news and developments

in the field of tax and development

itc

international tax compact

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photo: Cia Pak

Welcome to the Latest Edition of the ITC Newsletter

Dear Reader

Tax and development continues to be high on the international political agenda. It is one of the main topics in Germany's G20 presidency in 2017, which began recently on 1 December. Domestic Revenue Mobilisation (DRM) will be emphasised during the G20 presidency with the aim to deepen international tax cooperation and ensure inclusiveness towards developing countries in order to promote a fair, transparent and effective global tax debate. It will be interesting to follow the debates, read about the outcomes and see where they lead.

With the official launch of the Platform for Collaboration on Tax in April 2016, the IMF, UN, World Bank Group and the OECD plan to intensify and formalise their cooperation on tax issues and it remains to be seen what benefits this new platform will deliver. As more and more development partners and partner countries recognise the importance of DRM coordination, its promotion will become even more significant for effective development cooperation.

Enhancing DRM remains a challenge for many partner countries, however. International assistance can be a powerful catalyst for DRM and can play an important role in building sustainable national revenue systems in partner countries. Policy coherence for development additionally needs to ensure that domestic policies pursue the objective of supporting improvements in revenue mobilisation in partner countries.

Bringing greater exposure to the perspectives of partner countries in the international tax debate is also critical. The ITC therefore aims to strengthen regional tax networks and increase cooperation with civil society organisations.

The articles in this newsletter provide short overviews 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 institutions and do not necessarily reflect the views of the ITC. If you have any questions or suggestions regarding the newsletter, or if you would like to contribute an article for the next issue, please do not hesitate to contact us.

Happy reading!

Jasmin Froehling, Coordinator ITC Secretariat

Upcoming Events

The ITC website features a calendar listing all DRM-related events, which can be accessed here.

We therefore strongly encourage all our readers to inform us about any forthcoming DRM-related events that are not yet listed in the calendar by emailing us.

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strengthening
effective, fair and transparent
tax systems

News From the Addis Tax Initiative

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership of development partners and partner countries that aims to catalyse significant increases in domestic revenue and improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. It was launched at the UN's Third International Conference on Financing for Development, held in Addis Ababa, Ethiopia, in July 2015. By signing up to the ATI, development partners commit to collectively double technical cooperation in the area of domestic revenue mobilisation (DRM) by 2020, whereas partner countries commit to step up DRM in order to stimulate development, in line with the ATI's key principles. All ATI signatories commit to ensure policy coherence for development. The ITC operates the ATI Secretariat and supports the ATI Steering Committee in implementing ATI activities and in monitoring progress made against meeting the ATI commitments.

2016 was a successful year for the Addis Tax Initiative. With tax figuring high on the international political agenda, the ATI received considerable attention and was established as the main vehicle for increasing support to DRM in international development cooperation and thus as an important means for financing the Sustainable Development Goals (SDGs). Preparations are under way for the first ATI Monitoring report, and moreover, the ATI is developing tools for improved coordination among development partners to make support for DRM more effective. Two ATI Side Events were held in the second half of 2016 and with Burkina Faso, Uganda and the Solomon Islands, three new countries have joined the ATI since July – expanding the membership to 37 signatory countries. As Secretariat to the ATI, the ITC extends a very warm welcome to these new partners and looks forward to working with them over the coming years.

Summary of the 2nd Meeting of the Signatories of the Addis Tax Initiative

The 2nd Meeting of the signatories of the Addis Tax Initiative was held on 19 October in Paris, France. At the meeting, the ATI Work Plan for 2016–17 was discussed. This document outlines the key priorities of the Addis Tax Initiative until the end of 2017. The work plan is available **here.**

The ITC gave an update on the reporting process for the 2015 ATI Monitoring Report which will be based on OECD DAC data, other official data and indicators for DRM-related activities, as well as on additional voluntary anecdotal contributions. The reporting process for this baseline report will commence with a Monitoring Survey as soon as the OECD DAC data on ODA (Official development Assistance) flows in 2015 has been finalised. All ATI members are highly encouraged to use this opportunity to showcase their progress against meeting the ATI commitments, and to share their success stories and any lessons learnt.

At the conclusion of the meeting, questions regarding the governance of the ATI and the future composition of the Steering Committee were also discussed.

For further information, please contact **Simon Blum**.

Engaged discussions at the ATI Side Event at the GPEDC HLM2 in Nairobi.

ATI Side Events at UN HLPF in New York and GPEDC HLM2 in Nairobi

Two ATI side events took place in the second half of 2016: On July 18 at the UN High-Level Political Forum in New York and recently, on November 30, at the Second High-Level Meeting (HLM2) of the Global Partnership for Effective Development Cooperation (GPEDC) in Nairobi, Kenya. While the discussions in New York centred on how partner countries can benefit from the Addis Tax Initiative, the focus of the event in Nairobi was on donor coordination and what the ATI's contributions here could be. The side event at the GPEDC HLM2 discussed effective development cooperation focusing on coordinated cooperation efforts. As a starting point for this discussion, the DRM Database currently being developed by the ATI was presented. This will be an important tool for improving coordination efforts in providing support for DRM in partner countries. The DRM Database will give an overview of technical assistance projects carried out worldwide in the area of DRM. The subsequent panel discussion focused on the current challenges to effectively provide support to partner countries in the field of DRM.

