news and developments

in the field of tax and development since january 2013

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international tax compact

Welcome to the new edition of the ITC newsletter

Dear Reader

With cases of tax avoidance and tax evasion continuing to grab the headlines on a daily basis and civil society's demand for more transparency and tax reform, the media spotlight is now firmly focused on whether corporations and individuals are paying their fair share of taxes. At the political level, there is broad consensus that current international tax legislation is not well suited to today's business world where electronic and cross-border trade is a global commonplace and where intellectual property plays a fundamental role in commercial arrangements between companies.

With strong political support, the OECD is, for example, addressing 'base erosion and profit shifting' and is calling for stricter rules on how holding structures are set up, for changes in global financing flows, and for the revision of the principles that determine how taxing rights are allocated between various jurisdictions.

With this in mind, the Russian Presidency has announced it will concentrate the G20's efforts on boosting sustainable, inclusive and balanced growth and job creation around the world. In addition, a major focus of forthcoming measures will be improving transparency and effective regulation – a core issue for tax administrations. ITC is encouraged by these developments and continues to support international efforts to establish and support fair and efficient tax systems.

The following articles provide a concise overview of the latest developments in international tax cooperation. Please note that the perspectives and opinions expressed in this newsletter are entirely those of the contributing institution and do not necessarily reflect the views of ITC. If you have any questions or suggestions regarding this newsletter, or if you would like to contribute an article for the next issue, please do not hesitate to contact us.

Happy reading!

Best regards
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international tax compact:
strengthening
effective, efficient and fair
tax systems

UN-ITC Joint Project on 'Strengthening the Capacity of Ministries of Finance (MoFs) and National Tax Authorities (NTAs) in Developing Countries to effectively negotiate, interpret and administer Tax Treaties'

The Financing for Development Office (FfDO) of the UN Department of Economic and Social Affairs and the International Tax Compact are implementing a joint project, entitled 'Strengthening the capacity of Ministries of Finance (MoFs) and National Tax Authorities (NTAs) in developing countries to effectively negotiate, interpret and administer tax treaties'. The financial contribution for the project has been provided by the German Federal Ministry for Economic Development and Cooperation (BMZ) and implemented by ITC. The ultimate goal of this project is to support the development of a comprehensive set of capacity building tools to be used in developing countries, which are demand driven, reflect adequately the needs and level of development of these countries, and are not a duplication of any existing and available tools, but rather a useful complement to them.

As the first step, two parallel meetings on 'Capacity Building on Tax Treaty Negotiation and Administration' were held on 28–29 January 2013 at IFAD Headquarters in Rome, Italy. Twenty-five representatives from NTAs, MoFs and other competent authorities of developing countries participated in the meetings. The meetings contributed to: (1) identifying the needs of developing countries in the area of tax treaty negotiation and administration; (2) taking stock of the available capacity development tools at the disposal of developing countries; and (3) determining the actual skills gaps and challenges faced by developing countries in negotiating and administering their tax treaties. In follow-up to the Rome meetings, a number of papers addressing the major issues identified during these meetings, focusing mainly on the area of administration of tax treaties, were drafted by selected experts. The topics include: 1) Overview of Major Issues in the Application of Tax Treaties; (2) Persons Qualifying for the Benefits of Tax Treaties; (3) Taxation of Residents on Foreign Source Income; (4) Taxation of Non-residents; (5) Taxation of Non-residents on Business Profits; (6) Taxation of Non-resident Service Providers; (7) Taxation of Investment Income and Capital Gains; (8) Dispute Resolution and Mutual Agreement Procedure; and (9) Improper Use of Tax Treaties, Tax Avoidance and Tax Evasion.

On 30–31 May 2013, UN and ITC organized a second technical meeting in New York, during which draft papers were presented and discussed with 32 representatives of the NTAs and MoFs from developing countries, as well as representatives of international organisations (ATAF, CIAT, OECD, IBFD, etc.) and academia. Following this meeting the papers will be revised by the end of June 2013 to comprise the UN Handbook on Selected Issues in Administration of Tax Treaties for Developing Countries. The Handbook will be launched at the OECD Meeting with non-OECD Economies and International Organisations at 25 September 2013 in Paris.

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International Tax Community gathers in Buenos Aires to discuss Transfer Pricing Treatment

A workshop sponsored by the World Bank Group's International Finance Corporation, USAID, CIAT and the ITC was held on 26 April 2013 in Buenos Aires. Its main purpose was to promote discussion among the different sectors of the international tax community about the main aspects of transfer pricing, from both the normative and administrative perspectives.

