digital-toolkit-for-africa.pdf>

treatment (tourism and construction); interaction between VAT/GST and other taxes; and VAT/GST issues related to government entities, charities, and donor-funded projects. The Committee recommended that the 2025-2029 membership consider revisiting these topics given their direct relevance for developing countries, as mentioned by participants in Committee sessions.<sup>5</sup>

#### *Member and observer input at Thirtieth Session*

7. At the Thirtieth Session (March 2025), members and observers emphasized the importance of building on the Committee's achievements in this workstream and recommended topics for a future work, without priority ranking. These included: VAT treatment of Islamic financial instruments; designing VAT/GST systems to be less regressive; VAT and the financial sector; VAT in the digital economy; prevention and resolution of cross-border VAT/GST disputes; application of VAT/GST to digital platforms from a developing country perspective; and use of electronic certificates for VAT/GST refunds.<sup>6</sup>

#### *Stakeholder submissions*

8. In the Stakeholders inputs submitted in September 2025, a developing country stressed the need for guidance on ensuring fair taxation of the digital economy and suggested analyzing complementarity between consumption taxes (like VAT on digital services) and corporate income taxes. In addition, the International Institute for Sustainable Development (IISD) called for practical guidance on managing VAT/GST and customs procedures in special economic zones to prevent fraud, leakage, and double non-taxation.

### **III. Prior UNTC work and identified gaps**

9. The UNTC has already undertaken significant work on VAT/GST. At its Twenty-ninth Session, it approved four guidance papers covering: (a) an overview of VAT/GST in developing countries;<sup>7</sup> (b) VAT/GST treatment of small enterprises;<sup>8</sup> (c) VAT/GST refunds;<sup>9</sup> and (d) the use of new technologies to improve compliance, including e-invoicing and big data.<sup>10</sup> These outputs, currently available in advance unedited version and in editorial processing, have been welcomed by countries and stakeholders.

10. The first paper introduces the series by examining the role of consumption taxes, the functioning of VAT/GST, key design elements, potential regressivity concerns, and challenges in compliance and administration. It provides a broad analytical foundation for policymakers.

11. The second paper explores threshold policies, including exemption and voluntary registration, sector-specific thresholds, and the design of multiple thresholds to support gradual inclusion. It further analyses evasion risks and policy options that can improve compliance, reduce costs, and simplify the regime for small businesses.

12. The third paper addresses the rationale, mechanisms, and challenges of refund systems, drawing on perspectives from both tax administrations and taxpayers. It highlights administrative considerations and safeguards necessary to ensure timely and transparent refunds.

---

<sup>5</sup> <https://financing.desa.un.org/sites/default/files/2024-06/28th%20Report%20English.pdf>

<sup>6</sup> <https://financing.desa.un.org/sites/default/files/2025-07/2507467E.pdf>

<sup>7</sup> [https://financing.desa.un.org/sites/default/files/2024-10/CRP%2021%20Annex%20A-%20Overview%20VAT\\_GST%20in%20Developing%20Countries.pdf](https://financing.desa.un.org/sites/default/files/2024-10/CRP%2021%20Annex%20A-%20Overview%20VAT_GST%20in%20Developing%20Countries.pdf)

<sup>8</sup> <https://financing.desa.un.org/sites/default/files/2024-10/CRP%2021%20Annex%20B%20-VAT%20Small%20Enterprises.pdf>

<sup>9</sup> <https://financing.desa.un.org/sites/default/files/2024-10/CRP%2021%20Annex%20C%20-%20VAT%20Refunds.pdf>

<sup>10</sup> <https://financing.desa.un.org/sites/default/files/2024-10/CRP%2021%20Annex%20D%20-%20Use%20of%20new%20technologies%20to%20improve%20VAT%20compliance.pdf>

13. The fourth paper reviews options for enhancing VAT data management and tracking, with emphasis on country-specific approaches. It encourages administrations to evaluate and adapt technologies such as e-invoicing, big data analytics, and electronic reporting systems according to their capacity and needs.

14. Despite these achievements in providing the first UNTC guidance focused entirely on indirect taxes, important gaps remain. Topics on which work was suspended (sector-specific treatment for tourism and construction; interaction between VAT/GST and other taxes; VAT/GST issues related to government entities, charities, and donor-funded projects) continue to be of pressing concern for developing countries.

15. Other international organizations, including the OECD, IMF, and World Bank, as well as regional bodies such as CIAT and ATAF, have developed valuable materials, such as VAT digital toolkits tailored for various regions. Nevertheless, some developing countries have noted in the Committee session that those materials do not always fully reflect their specific circumstances. There remains scope for the Committee to add value by ensuring that the perspectives of developing countries are more fully reflected, particularly with regard to their administrative realities and developmental priorities. Future Committee guidance could distinguish itself through practical adaptation to developing country contexts, with outputs designed to support sustainable development objectives.

#### **IV. Proposed UNTC outputs**

16. Building on the strong foundation established through the 2025 VAT/GST series, the Committee could address remaining gaps through guidance tailored to developing countries' administrative realities and resource constraints. This section presents three approaches to assist the Committee in prioritizing its possible work in this area for the 2025-2029 term.

17. The Committee could produce outputs structured as modular papers to allow incremental publication and easy use by diverse stakeholders. Papers could be used independently or compiled together, maintaining coherence while ensuring interim deliverables are available early.