Both side events contributed to the visibility of the Addis Tax Initiative and highlighted the importance of domestic revenue mobilisation. More information on both events **is available on the ATI website.**

If you have further questions, please contact **Simon Blum**.

News from the UN Committee of Experts on International Cooperation in Tax Matters

The UN Committee of Experts on International Cooperation in Tax Matters met for its thirteenth session in New York from 5–8 December with Committee Members in attendance, as well as observers from countries, international organisations, non-governmental organisations, academia and business. This was the first time the Committee had met twice in a calendar year. In accordance with the commitment in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (2015), the Committee will continue to meet twice a year for four days each. Spring sessions will be held in New York (3–6 April 2017 – with a special tax themed meeting of the UN Economic and Social Commission to follow on 7 April) and autumn sessions will follow in Geneva (17–20 October 2017). This is in particular accordance with a request from the G-77 and China.

The December meeting was the penultimate one for this configuration of the Committee, and the primary focus was on approval of 2017 updates to the UN Model Double Taxation Convention between Developed and Developing Countries. With the new article to provide for source taxation of fees for technical services approved in October 2016, the main focus was on agreeing to changes, usually similar to those proposed under the OECD/G20 Base Erosion and Profit Shifting (BEPS) process which reduces opportunities for abuse of treaties by parties not intended to benefit from them.

Second, the proposed changes seek to ensure that the 'permanent establishment' concept (which is an indicator of economic engagement in a foreign country determining whether that country may, under tax treaties, tax the profits from such an engagement) is not abused by contract splitting or other means, to try to avoid the formal existence of a permanent establishment when one in substance exists. Discussion on some of the proposed changes will continue in April.

An area which received significant attention was on the coverage of international transport – shipping and air transport in particular. Changes were made to clarify the operation of Article 8 of the UN Model Tax Convention, which has special rules for taxing international transport of passengers and cargo designed to encourage such transport by providing generally only for taxation of profits by the home country of the enterprise, but allowing profits made in a country from some related activities to be taxed by the latter country. Clarification of where the line is drawn between taxable and non-taxable transport-related activities is an important area for the 2017 update of the UN Model. Discussion on some of the proposed changes will continue in April.

The final three chapters of the 2017 Handbook for Developing Countries on Selected Issues in Extractives Taxation were approved by the Committee (Permanent Establishments, Fiscal 'Take', and VAT Issues). This and other aspects of the Handbook will then be edited before printing. An extra chapter on transfer pricing issues in the extractive industries will be added if feasible. An update on the editorial process for the 2017 version of the UN Practical Transfer Pricing Manual for Developing Countries was also given.

There were presentations by a Swedish government expert and a staff member of the IMF on environmental tax options and issues for developing countries. Matters addressed included some background on the Swedish experience and its possible relevance for developing countries (including the distributional effects and ways of gaining public acceptance), as well as, in the IMF presentation, the issues involved for energy pricing reform, including the need to dismantle pre-tax energy subsidies and then apply corrective taxes.

An outline of UN tax-related capacity building work was given, including aspects of the work supported by GIZ. Papers and presentations can be found **here.**

For further information, please contact **Michael Lennard**.

New Policy Analysis: Options for Strengthening Global Tax Governance

The importance of global cooperation on tax issues is becoming more and more evident. Countries in the Global North and South alike have been shown to offer preferential treatment to foreigners: both individuals and huge transnational corporations are using a fragmented and inconsistently regulated global system of transborder taxation to evade and/or avoid taxes. The sums lost amount to hundreds of billions annually.

Among the latest efforts to curb losses from an eroding tax base, tax avoidance and evasion are those occurring under the roof of the OECD – most notably the BEPS (Base Erosion and Profit Shifting) process and the *inclusive framework* for its implementation – as well as reforms at the United Nations and the establishment of a Platform for Collaboration on Tax between the Bretton Woods Institutions, the OECD and the UN.

However, gaps in global tax governance remain, both in the institutional setting and with regard to substantive issues. For example, there is still no body with universal membership that could discuss issues of particular importance to countries in the Global South, such as the taxation of resource extraction, tax competition and preferential tax regimes or the source and residence principles.

In order to fill these gaps, either existing institutions need to be further developed, or new ones established, or both. In any case, a new body would have to perform certain functions and meet particular criteria with regard to composition. A new paper published by Friedrich-Ebert-Stiftung, MISEREOR and Global Policy Forum formulates options for achieving this.

You can download the full paper **here.**

For further questions, please contact the author of the paper, **Wolfgang Obenland** from the Global Policy Forum.