Delivered using a highly dynamic methodology, the morning sessions discussed: the status of Latin American and Caribbean countries; the private sector viewpoint; experiences in the sphere of simplification; and new developments in the treatment of intangibles and the reorganisation of businesses. Four parallel round tables were held in the afternoon to consider advance pricing arrangements (APAs), the treatment of services, thin capitalisation, information exchange, and the import/export of agricultural commodities.

Different actors from the international tax community discussed their viewpoints and the criteria, and analysed alternative solutions. As a result, best practices were identified for maintaining future bilateral exchanges between the participating tax administrations.

Participating in the meeting were: experts from the tax administrations of 19 CIAT member countries from the Americas, Caribbean, Africa, Asia and Europe; international organisations, initiatives and leading cooperation agencies like the OECD, the World Bank, IMF, IBFD, CIAT, ITC, the Technical Assistance Office of the U.S. Treasury and USAID; and representatives from Alstom Group, Ernst & Young and IFA. This comprehensive cohort held fruitful discussions and committed to ensuring the success of this joint initiative.

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Interview with Mr Márcio F. Verdi, General Secretary of CIAT

ITC: At the moment tax evasion and tax avoidance are grabbing the headlines in Europe. How is the situation in Latin America?

Verdi: Latin America is a region with great diversity, particularly economically. However, high levels of poverty and unacceptable levels of tax evasion exist in all countries in the region.

So, to talk about tax evasion in Latin America is to talk about one of the main problems we have in the region. Here, the public debate is focused more on the quality of public expenditure and public services, because corruption affects all countries in the region.

ITC: How can these problems be addressed, what are the possible ways forward?

Verdi: Our goal is to support our member countries' tax administrations in the hope that this will reduce inequalities in the region and improve the quality of life. Therefore, we need to improve public services which also means upping the quality of our tax administrations and tax systems. To achieve this, a sound human resource strategy is crucial. We have to provide civil servants working in tax administrations with attractive remuneration and career prospects; otherwise we'll be preparing people for the private sector.

However, improving public services is costly. In many Latin American countries the tax/GDP ratio is low, at around 12%. So you can't expect much public interest in taxation. In the mid-term, the tax/GDP ratio needs to be improved.

Improving how we communicate is another important issue. We have to explain to citizens why taxation is necessary for providing better public services and creating more equal societies. Taxation plays a crucial role in reducing poverty. People need to know what they get in return for paying taxes. It is necessary to make the richer parts of society better understand why people who pay more in absolute terms can't get something back in equal measure. At the end of the day, taxes allow the government to create better societies, meaning rich taxpayers benefit indirectly.

ITC: The international community already emphasises the importance of fair and efficient tax systems. How is the international tax and development agenda, which is often highly aggregated, applied in the regional and national context?

Verdi: The recommendations from international meetings offer good guidance, so we know the direction we must take. That said, the distance between these high-level recommendations and 'the ground' is great. In some countries, it is simply not possible to translate these recommendations directly on the ground.

ITC: Can you give us an example?

Verdi: For example, the G20's most recent recommendation to improve the automatic exchange of information is very important and is the path we need to follow.

However, it would be difficult to translate the recommendation directly as we have to take into account the very different conditions existing in the different countries of the region. In some countries, there is currently a great deal that needs to be done to effect the basic exchange of information. For these countries, the automatic exchange of information is not the most pressing issue.

From this perspective, signing agreements is just a first step. You also need to create the appropriate working structures. Costa Rica is a good example of where political and practical aspects in the area of international taxation were developed hand in hand.

ITC: According to your organisation's experience in the region, what are the main benefits of cooperation in tax matters?

Verdi: We need to work together – it's the only way – as it multiplies our achievements in one specific country or area. Through cooperation, we can jump up to another level of development. So when we share good practice and knowledge, we enable our countries to jump forward rather than just move forward. And this is critical for saving these countries' time and improving their tax administrations.

Five years ago, for example, electronic invoicing in Latin America was only a reality in Chile and Brazil. Now other countries have also introduced it. As the process unfolded, we at CIAT were able to observe one country learning from another country and then this country again sharing these new insights and skills with yet another country. It's this multiplying effect that has driven forward the establishment of electronic invoicing in the region.

If the weaker countries in the region don't improve, it is also a problem for the economically stronger countries. Economic gaps between neighbouring countries are dangerous for the world economy. Without addressing these gaps, aggressive tax planning will continue to increase in the future.

ITC: Taking into account your long experience in international cooperation, what needs to be improved in international tax cooperation?