##### **Option A: Comprehensive phased workstream**

Address all major gaps identified in Section II through a two-phase workstream, with outputs structured as papers consolidated into a United Nations Handbook Series on VAT/GST.

##### *Phase 1 (Years 1-3):*

- Provide guidance on the prevention and resolution of cross-border VAT/GST disputes
- Address sector-specific VAT/GST treatment, initially focusing on construction
- Expand work on VAT/GST in the digital economy, with emphasis on practical implementation of taxation of digital platforms

##### *Phase 2 (Years 3-3.5):*

- Develop a practical guide on the interaction between VAT/GST and other taxes, including corporate income tax
- Prepare modular guidance on VAT/GST treatment for government entities, charities, and donor-funded projects

##### **Option B: Phase 1 topics only**

Focus on cross-border disputes, construction sector, and digital platforms, producing deliverables by 2028. Defer Phase 2 topics for future consideration.

### **Option C: Suspended work topics only**

18. Address only the topics that the 2021-2025 Committee suspended: sector-specific treatment (construction), interaction with other taxes, and government entities/charities/donor projects. This responds directly to the Committee's recommendation to revisit suspended work, while deferring possible work on other topics (cross-border disputes, digital platforms).

#### *Target audience*

19. The primary users of these outputs will be developing country policymakers, tax administrators, and practitioners responsible for VAT/GST design, implementation, and compliance. Secondary users include capacity-building trainers, regional tax organizations, and the private sector. The modular format would allow countries at different capacity levels to access relevant guidance, with outputs designed to support UN capacity-building activities.

#### *Subcommittee to undertake the work*

20. To deliver any of these options, the Committee could establish a Subcommittee on Indirect Taxes with primary focus on VAT/GST. Given the technical and administrative complexity of VAT/GST issues, the Subcommittee would benefit from a composition that includes members with practical VAT/GST experience in developing country contexts. Building on the effective structure of the 2021-2025 Subcommittee on Indirect Tax Issues, close collaboration with subject matter experts from international and regional organizations, governments, academia, and other stakeholders has proven valuable in ensuring this work remains relevant, practical, and effective.

### **V. Relationship to other work**

21. Several of the proposed VAT/GST topics link closely to existing UNTC outputs and possible work by its 2025-2029 membership work. The interaction between VAT/GST and other taxes, including corporate income tax, connects with potential work on transfer pricing. Guidance on prevention and resolution of cross-border VAT/GST disputes relates to the Committee's broader work on dispute resolution, as reflected in the United Nations Handbook on Dispute Prevention and Resolution in Tax Matters (2021). VAT/GST treatment of government entities, charities, and donor-funded projects connects with the United Nations Guidelines on the Tax Treatment of Government-to-Government Aid Projects (2021). Work on VAT/GST in the digital economy, relates to the UN guide to digitalization of revenues authorities (2025),

22. The outputs of this workstream would contribute directly to the Sustainable Development Goals. By providing countries with practical tools to strengthen VAT/GST systems and stabilize revenue bases, the work would support the SGD 17 by fostering international cooperation for domestic resource mobilization. The work also supports the Financing for Development agenda and follow-up to the Sevilla Commitment.

### **VI. Committee decision factors**

23. This proposal aligns with the Committee's mandate to provide inclusive guidance on international tax matters with special attention to developing country needs. VAT/GST remains a top priority for many tax administrations in developing countries because of its revenue significance and complexity.

24. In suspending relevant work on some relevant topics at its Twenty-eighth Session, the 2021-2025 Committee membership explicitly recommended continuation of this work, with demand further reinforced by participants at the Thirtieth Session. The Committee includes members with

demonstrated expertise in this area. Strong linkages exist with potential workstreams on transfer pricing, digitalization, UN Model, and dispute resolution.

25. The proposed workstream would allow the Committee to demonstrate leadership in indirect tax matters by addressing gaps not covered by other organizations, particularly in fully taking into account the realities of developing countries. It would deliver practical value through sector-specific guidance not currently available from other fora. It would also enhance clarity and certainty for developing countries, particularly least developed countries who may have difficulty applying guidance developed elsewhere.

26. By adopting this workstream, the Committee can deliver distinctive and practical outputs that strengthen VAT/GST systems in developing countries, directly support their domestic resource mobilization and sustainable development financing needs, and provide options that respond to their diverse circumstances and priorities.

## **VII. Summary of options for Committee consideration**

27. **Option A:** Comprehensive phased workstream. Address all major gaps through two phases: Phase 1 (cross-border disputes, construction, digital platforms) and Phase 2 (interaction with other taxes, government entities/charities/donors). Papers would be consolidated into a United Nations Handbook Series on VAT/GST.

28. **Option B:** Phase 1 topics only. Address Phase 1 topics (cross-border disputes, construction, digital platforms) only, producing deliverables by 2028. Defer Phase 2 topics.

29. **Option C:** Suspended work topics only. Address only topics the 2021-2025 Committee suspended (construction, interaction with other taxes, government entities/charities/donors). Defer newer topics (cross-border disputes, digital platforms).

30. **Option D:** No new workstream.

31. If the Committee adopts Option A, B, or C, it could establish a Subcommittee on Indirect Taxes with primary focus on VAT/GST to undertake this work.