FRIEDRICH EBERT STIFTUNG

INTERNATIONAL POLICY ANALYSIS

Options for Strengthening Global Tax Governance

WOLFGANG OBENLAND
November 2016

- The importance of global cooperation on tax issues is becoming more and more evident. Countries in the global North and South alike have been shown to offer preferential treatment to foreigners: both individuals and huge transnational corporations are using a fragmented and inconsistently regulated global system of trans-border taxation to evade and/or avoid taxes. The sums lost amount to hundreds of billions annually.
- Among the latest efforts to curb losses from an eroding tax base, tax avoidance and evasion are occurring under the roof of the OECD – most notably the BEPS (Base Erosion and Profit Shifting) process and the »inclusive framework« for its implementation – as well as reforms at the United Nations and the establishment of a Platform for Collaboration on Tax between the Bretton Woods Institutions, the OECD and the UN.
- However, gaps in global tax governance remain both in the institutional setting and with regard to substantive issues. For example, there is still no body with universal membership that could discuss issues that are of particular importance to countries in the Global South, such as the taxation of resource extraction, tax competition and preferential tax regimes or the source and residence principles.
- In order to fill these gaps, either existing institutions need to be further developed, or new ones established, or both. In any case, a new body would have to perform certain functions and meet particular criteria with regard to composition. This paper formulates options for achieving this.

GPF MISEREOR IHR HILFSWERK

photo: Milton Grand (UN Photo)

Tax Justice Network Study: Global Taxation to Finance the Sustainable Development Goals

Education is a fundamental human right and a global public good. So how do we address the lack of financing for it around the world? This month the UN Education Commission published their report on financing the Sustainable Development Goals (SDGs), including a background study from the Tax Justice Network on the role of global tax policy change.

The study, developed with the support of ActionAid and Oxfam, and written with Prof. Steven Klees, notes that tax revenues in most lower-income countries have failed over decades to converge towards OECD country levels, for two main reasons. One, the relatively consistent advice from international organisations following a 'tax consensus' that neglected direct taxes; and two, the global failure to challenge tax havens.

Revenues losses due to multinational corporate tax manipulation are estimated at around $600 billion annually. Losses on income taxes due to undeclared offshore wealth are estimated to approach $200 billion. A global financial wealth tax, as suggested by Thomas Piketty, could cover the estimated requirement for additional public financing of the SDGs if levied at just 0.01% annually.

The main recommendations concern coordinated international action to ensure the availability of information for national or global taxes, with the following measures likely to have high benefit to cost ratios and to be relatively readily achievable:

- **Publication of country-by-country reporting on the OECD standard (with later changes possible), from all MNEs**
- **Public registers of ultimate beneficial ownership of companies, trusts and foundations**
- **Comprehensive, automatic exchange of financial information between jurisdictions**
- **A global, public registry of financial wealth**

To support each of these, and provide space for policy discussions that reflect non-OECD priorities equally, the final recommendation is for the creation of a meaningfully resourced, globally representative, intergovernmental tax body.

The full study is available **here.**

For further information, please contact **Alex Cobham**.

The Tax Justice Network's Proposals for Effective Beneficial Ownership Registration

Central and public registries of beneficial owners of legal persons (e.g. companies) and arrangements (e.g. trusts) are the most effective way to ensure that tax evaders, corrupt officials and money launderers will not be able to hide behind opaque entities, nominees or bearer shares to keep engaging in illegal activities. These registries would also help cross-check and complement the information that will soon be automatically exchanged under the OECD's Common Reporting Standard (CRS).

The world is moving towards that direction. In 2014 the G20 published the High Level Principles on Beneficial Ownership Transparency. In 2015 the European Union approved the 4th Anti-Money-Laundering Directive establishing central registries of beneficial ownership for companies and some trusts. After the Panama Papers, the European Commission is proposing to amend the EU Directive and enlarge the scope of covered trusts. It also proposes public access for most types of entities' beneficial ownership information. In 2016 the UK made available an online registry of beneficial owners of companies. In relation to developing countries, the Global Forum's new terms of reference for the peer reviews will also start looking into the availability of beneficial ownership information.

In spite of this progress, some definitions of 'beneficial owner', even under the Financial Action Task Force (FATF) Recommendations, contain loopholes regarding thresholds and the possibility to name a senior-manager as a beneficial owner. For this reason, the Tax Justice Network (TJN) published two papers, suggesting amendments to fix the loopholes in the FATF Recommendations and the EU Directive with regard to **companies** and **trusts**. In the case of trusts, there is disagreement even within the civil society about what types of trusts to register and which related parties of a trust should be considered a beneficial owner. For this reason, TJN also published **the case for registering trusts – and how to do it.**

Until central and public registries of beneficial ownership are available everywhere, each country should ensure that only companies and trusts that registered their beneficial owners will be allowed to operate in their territories. In order to promote this, TJN has co-organised two regional events in Argentina in **2015** and **2016**, bringing together civil society organisations, journalists and public officials from the tax authorities, commercial registries, financial intelligence units, etc. from many Latin American countries.

For more information on registries of beneficial ownership for companies and trusts, please contact **Andres Knobel**.

Women's group in Bangladesh supported by Oxfam and partner SUPRO to work on fair taxation, April 2016.

Fighting Inequality Through Tax and Budget Work

Recently, Oxfam and its partners developed a new programme called Fiscal Accountability for Inequality Reduction (FAIR-EiU). Through FAIR EiU Oxfam uses fiscal justice to tackle inequality, advance people's rights and reduce poverty. The programme builds on a solid track record, which highlights the influencing and capacity building work Oxfam and partners are implementing in 35 countries around the world. Part of our previous work has been done with the support of the International Tax Compact since 2012.