Verdi: Unfortunately, cooperation is not a synonym of coordination. We have many international organisations cooperating with each other because we somehow belong to the same family.

But, often, we set bad examples with regard to efficiency and effectiveness. We talk to countries about being efficient and reducing costs but, in many cases, international organisations duplicate reforms, repeat actions and carry out similar exercises. To increase the impact of our work and to maximise our resources, we need to make a concerted effort towards better coordination – for example, by promoting greater joint action and reducing parallel agendas in the future.

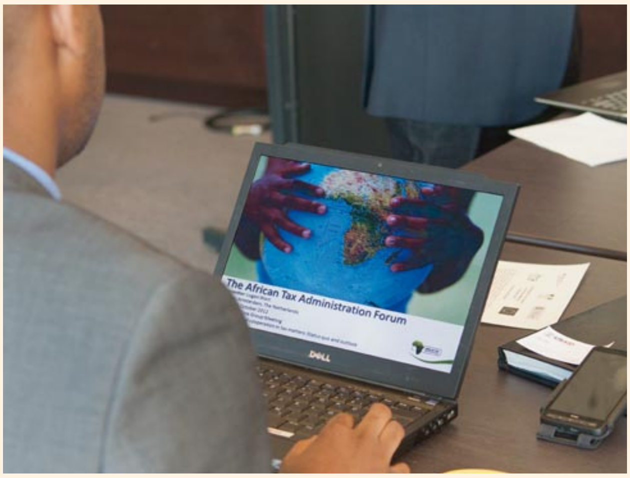
ITC: Mr. Verdi, thank you very much for this interview.

Márcio F. Verdi, General Secretary of the Inter-American Center of Tax Administrations (CIAT)

On 1 January 2010, Márcio F. Verdi took office as CIAT's Executive Secretary. Mr Verdi is an economist who has worked for many years in the Brazilian government and for 12 years as a tax auditor in the Secretaria da Receita Federal do Brasil (Brazilian Federal Revenue Office).

Selected Activities at Regional and Country Levels

ATAF members intensify Cooperation in the Area of Transfer Pricing



The African Tax Administration Forum (ATAF) and the Ghana Revenue Authority (GRA), with support from the European Commission (EC), hosted a technical seminar on transfer pricing in Accra, Ghana on 26 and 27 March 2013. The event brought together ATAF member countries to discuss, among other things, transfer pricing legislation, guidelines and policy drafting.

Understanding transfer pricing and developing regulations and guidelines to tackle transfer pricing has been a priority for ATAF since its inception.

The ATAF Working Group on Transfer Pricing was established two years ago to advise member states on the various reforms they can enact in their revenue authorities to deal effectively with transfer pricing. The Working Group was also on hand in Accra to advise attending member countries, share experiences and illustrate successes in the correct application of transfer pricing legislation. The Working Group met on the eve of the seminar to discuss their work schedule for 2013 and to set new deadlines for the remaining deliverables from the original work schedule.

A fact sheet compiled by the European Network on Debt and Development puts illicit capital flight from developing countries at between 500 and 800 billion US dollars per annum, with commercial tax structuring contributing about 64% of this. On the other hand, figures provided by the 2010 Global Financial Integrity Report indicate that developing countries are losing from 98 to 106 billion US dollars per annum solely through re-invoicing. This represents an estimated 4.4% of the developing world's total tax revenue. Moreover, most estimates on lost revenues exceed the level of aid given to Africa.

Key to the debates were inputs provided in the thematic sessions, which were delivered in the form of technical seminars. Delegates worked together over the two days to explore alignment and, most importantly, to learn from each other's experiences. For ATAF, these technical seminars benefit members by giving them real-life case examples and opportunities to share their experiences in overcoming common problem areas. In this way, ATAF is working to achieve its goal of developing capable revenue authorities that are able to collect more revenue from those multinationals potentially practising transfer pricing.

It is therefore important for ATAF member countries to regularly meet and discuss the technical side of transfer pricing. These meetings and seminars aim to assist member countries in drafting transfer-pricing guidelines and to alert those that have not yet implemented guidelines in their revenue authorities. The ATAF Working Group will be presenting its findings on outstanding deliverables at the next ATAF Council Meeting in September 2013. Their work will also feature in the upcoming ATAF International Conference on Tax in Africa to be held in September 2013 in Harare, Zimbabwe.

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Zambia delivers Workshop on the 'Effectiveness of and Alternatives to Tax Incentives as Instruments to generate Employment and attract Investments'

In order to attract foreign investment and promote domestic investment, governments often use the instrument of granting tax incentives. However, it has been shown that tax incentives can distort resource allocation in the economy and there is growing international evidence that tax incentives are, at best, only minimally effective in promoting investment.

Against this backdrop, the Government of the Republic of Zambia decided to host a regional workshop to share regional experiences in assessing the effectiveness of, and alternatives to, tax incentives as instruments to attract investment and generate employment.

The event, held on 12 and 13 February 2013, drew over 60 participants from the ministries of finance and revenue authorities in the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC) regions. Also in attendance were representatives from Ghana, civil society, and African and international institutions. The objective of the meeting was to kick-start constructive regional dialogue on how to avoid destructive tax competition among states and inspire cooperative development of more effective instruments for attracting investments and generating well-paid employment across the region.

After two days of interesting presentations and vivid discussions, the participants' final remarks included the following:

- Regional cooperation is needed on tax in general and tax incentives in particular.
- It was suggested that the work of the SADC Working Group on Taxation needed to be scaled up and given more prominence.
- Countries need to be wise in their policy decision-making processes and take account of the realities they face. In particular, they need to understand the power they hold over the finite natural resources falling within their borders that belong to their citizens.

- It was observed that improved infrastructure is needed to create a better business environment for both domestic and foreign private sector investors.

- It was argued by some participants that civil society organisations can be effective in spearheading meaningful reforms and, therefore, should be brought into the tax incentives process. This way they can take the argument to the people and generate the political climate for change.

- Taxation practices need to be simplified to make them accessible to the general public.

- Finally, it was suggested that greater investment did not necessarily result in more job creation for local people. This being the case, employment creation strategies need to be thoroughly analysed.

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Increasing Civil Society's Capacity for Research and Advocacy for Fair Taxation (CRAFT) in Africa

On 30 March, the fifth strategy meeting of the ITC-supported project Capacity for Research and Advocacy for Fair Taxation (CRAFT) took place in Tunis, Tunisia.

Taxation lies at the heart of the social contract between citizens and their government: citizens pay taxes and their government provides services in return. Poor governance and weak accountability increase the risk of corruption and mismanagement, limiting the development bonus of tax income. As a result, inequality increases and the most fundamental human rights cannot be guaranteed, such as the right to food, health or education. When citizens become more aware of their rights and responsibilities as taxpayers, public scrutiny over revenue collection and allocation increases. Yet, currently, civil society lacks any real insight into the technical-fiscal domain of a country's tax system.

There are several ways civil society can promote fair and pro-poor tax systems. It can hold public forums (round tables) for informed discussions; it can promote a national dialogue on the desirability of more progressive taxation; and it can engage in civic education and popular mobilisation to increase people's willingness to pay taxes. To do this, the CRAFT project is actively seeking to collaborate with revenue authorities and ministries of finance from around the world. In Tunis, participants learned about the progress of the CRAFT project in their countries. MakeTaxFair was approved as new logo for the CRAFT project.

The website of the CRAFT project (**www.maketaxfair.net**) was introduced and will go live in June. Also discussed were the second global CRAFT training event to be held in Cairo and the development of a Fair Tax Index (FTI).

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MAKETAXFAIR.NET

47th CIAT General Assembly a Success

Sponsored by Argentina's Federal Administration of Public Revenue (AFIP), the 47th CIAT General Assembly took place in Buenos Aires and focused on the theme of 'International taxation aspects that affect management of the Tax Administration'.

The event was attended by: more than 30 delegations from CIAT member countries and associated member countries; 11 delegations from invited countries; and 28 delegations from international organisations and institutions related to CIAT.

The General Assembly also elected the 2013–2014 Executive Council, which is now headed by Ricardo Echegaray from Argentina. Other members of the council are the directors of the tax administrations of Brazil, Canada, Chile, Cuba, El Salvador, the Netherlands, Peru and Uruguay.

For further information on the General Assembly, please visit: **http://www.ciat.org/index.php/en/news/archived-news/news/2639-inaugurada-la-47o-asamblea-general-del-ciat-.html**

Continuation of the UN ECLAC–CIAT–GIZ Project to promote Social Cohesion in Latin America

As part of GIZ's cooperation with UN-ECLAC and CIAT, a regional network meeting between representatives of the national tax administration authorities of Latin America will be held in the first week of August 2013 in Lima, Peru.

This 'First meeting on judicial matters for CIAT members' will discuss successes in international cooperation and the exchange of knowledge between tax administrations.