Historically, Oxfam's campaigns have been developed on the basis of knowledge and understanding we gained from our programmes. FAIR-EiU strengthens the connections between influencing work at country level and Oxfam's global *Even It Up!* Campaign. This campaign aims to change the terms of global debate on inequality, whilst campaigning for fairer tax policies and advocating against corporate tax evasion.

Tax avoidance by multinational firms now starves developing countries of approximately $100 billion per year. Oxfam research shows the lost revenue from wealthy African individuals' use of tax havens would generate enough money to easily ensure an education for every child, and to pay for the healthcare that could save the lives of 4 million children in Africa. Tax dodging is damaging not just because it denies governments and citizens their rightful revenue for schools and hospitals and roads. It also undermines the trust between citizen and government that's essential for development. The best way to get more out of development cooperation is to ensure that other policies are not working against it. This is why development cooperation needs to walk hand in hand with a reform of the global tax system.

Investing in developing countries' tax systems is not enough on its own. It is crucial to include the voices of citizens and civil societies. Their voices can make a difference in ensuring that powerful companies and individuals pay their fair share of tax, and that public spending goes for quality public services. This is why Oxfam helps citizens from across the world organise and use fiscal justice tools such as budget monitoring, budget tracking, and advocacy.

Please find more information **here**
or contact **Stefan Verwer**.

Tobacco Taxation: A Unique Tool for Development

Tobacco taxation is a unique tool for development. It is the only instrument able to reduce morbidity and mortality and at the same time inject resources into the government budget instead of draining funding from it. It's a win-win for both public health and fiscal policy.

The revenue potential of tobacco taxation is staggering. Countries throughout the world already collect USD 328 billion per year from cigarette excise taxes. If all countries were to raise cigarette excise by the equivalent of around USD 0.8 per cigarette pack, then an extra USD 140 billion in tax revenue could be generated globally. Furthermore the tax induced increase in cigarette prices will lead to as many as 66 million fewer smokers reducing the risk of morbidity and mortality.

The revenue generation aspect of tobacco taxes has been strongly recognized in the Addis Ababa Action Agenda. Intriguingly, tobacco taxation is the only tax recognised in the Addis outcome document.

But the positive impact of tobacco tax increases is not just a theoretical element taking into account by the international community during high-level meeting. It has been proven in many countries including, in different regions and with differing levels of development and technical capacity, most recently in the United States, the European Union, China, the Philippines, Gambia and Kenya. These examples have shown how raising tobacco taxes can provide governments with a source of long-term financing for sustainable development, boosting the economy and freeing up resources to support fragile health systems. Increases in real prices of tobacco products have the greatest impact on young people, women and the poor, leading to better health and socio-economic outcomes.

Developing countries themselves are committed to increase their tobacco taxes and the World Health Organization is working with many, specifically in Africa and Asia, to offer technical assistance. At the WHO we know the high impact and the positive return on investment of technical assistance. This needs more recognition and for that reason we greatly value the Addis Tax Initiative and the effort that the Initiative is doing offering a platform for donor countries, international organisations and developing countries to work together to increase domestic revenue mobilisation.

For further information, please contact **Marta Guglielmetti**.

Tax Inspectors Without Borders Announces new South-South Partnership Between Kenya and Botswana

Segolo Lekau (Commissioner – Domestic Taxes BURS, left) and Benson Korongo (Commissioner – Domestic Taxes KRA, right) signing the letter confirming the KRA-BURS co-operation

Tax officials from Kenya and Botswana have agreed to a landmark tax assistance project that marks the first South-South co-operation pact under the Tax Inspectors Without Borders programme. Under the new partnership, experts from the Kenya Revenue Authority (KRA) will provide technical assistance on audits of multinational enterprises to counterparts in the Botswana Unified Revenue Service (BURS) starting in early 2017.

Direct assistance in audits is a cornerstone of the **Tax Inspectors Without Borders** (TIWB) project, which was launched in July 2015 by the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP) as an innovative attempt to address widespread tax avoidance by multinational enterprises in developing countries. The programme aims to boost domestic revenue mobilisation, which is seen as a key element towards financing the UN's Sustainable Development Goals. Eight pilot projects – in countries spanning the globe from Africa to Asia and Latin America – have resulted in more than $260 million in additional tax revenues to date.

The new Kenya-Botswana co-operation agreement was announced during a seminar on domestic revenue mobilisation organised by the OECD and the African Tax Administration Forum (ATAF), in the margins of the **2nd High-Level Global Partnership for Effective Development Co-operation meeting** in Nairobi, Kenya.

'The challenges of building fair, effective and efficient tax systems that can deliver the resources needed to meet the UN Sustainable Development Goals are far bigger than any one organisation,' OECD Secretary-General Angel Gurría said. 'We are proud of the concrete results that the Tax Inspectors Without Borders programme is achieving, and remain even more ambitious for the future. By ramping up our already close co-operation with ATAF, we will spread the learning-by-doing approach to further South-South co-operation and help ensure that multinationals operating in Africa pay their fair share of tax.'