The knowledge and technical information exchanged will be on topics of common interest to judicial units. This will help to build a reference of normative records for the other jurisdictions, and also create a network of specialists working in this field. The delegates of the 18 CIAT-member tax administrations in Latin America have been invited to the meeting, which is being hosted by the Peruvian national tax authority, SUNAT.

Two further regional seminars in Latin America are currently planned for the latter half of 2013: one in Chile on transfer pricing and another in Mexico on advanced pricing agreements (APA). Details will be available soon.

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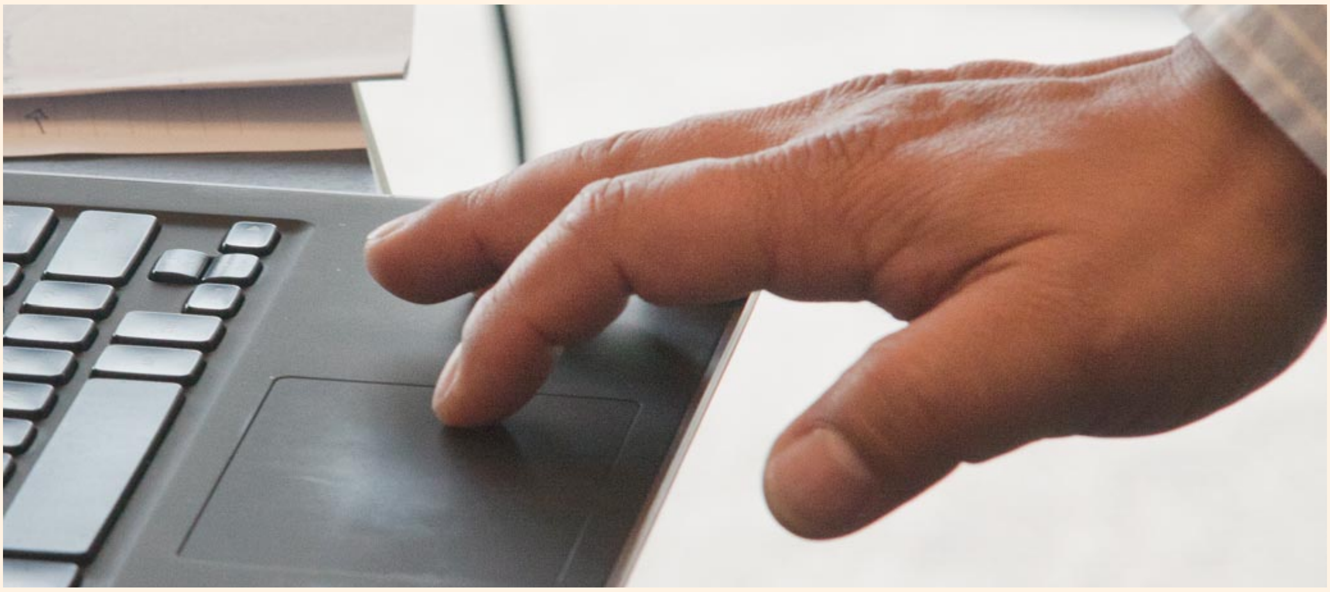

IBFD's Technical Assistance and Outreach Programmes in Asia-Pacific

As part of its non-profit activities and goal to assist tax authorities in developing countries strengthen their capacities, the International Bureau of Fiscal Documentation (IBFD) has been providing technical assistance to a number of countries in the Asia-Pacific region. In recent years, IBFD experts have successfully delivered technical assistance programmes for Bhutan, Cambodia and the Philippines, in addition to running annual training programmes for tax administrators in cooperation with the Inland Revenue Board of Malaysia.

IBFD conducted a high-level review of Bhutan's tax legislation in 2012, followed by a five-day training programme in Thimphu for Bhutan's Department of Revenue and Customs (DRC) on the 'Avoidance of Double Taxation and Legislation Drafting'. The aim of the training was to provide DRC personnel with a theoretical background on the various international tax and tax policy topics and to discuss practical issues relating to these topics. The DRC cohort comprised senior tax officials from various provinces around the country.

In March 2013, further to a request from the Cambodian General Department of Taxation (GDT), two IBFD experts delivered a five-day programme in Phnom Penh on the *Fundamentals of Tax Treaties* to increase GDT's capacity with regard to tax treaty negotiations.

Cambodia has not yet concluded any tax treaty and is under increasing pressure from its trading partners to do so. The training cohort comprised 25 GDT officers from different departments including tax policy, tax audit, international tax, and large taxpayers.

The Philippines, which is committed to expanding its tax base and increasing its tax collections, initiated a series of measures including the introduction of a transfer pricing law. The IBFD, following consultations with the Bureau of Internal Revenue, conducted a high-level review of the draft Philippine transfer pricing guidelines that are intended to supplement the transfer pricing law.

In addition to its technical assistance programmes for developing countries, IBFD also runs a successful outreach programme in cooperation with the Inland Revenue Board of Malaysia (IRBM). IBFD and IRBM signed a three-year Memorandum of Understanding (MoU) in 2010 whereby IBFD, in cooperation with IRBM's National Tax Academy, delivers two training programmes annually, which are open to tax administrators worldwide.

This collaboration with IRBM has trained administrators from the Asia-Pacific region, Africa and Middle East in a variety of topics including anti-money laundering and anti-tax evasion, the taxation of financial markets, etc. IBFD and IRBM recently signed an extension to this successful MoU and the outreach programme is now expected to continue until 2016.

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Fiscal Panorama of Latin America and the Caribbean – Tax Reform and the Renewal of the Fiscal Covenant

UN ECLAC has recently published a study entitled 'Fiscal Panorama of Latin America and the Caribbean. Tax reform and renewal of the fiscal covenant.'

The study's findings show that over the past decade (since 2002 in particular) most countries in the region have witnessed a substantial increase in their tax burden as a percentage of GDP. Alongside this, there have been far-reaching structural changes, including the consolidation of value added tax (VAT), a significant improvement in the share of direct taxes in total tax receipts, and a decline in tariffs on international trade.

A number of factors contributed to this increase in the tax burden (although conditions varied significantly from one country to the other), namely: stronger world economic growth; a steady rise in commodity prices; a favourable macroeconomic context; new taxes such as the tax on financial transactions or minimum taxes; cuts in exemptions or deductions; advances in tax administration; and a reduction in inequality accompanied by a rise in consumption. So, between 2000 and 2011, total fiscal revenues strengthened from 19.6% to 23.6% of GDP in Latin America and from 24.5% to 28.3% of GDP in the Caribbean; meanwhile the tax burden (excluding social security contributions) climbed from 12.7% to 15.7% in Latin America and from 19.3% to 23.0% in the Caribbean.

The size of the increase varied across countries. The greatest improvements in the tax burden (in the narrow sense of the term, i.e. without including social security contributions) occurred in Argentina and Ecuador and were equivalent to two or more percentage points of GDP in most countries. Nevertheless, progress was less significant in the group of countries (with the exception of Haiti) where the tax burden is lowest, while Venezuela and Mexico actually saw their tax burden (narrow sense) decline. From 2000 to 2011, VAT has continued to increase as a percentage of GDP across the region. During this period, the rate moved from 5.1% up to 6.7% in Latin America and from 5.4% up to 7.1% in the Caribbean. This continues a trend that began four decades ago and is one that has more recently been extended to intermediate and end services.

Initially, VAT was applied almost exclusively to physical goods and some end services and, since the 1980s, the overall rate has increased in almost all the countries in the region. In some cases, the difference in VAT proceeds (and productivity) is due to differential exemptions and treatments.

Income tax in Latin America (simple average) as a percentage of GDP is estimated to have increased from approximately 3.2% of GDP in 2000 to 4.9% in 2011; while in the Caribbean, it is reported to have gone up from 6.3% to 7.7%. The proceeds of this tax, and also its equity, have declined owing to: a bias that favours companies over natural persons; the significant number of exemptions and deductions; a high personal tax allowance; and the fact that it is a schedular tax. However, in the last five years, various income tax reforms have been introduced in Latin America and the Caribbean, with rate hikes in several cases and expansions in the tax base of income tax.

Some of the more recent reforms are characterised by two relatively new features. Several reforms were inspired by the dual tax applied in Scandinavian countries and

Uruguay (2007). The other innovative feature of the income tax system is the nascent practice of using tax as an instrument to boost formal employment by eliminating the surcharge on the payroll amount and obtaining funds which, as a result of this measure, were no longer being collected under the fixed assets tax.

Various types of empirical evidence suggest that there is reciprocal relationship between taxpayers and the state. This is reflected concretely in the fact that most households declare themselves willing to pay higher taxes provided there is an improvement in the quality of public services in the areas of health, education and public security, and that corruption is eradicated and tax evasion brought under control. In this regard, proposals to enhance this reciprocity by improving the quality of public management could be deemed helpful in promoting fiscal policy strategies (implicit or explicit fiscal covenants). However, some elements weaken this reciprocal relationship between citizens and the state. For example, when large swathes of the population have a tenuous or non-existent relationship with the state and feel that they derive no benefits from state services.