The Kenya-Botswana partnership follows several years of growing international co-operation on tax and development issues in Africa. This includes efforts by OECD, in partnership with ATAF and the World Bank, to boost transfer pricing capacity in developing country tax administrations, as well as programmes designed to improve the legislative, regulatory and administrative ability to effectively deal with international tax issues. OECD and ATAF have also pledged to work together to identify other instances for Africa-Africa co-operation under the TIWB initiative. 'As the lead player in African tax matters, focussing on the building of capacity in tax administration, the African Tax Administration Forum is committed to work with the OECD in the Tax Inspectors Without Borders initiative,' said ATAF Executive Secretary Logan Wort. 'The exchange of tax audit experts in timely and targeted interventions is particularly commendable. ATAF applauds the co-operation between Kenya Revenue Authority and Botswana Unified Revenue Service, which lays the foundation for inter-African capacity exchange as supported by ATAF and TIWB'.

For further information, please contact **Joseph Stead**.

CREDAF
Gains Strength

2016 has been a very successful year for the CREDAF, The Exchange and Research Centre for (Francophone) Tax Administrations Leaders.

In addition to the international meetings and the technical works on tax matters, the partnership with the international organisations has been developed and the Secretariat has been strengthened. The CREDAF tackled cross-disciplinary themes such as transfer pricing, reimbursement of VAT and repayment of tax arrears as well as human resources and training. Indeed, the CREDAF held its Annual Symposium from 23 to 26 May 2016 in Libreville, Gabon, on HR management strategies. It was followed by a 'training of trainers' seminar on the reimbursement of VAT credits in Morocco in September. Three 'seminars of directors' were organised in Senegal, Guinea and Madagascar on capacity strengthening tools for tax reforms, repayment of tax arrears, as well as transfer pricing and exchange of information (in collaboration with the OECD), respectively.

One of the most striking achievements of the Centre is the development of its partnerships with international organisations on one hand, and with academic institutions on the other hand. In addition to the partnership with the OECD, a new cooperation agreement with the UNDP 'Pole for Strategies of Development and Public Finance' of Dakar was signed in February 2016 in Dakar, Senegal. Moreover, the CREDAF joined the OECD Committee on Fiscal Affairs last April as observer.

The expansion of the Centre is going to continue next year, with new partnerships that are about to be finalised with the 'Ecole supérieure des Mines de Paris' (Mining School of Paris) and the 'Fondation d'études et de rencontres sur le développement international' (The Foundation for International Development Study and Research, Ferdi). Talks are also in progress with the International Organisation of Francophone Countries (OFI).

Important international meetings have been organised recently with CREDAF partners. The first regional workshop for francophone countries on the BEPS inclusive framework, organised jointly with the OECD, took place in Tunis and the second workshop on domestic resource mobilisation, in collaboration with the network of Low Income Countries' Ministers of Finance, was held in Abidjan. The CREDAF actively contributed to the success of these events through both financial and technical support.

At last, at the technical level, the CREDAF has worked on a practical guide on extractive taxation, which will be presented in Lomé, Togo, in May 2017. Furthermore, a new guide on collecting tax in times of crisis will be launched in 2017.

To conclude, 2016 is viewed as a turning point and confirms the increasingly important role of the CREDAF in the international tax cooperation. The development of the CREDAF activities moreover led the organisation to recruit a new tax advisor, a senior official of the Senegalese tax administration.

For further information, please contact **Didier Cornillet**.

CREDAF delegates at the Annual Symposium in Libreville, Gabon, May 2016.


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Briefing Paper 21/2016

The Mobilisation of Sub-National Revenues Is a Decisive Factor in the Realisation of the 2030 Agenda.

Summary

In 2015 the global community committed itself to an ambitious programme of reform. Achieving the Sustainable Development Goals and implementing the resolutions of the Paris climate conference require that great efforts are made – including those of a financial nature. Many states will have to ensure that untapped or barely used sources of income are developed.

Sub-national units such as provinces, departments, districts, and cities will play an increasing role in the mobilisation of public revenues. They are also in the forefront with regard to realisation of the global reform agenda, as many of the objectives concern classic areas of activity of local government: schools, basic medical care, local road construction, public transport, construction of social housing, the supply of drinking water and disposal of waste water, refuse collection etc. These services are already the responsibility or co-responsibility of sub-national units.

The mobilisation of revenues at sub-national level is therefore not only a financial necessity, it is also prudent from a development policy perspective: if the users and funders of a good match, there is a greater likelihood that the preferences of citizens will be observed and the use of funds monitored. In addition, local taxes and levies are often paid by a broad circle of citizens and companies. This serves to strengthen the relationship between governments and the governed.

One thing should be clear in this: although many countries will exploit the scope for collecting local taxes and levies in the future, this potential is nevertheless limited. Many sub-national units will remain dependent on transfer payments from the central state. Cities, districts and the middle tier cannot solve the funding problem of the states on their own. However, they can help to place the provision of public services on a broader foundation of legitimacy and, in co-operation with the national level – for example via the exchange of information – improve fiscal policy as a whole. Consequently, they also contribute to overcoming problems of fragile statehood.

5th International Workshop on Mobilising Domestic Revenue in Developing Countries

On 13–14 September 2016, the German Development Institute (DIE) organised its 5th International Workshop on Mobilising Domestic Revenue in Developing Countries in Bonn. Against the backdrop of the first anniversary since formal adoption of the Sustainable Development Goals (SDGs) this year's workshop focused on 'Implementing the 2030 Agenda – The role of subnational taxation'.