Based on proposals or reforms already implemented in the region – notably in Colombia – the first course would be to advocate tax reforms (especially with respect to direct taxation) that do not jeopardise formal employment. The second strategic direction would be to use a rights approach to strengthen the universal coverage of public expenditure and to establish sound, transparent and sustainable fiscal institutions. This could be reflected in structural rules for fiscal balance, medium-term fiscal frameworks, sovereign wealth funds, externalisation of fiscal revenue projections and the creation of independent councils for fiscal policy appraisal. Another strategic direction would involve further consolidation of the institutional framework responsible for taxation. In a number of countries, this has already given rise to significant advances in tax administration.

Lastly, advances must also be made in the sphere of horizontal equity (eliminating fiscal privileges and special exemptions) as well as in vertical equity, bearing in mind that taxation does little to correct the gaping inequalities that exist in the region. In countries like those of Latin America and the Caribbean where inequality is rife, public spending alone cannot be relied on to reduce inequality, but taxation must also play its part. Efforts to move forward in the sphere of taxation and fiscal policy in general inevitably generate disputes or differences.

As such, agreeing a social contract on fiscal policy calls for a long-term political vision to which the majority can subscribe and that can be gradually implemented and constructed. This vision will be subject to negotiations along the way, but it must not lose sight of its strategic and inclusive objective and must ensure a broad-based and constant reciprocity, based on equality between citizens and the state.

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Joint ITC / OECD Study on 'Tax and Development: Aid Modalities for Strengthening Tax Systems'

Taking a governance-focused tax agenda as a starting point, this joint ITC/OECD study analyses how international assistance providers – including OECD members, and international and regional organisations – can support the development of tax systems in developing countries. The study provides practical guidance for policymakers and practitioners based on the results of an extensive literature review, a survey of aid agency officials and six country case studies (Ghana, Guatemala, Liberia, Mali, Mozambique and Tanzania). It examines the aid instruments that donors use to assist developing countries including general and sector budget support, basket financing, stand-alone bilateral aid and the funding of south-south organisations.

The strengths and weaknesses of each modality for supporting tax systems are identified, and some 50 recommendations to support the development of effective, efficient and growth-oriented tax systems in developing countries are provided. The report was jointly commissioned by KfW (on behalf of the German Federal Ministry for Economic Cooperation and Development) and OECD and is now available at the OECD's online bookstore:

http://www.oecdbookshop.org/oecd/display.asp?lang=EN&sf1=identifiers&st1=5k9cr258pgjd

The full text can also be found on the ITC website:
http://www.taxcompact.net/studies-documents.html

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or Jonas Blume of KfW's Sector and Policy Division Governance: **jonas.blume@kfw.de**

Transfer Pricing Control in Latin America and the Caribbean

The CIAT Executive Secretariat, with the support of the International Tax Compact (ITC), has published a new study on 'Transfer pricing manipulation control in Latin America and the Caribbean'. The study has been released in Spanish and English.

The study systematically compares the legal framework in which tax administrations in Latin America and selected countries of the Caribbean operate regarding the control of transfer pricing.

Moreover, it analyses the existing administrative structures and processes in the field of transfer pricing control that are currently applied within the region's tax administrations. Finally, the paper discusses particular country experiences and best practices concerning the control of transfer pricing misuse.

Countries included in the analysis are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Panama, Nicaragua, Paraguay, Peru, the Dominican Republic, Trinidad and Tobago, Uruguay and Venezuela.

As a result, the study offers an in-depth analysis of the existing structures and processes that shape the efforts of tax administrations in the region to control the manipulation of transfer pricing. The paper is addressed to tax administrations and specialists interested in a comparative analysis of similarities, differences and recent regional developments in the field of transfer pricing control and tax policy.

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Estimating Tax Noncompliance in Latin America: 2000–2010

There is a broad consensus that many Latin American states need to increase their tax collection levels in order to be able to adequately provide the public services demanded by their citizens. Tax administrations in the region agree that reducing the high levels of tax non-compliance is a key factor in solving this problem. In order to adequately respond to this phenomenon, it is imperative to measure the extent of tax noncompliance. The underlying study, carried out by CIAT with the support of ITC, addresses this problem.

In order to better guide the actions required to tackle tax non-compliance, it is important to know the extent of the problem and its evolution over time. It is also important to be able to characterise in detail its components and to get to grips with the implicit subjectivity in how it manifests.