The occasion offered a splendid opportunity to discuss and share impressions on the contribution that subnational taxation can make – not only in the implementation of the 2030 Agenda but also in the debates around the Third United Nations Conference on Housing and Sustainable Urban Development (Habitat III) that took place in Quito in October 2016.

Ms Marion Fleuth-Leferink (Federal Ministry for Economic Cooperation and Development, BMZ) and Ms Julia Leininger, Head of Department Governance, Statehood, Security at DIE opened the workshop emphasising the increasing relevance of taxation in the international agenda and the role that taxation can play in enhancing development and democratic governance. After the opening addresses, Mr Ehtisham Ahmad, visiting professor at the London School of Economics and the Centre for Development Research in Bonn gave a keynote presentation in which he outlined the untapped potential of subnational taxation as well as the challenges that countries and donors face in exploiting it.

The subsequent panel discussions and presentations focused on the political economy of fiscal decentralisation reforms and local taxation. Discussions highlighted that the incentives for policymakers at different levels of government are not always well aligned to foster the efficient and effective use of the existing revenue sources. In addition, tax competencies are not always granted to the most appropriate level of government. One session focused on how urbanisation is increasing the fiscal needs of cities in developing countries while at the same time strengthening highly attractive taxes for local governments such as the property tax. Also the specific challenges that local taxation faces in fragile contexts, as well as the need to improve the reliability of tax data were addressed in individual sessions. The workshop closed with a panel on the approaches that different international donors and implementing agencies are employing to work in this area and to deal with the various challenges enumerated above.

The detailed agenda including the presentation slides can be downloaded here.

A policy brief based on the theses and recommendations discussed in the scope of this workshop can be found here.

The DIE, with the support of the BMZ, plans to continue this workshop series in the following years. For further information, please contact Armin von Schiller.

Civil Society Urges Development Banks to Increase Tax Transparency

On 10 November 2016, Eurodad and Oxfam-IBIS organised an international conference on responsible taxation in development finance. The conference, which took place in Brussels, focused specifically on the role of Development Finance Institutions (DFIs) and brought together stakeholders from across the development community, including officials from the World Bank, Inter-American Development Bank, the Dutch Development Bank FMO and the UN. One of the key topics of the day related to how DFIs should increase the tax transparency surrounding their investments, particularly when it comes to public country by country reporting and public disclosure of beneficial ownership data.

This debate is not new to us. Already in 2014, Eurodad published a report entitled **Going Offshore**, which highlighted that DFIs continue to invest in and partner with companies that use secrecy jurisdictions, without compensating for this with a level of transparency that removes any suspicion of tax evasion or aggressive tax planning. Civil society organisations have repeatedly argued that this kind of behaviour cannot be tolerated. As public institutions with a development mandate, DFIs should go beyond commercial practices and develop and implement ambitious policies to ensure that the companies they invest in and partner with (for example in the case of investments through financial intermediaries) demonstrate responsible tax practices.

Thus, we – together with many other civil society organisations – urge DFIs to only invest in, or partner with companies that are willing to publicly report on a country by country basis the value of their assets, sales and purchases, profit or loss before tax, tax on profit or loss, number of employees and public subsidies received. This would allow stakeholders to assess to what extent aggressive tax planning strategies seem to be in place and whether profit shifting is happening. Similarly, DFIs should only rule clients eligible for public support if they are willing to make beneficial ownership information public before project approval. In other words: if DFIs truly want to be additional, they should lead by example.

For further questions, please contact **Mathieu Vervynckt**.

Tax Administrations of the Caribbean Gather to Discuss Tax Compliance Risk Management

Hosted by the Guyana Revenue Agency (GRA), and delivered in collaboration with CATA, the OECD, the World Bank, CIAT and the Canada Revenue Agency (CRA), the workshop entitled 'A Practical Approach to Risk Assessment in the Caribbean Region' took place in Georgetown, Guyana October 4–6, 2016.

A representative of the IMF's Caribbean Regional Technical Assistance Centre (CARTAC) also participated in the activity, along with officials from areas dealing with risk assessment from the tax administrations of Antigua and Barbuda, Barbados, Trinidad and Tobago, Saint Lucia, Dominica, St. Kitts & Nevis, Grenada, Belize, and a significant number of officials from Guyana.

The need to maximise the use of limited resources and increase revenues to support government programs has made the tax risk assessment process a strategic priority of tax administrations. Through a combination of presentations, case studies and interactive discussions, participants and presenters explored a variety of issues related to tax risk assessment – including information sources, risk assessment models, IT solutions, and key challenges associated with the SME sector. Moreover, the topics discussed in the workshop dealt with tax regulations, the identification of and access to sources of information, tools and techniques, as well as strategic, cultural and regional aspects that affect the risk management process.

The participants showed great commitment and interest in the practices discussed and in replicating them where appropriate in their respective areas in the interest of strengthening their tax administrations. This activity is an excellent example of cooperation and coordination between tax administrations and international/regional organisations to strengthen tax administration capacity in the region.

For further information, please contact **Gonzalo Arias** or **Duncan Onduru**.