Since the 1970s, different methodologies have emerged for measuring tax non-compliance, all of which, with the passing of the years, have been applied by several developing countries and tailored to reflect their specific realities and the information available.

This study discusses these methods, pointing out their advantages and disadvantages, and highlights the major obstacles to overcome when applying them. In addition, quantitative information on tax non-compliance in Latin America is presented. The study assesses the tax non-compliance phenomenon for the period 2000–2010, so the information it provides is derived from recent work and from our own measurements.

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Outcomes of the Civil Society Conference 'Tax Justice – Human Rights – Future Justice'

In November 2012, a broad coalition of civil society organisations organised an international conference in Berlin to discuss how the tax justice agenda inter-links with the financing of human rights and eco-social fiscal reforms. A wide range of experts from civil society, politics and academia discussed how these three agendas could be jointly advanced.

The outcomes of these deliberations were subsequently published in three policy papers. The first in the series tackles the question of what alternatives to debt breaks and fiscal austerity – currently proclaimed as the solution to the sovereign debt crisis in European countries – can be found in 'tax justice' concepts. The paper by Nicola Liebert was published (in German only) in the Info Steuergerechtigkeit series by the Tax Justice Network Germany. It is available for download at:
http://www.globalpolicy.org/images/pdfs/GPFEurope/info steuergerechtigkeit007.pdf

The second policy brief, entitled 'Taxes and human rights', explores the question of what impacts fiscal policies – and, more specifically, tax policies – have on the fulfilment of and compliance with human rights obligations. The paper focuses on the problem of determining what a country's 'maximum available resources' is and how this can be collected effectively. Furthermore, it discusses whether tax evasion and avoidance and their underlying structures could be qualified as breaching human rights obligations. The paper is available for download at:
http://www.globalpolicy.org/images/pdfs/GPFEurope/info steuergerechtigkeit008e.pdf

The third paper, published in April 2013, deals with 'Environmental tax reforms in countries of the South'. It highlights challenges and opportunities, and goes beyond classic concepts of environmental tax policy by exploring the possibilities for 'eco-social fiscal reforms'. This approach seeks to combine environmental protection with human rights in the sphere of fiscal policy and to deliver coherent planning and policymaking. The paper is available for download at:

http://www.globalpolicy.org/images/pdfs/GPFEurope/info steuergerechtigkeit009e.pdf

The papers are available in English and German from the blog of the Tax Justice Network Germany:
http://steuergerechtigkeit.blogspot.de

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Workshop on 'Mobilising Domestic Revenue in Developing Countries'

On 26 September 2013, Germany's development institute, Deutsches Institut für Entwicklungspolitik (DIE) is hosting its third international workshop on 'Mobilising domestic revenue in developing countries'.

This event builds on the experience of workshops held in 2011 and 2012 where development scholars and practitioners discussed new research and policy trends in the area of 'tax and development'. In line with DIE's current research activities, the main topics this year will be the vulnerability and resilience factors of tax revenues in developing countries and the role of political factors in shaping revenue compositions. As in previous years, the event will bring together renowned international scholars, government officials and representatives of international and German development institutions.

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or visit the project website:
http://tinyurl.com/TaxProject

Conference on 'The Future of Taxation of International Companies – for a fairer Tax Policy', 19 June, Berlin

According to the OECD, internationally active companies often pay, in percentage terms, considerably lower taxes than companies that operate exclusively in their own country. This distorts competition, undermines tax morale, violates the citizenry's sense of justice and leads to massive tax losses. The EU estimates that, each year, its member countries are collectively deprived of tax revenues to the tune of around one trillion euros (with Germany alone losing about 150 billion euros). This is not only due to illegal tax evasion but also to the exploitation of legal loopholes. Legal tax reduction (also called 'tax planning') uses, among other things: different regional classifications of the same facts; different income taxation of individual species; and inappropriate intra-group transfer pricing, interest payments and license fees. The use of tax havens for intercompany cash flows is often just the tip of the iceberg. Although these techniques and strategies are mostly formal legal practices, they clearly contradict the intent of the tax laws.

With multinational companies' methods for tax optimisation becoming more and more aggressive in recent years, it is apparent to both national policymakers and OECD that urgent action is required. For this reason, OECD is currently working on a comprehensive action plan to be adopted in September by the Heads of State. We would like to invite you to a joint event of the DGB, Friedrich Ebert Foundation, Tax Justice Network, and World Economy, Ecology & Development (WEED) to discuss the future of taxation of international companies with experts from science, industry, associations and politics and to hear their ideas about delivering more equitable tax policy.

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