CIAT Technology Meeting Held in Miami

The CIAT Technology Meeting gathered tax administrations, software development technological firms, international organisations and cooperation agencies related to CIAT and was held in Miami, United States, on October 10–12, 2016. The event was made possible with the co-sponsorship of the International Tax Compact (ITC). This first CIAT Technology Meeting was focused on the best technological practices and their implementation in the global tax market. The initiative was a response to the request by the CIAT member countries for an event focused exclusively on how technology can improve and facilitate greater effectiveness and efficiency in tax administration.

Representatives of 40 countries from 5 continents and some 20 companies from the software industry which totaled over 250 participants were present in the event. It was structured on the basis of technical sessions – presentations and panel discussions, as well as exhibitions in the companies' stands of computerised products and applications that support tax management. Electronic invoicing and the automatic exchange of tax information were among the most relevant topics considered in the agenda.

For further information, please contact **Socorro Velázquez**.

ITC Parallel Session: Information Technology in Tax Administration in Developing Countries

During the CIAT Technology Meeting 2016, which was co-hosted by the ITC, the ITC held a parallel session on 'Information Technology in Tax Administration in Developing Countries' featuring the presentation of the ITC/KfW study of the same name and followed by group discussions.

Participants were provided with an overview on the most important integrated software solutions for tax administrations and learned about experiences in 13 developing countries with IT-based tax reform.

Enthusiastic discussions evolved around questions like 'How do I find the best technological solution and develop the right implementation strategy?', 'How do I anticipate potential mistakes that might imply heavy additional investments?', and experiences of factors for successful tax administration modernisation programmes were exchanged among the more than 60 participants from various countries.

For further information, please contact **Sarah Adelberger**.

6th Meeting of the CIAT Tax Studies and Research Units Network

On August 23 and 24, 2016, the 6th Meeting of the CIAT Tax Studies and Research Units Network was held in Lima, Peru, under the topic 'Estimating the Tax Gap in Latin America'.

This event was co-organised by the National Customs and Tax Superintendence of Peru (SUNAT) and ECLAC, and was sponsored by the German Cooperation (GIZ). The meeting brought together delegates from 14 CIAT member countries and was attended by representatives of ECLAC, the IMF, IDB, World Bank, OECD and CIAT among others, who during these two days shared their experiences in this field.

For further information, please contact **Marcio Verdi** or **Francisco Beiner**.

Summer Course 2016–2017: Tax & Development

The Summer Course 2016 on Taxation and development took place on 15–19 August 2016 on the picturesque Bohinj lake in Slovenia. This was the first of the annual events organised by the Policy Research Center s.r.o. with the objective of gathering together professionals working in national and international development agencies, NGOs, journalists, policy-makers and researchers active in the sphere of tax and development. The initiative resulted in a successful start and attracted the interest of the public, promising a fruitful sequel and more collaboration in the coming years.

The programme of the Summer Course provided analyses and technical explanations of current taxation issues relevant in the development agenda in different countries and continents. It facilitated in depth discussions of issues and country practices between trainers and participants on topics related to tax development agendas such as the mobilisation of domestic resources, local and property taxation, extractive industry taxation and issues of international taxation including the BEPS project and

public country-by-country-reporting. Participants in the course found its programme interesting and useful, leaving many positive, but also constructive comments.

‘I especially liked that the course was very informative and extremely interactive. I loved its focus on developing countries! The experts of the course easily broke down the complex technical issues thus making concepts easy to understand – I believe this was what made the course excellent. I believe my expectations were more than met. Thank you very much! I have learnt a lot and will definitely be back in the future and potentially work together on developing capacity and training initiatives in Swaziland’. *(Nsizwa Mutasa, Swaziland Revenue Authority, Swaziland)*

The programme combined different methods and techniques including high-level and overview sessions organised in the mornings and in depth seminars, workshops and panel discussions in the afternoons on the relevant topics. These were based on participants’ preferences and had the ensured the breadth and depth of the programme.

Next year a similar course will take place in picturesque *Bled in Slovenia*, from *28 August to 1 September 2017*. For more details about the programme, reservation of places and cooperation matters please **contact the organisers** and **visit the webpage**.

Barbados Hosts the 37th CATA Annual Technical Conference

The 2016 CATA Annual Technical Conference was held in Bridgetown Barbados from 7 – 11 November. Hosted by the Barbados Revenue Authority, the conference was attended by over 140 delegates from the Commonwealth member countries including specially invited guests from various regional and international tax organisations, as well as representatives from the private sector.

Under the theme of ‘Enhancing Tax Compliance through Strategic Alliances’ the participants discussed issues around the exchange of tax information as part of building strategic alliances, along with ways of enhancing voluntary compliance through the adoption of a ‘cooperative compliance’ model.

In a communiqué issued at the end of the conference, the members reiterated that ‘closer partnership with regional and international tax organisation together with joint action by the Commonwealth member tax administrations in the ongoing international discussions (on tax issues) will help countries respond better in their obligations as well as in implementing some of the proposed recommendations arising from those discussions’.

For further information, please contact **Duncan Onduru**.

CATA’s Executive Director Duncan Onduru addressing the opening session of the Conference

CIAT, Supported by GIZ and SAT of Mexico, Develops a Network of Experts in Tax Risk Management

On July 11–13, a workshop on ‘Models of Tax Noncompliance Risk’, was organised jointly by the Inter-American Center of Tax Administrations (CIAT), the Tax Administration Service (SAT) of Mexico and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) of the Federal Republic of Germany. Participants from the various tax administrations exchanged knowledge, best practices and experiences aimed at detecting and mitigating the risks of tax noncompliance and at the same time developing strategies for understanding taxpayers’ behaviours and, when appropriate, promoting a shift towards compliance processes.

The final session of this workshop identified a first project to be addressed by the network of experts in tax noncompliance risk management. This project was formally established at the end of the workshop and realted to the production of a first Handbook on Risk Management.

This activity was made possible thanks to the participation of the tax administrations of Argentina, Australia, Barbados, Bermuda, Brazil, Chile, Colombia, Costa Rica, Cuba, El Salvador, Ecuador, Spain, Britain, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Uruguay; the financing of GIZ of Germany and the support provided by the SAT of Mexico. The works that will be addressed through the Network during the next two years will be financed by the GIZ-CIAT Cooperation Agreement.

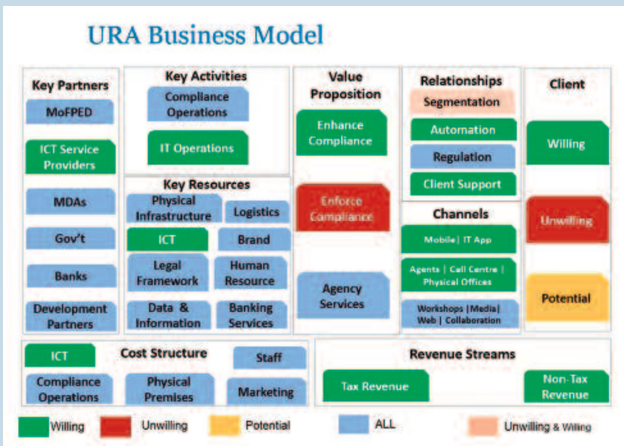
For further information, please contact **Gonzalo Arias**.

Guiding Tax Administration Strategy Formulation – the Uganda Revenue Authority Business Model

Global trends continue to reflect slow absorption of research and development innovations into operations – especially in government agencies. The leadership and management of the Uganda Revenue Authority (URA) has resolved to defy this status-quo.

The innovation drive has seen the authority most recently adopt the Business Model Generation (BMG), a strategy formulation framework of the Strategyzer Institution (Yves Pigner and Alexander Osterwalder). While BMG concepts provide a general picture to guide the formation of the model (what we do, how we do it and with whom do it), the URA management with support from internal URA functions defined the URA Business Model in a span of 3 months (October – December 2016). In a nutshell, the model reflects what URA does, how it does it and with whom.

The URA’s business model has been used as the guiding approach in the formation of URA’s strategy for the financial year 2016–17 to 2019–20, with emphasis on a paradigm shift in client service delivery through getting to know the clients better. The model identifies the 9 critical elements (clients, the value proposition, channels, client relationship, revenue streams, key activities, key



resources, cost structure and key partners) that the URA must focus on in driving compliance yet deliver excellent services to clients with purpose and passion. The model further integrates these critical elements that interplay in delivering services to clients (taxpayers) which in turn generate revenue.

In addition to its simplicity, the model compliments other strategy formation frameworks such as the Balanced Scorecard (BSC). The model was aligned to the BSC during the formation of the URA strategic plan FY16/17–19/20.

URA management continues to deploy robust change management initiatives as a way of building capacity about the model, guarantee its usage, and solicit feedback. Through performance tracking its contribution to revenue is gauged, lessons derived will be used to innovate the model further as a way of advancing tax administration in URA and other revenue agencies.

The URA Business Model provides a new wave of innovation in Tax administration (compliance management) from which other revenue agencies can borrow a leaf.

For further information, please contact Ms **Stella Maris Nambaziira**, the Manager Enterprise Architecture, Research Planning and Development Division at Uganda Revenue Authority.

Enhanced Cooperation of Tax Administration Networks

On October 13, subsequent to the CIAT Technology Meeting in Miami, regional tax networks came together to hold their first meeting and to kick-off an enhanced cooperation. Representatives from tax network secretariats discussed how effectiveness and efficiency can be improved by collaborating and sharing information.

The African Tax Administrations Forum (ATAF), the Commonwealth Association of Tax Administrators (CATA), the Inter-American Center of Tax Administrations (CIAT) and the Intra-European Organisation of Tax Administrations (IOTA) attended the meeting. Participants agreed to enhance cooperation, communication and collaboration to deliver improved services, new products and information to their members and decided on next steps in order to formalise the agreement through a Memorandum of Understanding.

The ITC will support the regional/international tax networks in their coordination efforts by building the 'hub' for their enhanced cooperation, facilitating meetings and assisting wherever needed and requested.

For further information, please contact **Sarah Adelberger**.

New Team Member

The International Tax Compact is expanding – in July another new colleague joined the ITC. Tabea Kaderli holds an M.Sc.in Economics from Lund University where she wrote her thesis on tax morale. Previously she has worked on policy evaluation projects for an evaluation, research and consultancy company and as a research assistant at the University of Lucerne.